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## Regional strategic priorities identification approach

Aliya A. Shugaepova, Dilyara I. Ravzieva<sup>1</sup>

*Kazan Federal University, Kremlevskaya, 18, Kazan, 420008, Russia*

*Kazan Federal University, Kremlevskaya, 18, Kazan, 420008, Russia*

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### Abstract

The article is devoted to the methodological aspects of world commodity markets, regional export portfolio analyses and regional strategic management. The methodology aimed to detect priority directions of region's export development, identify probable scenarios of the export portfolio strategic diversification and to work out an approach of designing the portfolio of types of economic activities, ensures the implementation of region's strategic priorities. It includes the competition analysis in the major export and import world markets. Priority in the strategic perspective commodity groups are estimated by indicators of contribution to the region economic growth, their possibility of joint export to concentrated product markets.

**Keywords:** competitiveness; regional development; export; import; commodity groups; type of economic activity; labor costs; production allocation.

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### 1. Introduction

Present macroeconomic situation characterized by the number of trends at the international and domestic markets. Russian Federation and regions within its territory are refer to intense processes of globalization and glocalization increasing economic openness of countries and regions. One of the main task, explaining the necessity of assessment and analysis of competitiveness factors, socio-economic development, investment attractiveness and business activity of regions, is selecting the direction of regional economy growth. Today regions as quasicorporations strive to increase their budget profitability in foreign economic areas. Creation a proper local and international development strategy of the territory and economic activities (EA), localized and formed its industrial basis, makes the issues of selection and formation of the main directions for region export development fundamental. Outlining priority directions of export development has also an influence to the diversification of export portfolio of region. This may have effect on depending of regional economy on the priority sectors, which is one of the key factors of the region sustainable economic growth model.

As there are variety of approaches and models of regional development, each proposes its own interpretation of conceptual construct of the regional strategy development and its own tools for assessing the competitive socio-

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\* Corresponding author. Tel.: +79178774035.

E-mail address: [a.shugaepova@gmail.com](mailto:a.shugaepova@gmail.com); [9dilyara@mail.ru](mailto:9dilyara@mail.ru)

economic situation in the region and the direction of export strategy. With a variety of tools of qualitative and quantitative evaluation the only similarity of regional planning approaches is the necessity to identify strategic waymarks.

The need in the approaches of defining the priority directions of regional economy's development, as declared at the federal and regional levels, the lack of formed long-term development policy, the need to enhance and balance the regional economies determined the relevance of the theme, settled goals and objectives of the study. The methodology of world commodity markets and regional export portfolio structural analyses which aims to identify attractive and perspective directions of export development of region is put forward in the present paper.

## 2. Theoretical basis of the research

Outlined approach of factorial sign's structural diagnosis for economic activities development at the industrial and regional levels, in one hand allows to distinguish the regional strategic priorities and to select the areas with the most attractive conditions for the production placement; in other hand to identify the key export commodity groups combined into portfolio.

Various aspects of the internal and international economic activity of regions widely reflected in the research of scientists of different scientific schools [3, 5, 7, 9, 13, 15]. Questions of identifying directions of export development in order to make it most profitable investigated in the works of such authors as R. Hausmann, B. Klinger, D. Rodrik, N. Volchkova and others [1, 4, 5, 6, 14, 15, 23]. However, the theory that is being researched, in our view, requires detailed study and lighting in modern literature.

Presented in this article methodology is based on the classical theories, modern concepts and methods of assessment of export potential and perspective export commodity groups, as well as the approaches of modern authors to the analysis of economic activity of economic entities [1, 4, 6, 8, 9, 12, 19, 23].

Considering the international aspect of regional development on the space of cross-border market there are number of theories should be noticed as a base for further study and development.

Issues connected with structural transformation of exports (analysis of transformation directions) in order to make export more profitable and increase the GDP per capita in the country or region are reflected in the works of Hausmann R., Klinger B., Rodrik D. [13, 15]. This concept presupposes approach of related diversification, which implies that the export commodity groups in some way connected with each other in the structure of export portfolio. And this is determined by similar resource requirements and technological cycle in production of commodity groups. On the basis of this approaches we will make forecast of potential export directions.

In scientific works of R. Hausmann, J. Hwang and D. Rodrik potential commodity groups for exports are estimated for their quality, which means their assessment on profitability (contribution to GDP of the country or region) [1, 12]. D. Lederman and U. Malone note the importance of diversification of the export structure, i.e. the number of exported goods, not only their "quality" [19].

Considering the internal or domestic aspects of regional development within the territory of the country there are also researches and scientists suggesting various instruments of assessment the region's potential and production location.

The regional policy in the field of economic development should be built on the basis of existing environment's conditions and potential development capability as a number of authors notice [7, 20]. The composition of the prioritized economic activities (EA) are used to focus on the existing (core) industries that are traditionally operate in the region.

Assuming the region as a quasicorporation, general theories regarding corporate management might be applicable and the portfolio theory could be applicable as well for determining the optimal combination of available investment assets based on their characteristics and trends at the relevant markets [11, 16, 7, 21].

An important criterion of portfolio designing is determining the proportions between investment objects with different characteristics. For the regional level, these characteristics presume a compromise between capital-intensive, labor-intensive, capital productivity, capital-labor ratio, etc. That said the presence of unique competitive advantages, contributing to the development of similar EA in the region, presume the optimal amount of costs at the favorable market environment that are provide the greatest return from placing EA productions at the territory of the region. For the international level, the approach is mainly refer to the analysis of the export potential of the country

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