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## Regional features of attracting foreign investments into the Russian economy

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### Abstract

Aspects of investment attractiveness of subjects of Russian Federation, where the mode of Special Economic Zones (SEZ) is applied, are reviewed in this article. Emphasizing the importance of foreign direct investment for overcoming the technological gap from the leading world economies, the authors discuss several SEZs selected for reasons of uniformity of their socio-economic status and purpose of creating SEZ mode in them. One of the main purposes for establishing the SEZ mode is the creation of investment attractiveness for projects, being implemented in these regions. Special Economic Zones of Technical Innovation Type (Tomsk), industrial type (Samara, Ulyanovsk, Elabuga) are analyzed in this article because these are the types of SEZ modes where borrowing is supposed, as well as introduction and development of modern technologies. In large-scale projects planned by the Government in these areas, participation of small businesses is almost ignored, which, from the point of view of the authors, harms the investment attractiveness of the projects. Identification of regional special characteristics of investment attractiveness of studied objects is carried out in comparison with the state of small business in these areas. Importance of small business development in the creation of a favorable investment climate is shown.

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### 1. Introduction

In one of his speeches, Director of Macroeconomic Research of High School of Economics (HSE) Sergei Aleksashenko named Russian industry as archaic. The Russian economy is in dire need for modern technologies. Existing technological gap in the industrial sector as well as in most other sectors of economy puts Russia at a disadvantage under the inevitable integration of Russia into the world economy and general civilization process. Russia's integration into the global economy, where the success of development is largely determined by a competitive industrial production, is passing against the background of complex political differences with the leading developed economies. However, no country can effectively solve its problem of economy modernization in isolation. Creating its own modern technological base without borrowing of advanced technology – is an impossible task.

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Borrowing technology is possible by purchase, by theft, by mutual exchange during implementation of joint projects, or as part of direct investment. The first three ways of borrowing 'Western' technologies are extremely difficult or completely closed for Russia in coming years. Also it is important to note that borrowing technology was not very successful before the introduction of sanctions against Russia either.

Few people today would not agree with the fact that foreign direct investment is a strategic factor for modernization of Russian economy. Despite the significance of today's commodity sector of the economy, despite the importance of the financial sector, only modernization of the real sector of economy will make it competitive. Russian leadership tries and puts a lot of effort to overcome the painful factors of economic transition, including the process of attracting foreign investment. Among these efforts is the creation of Special Economic Zones (SEZ).

## 2. Review of related research

A Special Economic Zone is defined by government of Russian Federation as a special part of Russia's territory, where a special mode of doing business is being applied (Federal Law "On Special Economic Zones in Russian Federation» N 116-FZ, July 22, 2005).

The tasks to be solved by Special Economic Zones include:

- transition from raw material export economy to a high-tech production inherent to innovation economy;
- development of industries with a high degree of processing and creation of favorable conditions for doing business in the development and production of competitive high technology products and services;
- development of port facilities and port services competitive with foreign analogues;
- development of tourism and sanitary resort activities;
- simplification of administrative regime for doing business and improving investment climate;
- ensuring competitiveness of Russia in the world community and its equal position.

There are four types of SEZ created in Russia:

- Industrial;
- Technical-implementation;
- Port and logistics;
- Tourism and recreation.

In this article we consider only the industrial SEZs. In Russia, there are five industrial SEZ - "Alabuga" in Elabuzhsky region of Tatarstan, "Lipetsk" in Griazinsk district of Lipetsk region, "Togliatti" in Stavropol region of Samara region, "Pskov" in Pskov region and "Titanium Valley" in Sverdlovsk region.

SEZ creation is not an invention of Russia. SEZs were created long time ago and are being created in the world nowadays. Goals of creating SEZ are not always the same. In developing countries, in contrast to industrialized countries, the emphasis in creating SEZ is to attract foreign capital, technology, industrial modernization, training of the workforce (Frolova T.A., 2010).

In Brazil, the country in many ways similar to Russia (according to the global rating agency Standard & Poor's, level of investment attraction in Brazil is similar to Russian), 30 years ago a free zone "Manauas" was organized in the impenetrable forests of Inner Amazon, which allowed to emerge more than 400 enterprises (which means - 400 residents) in the wildland, and this also gave jobs to more than a million of people. SEZ residents who placed their plants were LG, Siemens, Bosh and others.

In China, SEZs were the most important factor in the economic boom. Only in the last 20 years China has invested more than \$ 120 billion. Dollars in 37 SEZ (Andreeva A., 2006), which on average is 100 times more than Russia.

Table 1. The basic parameters of Russian industrial type of SEZ dated by may 2014, provided by Hubprom portal

|             | Investments, mln. rubles |             | Area, ha | Vacant plots, ha | Number of residents |
|-------------|--------------------------|-------------|----------|------------------|---------------------|
|             | planned                  | implemented |          |                  |                     |
| SEZ Lipetsk | 17 789                   | 7 533       | 1024     | >400             | 23                  |
| SEZ Alabuga | 83 211                   | 16 439      | 2000     | >1000            | 42                  |
| SEZ Moglino | 2 881                    | -           | 215      | >180             | 1                   |

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