Development of sustainable investment climate in the boundary region through implementation of the cluster mechanism (by the example of Smolensk region)

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Abstract—The article studies and analyzes some theory and methods to increase competitiveness and investment attractiveness of a boundary region, systematizes the research results depicting the actual image of Smolensk region as a strategically important border region. The article further reveals the factors contributing to the region’s potential growth and development of the sustainable investment climate and investment attractiveness. In particular, it sets forth the geography that accounts for the possibility of the region being viewed as the shortest route from Russia to Europe; the region’s logistics is characterized by a well-developed transport infrastructure; the region’s economic potential enables vacant investment sites and preferences for investors.

Keywords—border region, competitiveness of a region, region’s investment attractiveness, image of a region

I. INTRODUCTION

Any region wishing not only to consume but also to supply markets with own produced goods should be attractive enough from the investment point of view and should have a favorable image that would strengthen its competitive positions both on the domestic and international markets.

The region’s favorable image itself is the keystone for developing and further growth of the competitive gain both of the economy sectors and of the region as the market participant.

To enhance competitiveness and improve the region’s investment attractiveness we must concentrate on the unprejudiced vision of the region’s actual image as long as the first original impression will be defining for success of further development processes, especially in the part of the external contact audience capture.

II. METHODOLOGY

In this paper we offer analysis of different factors which together make up the investment attractiveness of Smolensk region, gives recommendations for designation of the region’s positive image in terms of investment attractiveness promotion since the region has for a long while been demonstrating insufficient investment and, accordingly, competitive level notwithstanding its (the region’s) high natural resources potential, vast historic cultural heritage and favorable geographic position.

The problem of the sustainable investment climate development has been analyzed within the framework of both regional and industry systems [1, 2, 3, 4, 10, 11, 12, 13, 17, 18, 22, 21, 26, 27, 28, 29, 30].

In this context Smolensk region has been studied within individual industries [5, 9, 15, 16, 24]. It should be mentioned that at present there still lack investigations of the integrated development directions of investment climate in the region. This paper aims at filling in the existing gaps.

III. RESULTS

Smolensk region appears to be one of the regions providing the main access for the Russian Federation to the countries of near and far abroad. Thus the region is challenged look for further growth and development prospects by means of increasing the investment attractiveness and competitiveness.
The region has all the necessary factors and premises to become a fully valid member of the cross-frontier trade operations with other western regions of the Russian Federation, with the Republic of Belarus, Baltic countries, Central and Western Europe. These are: the established logistics and logistical material base (road and railway networks: Trans-European railway “Moscow-Minsk-Berlin-Paris”, International Road “Moscow-Minsk” (Federal Highway M1), Transport corridor “St. Petersburg-the Caspian”, planned transport route “Europe – Western China[20], the Baltic pipeline system, two airdromes (reconstruction and modernization of the above would facilitate long and short haul carriages and passenger traffic, including international transport), customs and warehouse terminal networks).

We believe that one of the development directions contributing to the competitiveness and investment attractiveness of the region is the cluster formation processes[6, 7, 8, 23, 25].

Taking into account the above factors and premises for the region’s development and for improving its competitiveness and attractiveness, the major prospective lines to form the regional cluster which will ensure the positive image-building of the region, are defined as following: tourism cluster, agriculture cluster and logistics cluster.

The modernized international, federal and regional road network and the existence of the logistic distribution centers would facilitate development of the suggested clusters on the territory of the Smolensk region, assisted by the region’s authorities.

The tourism cluster is widely used as an instrument for tourist-recreational planning and territorial organization of tourism. The region may be most attractive from the point of view of the travelling development that is quite understandable if we recall the region’s rich historic and cultural potential. Smolensk region is a unique region of Russia that is simultaneously near-capital and near-border. The region occupies an advantageous transit position in the leading transport corridors passing through European Russia and takes neighbouring position to the densely populated areas and countries of Europe[25].

We should point out that no other region of the Russian Federation is characterized by such a high territorial accessibility for people from the Republic of Belarus, that predetermines developing both the border tourism and the prospective international tourism.

The unique geographical features of Smolensk region explained by its near-capital location, define two more prospective directions for developing the region’s tourism sector: these are business tourism combining business events with quality touristic and excursion services, and gastronomic tourism emphasizing the traditional Smolensk cuisine[23].

It should be noted that easy access to the well-run transport corridors ensures development of the huge touristic and recreational potential of Smolensk region that may become one of the biggest tourism cluster of the Central Federal District of the Russian Federation if modernized and upgraded carefully; it would create additional workplaces, facilitate redevelopment of the territories of the municipal units, in other words, it would result in the socio-economic effects and would open the economy of the region making it attractive for investors.

The authorities acknowledge the importance of tourism development in the region, since March 2019 the industry has been governed by the Department for Investment Development of the region [19].

Nevertheless, the potential alone is not enough for the formation of the investment attractiveness of the region, for improving its competitiveness both on the domestic and international markets.

The tourism sector is also prospective as it offers possibility to attract not only budget funds but also private ones. Within the concept of “hospitality industry” introduction of the tourism cluster should ensure development of the tourism industry comprising not only traditional routes of the region’s center and the adjacent to the main roads touristic attractions but also appearance and launch of the new ‘author’ tourism products at the inter-municipal, trans-regional and international levels.

Meanwhile, the advantageous geographical position creates some extra opportunities for the region’s development.

For example, the development of the agricultural cluster aims at rehabilitation of flax cultivation [14]. Taking into consideration all the peculiar features of the Smolensk region’s geography and the specificity of its socio-economic development we can say it is the flax production that may become the economic driver of the region. Among other flax-cultivating areas of Russia the Smolensk region ranks the highest (1.65) in the integral index estimating the natural conditions for the fibre flax production, it also ranks second in the gross yield of fibre flax in Russia. The innovation potential of the flax cluster consists in application of fibre flax in the production of composite materials in the shipbuilding, engineering, aircraft and spacecraft manufacturing.
Judging from the above data and provided that the production plans are being implemented, the industry being upgraded (equipment and technology upgrade, staff skills upgrade, innovation, etc.), we can say that figures in the flax segment and in the whole region’s economy will grow year by year. If the flax cluster develops properly and rationally and the problems are timely dealt with, the Smolensk region can not only regain its leading position in the fibre flax market. Such a cluster will facilitate the economic activities, buildup of reserves for modernization and future development of the road network which is a necessary condition for introduction of the logistic cluster into the region’s economy.

TABLE I. PRODUCTION POTENTIAL OF THE FLAX CLUSTER IN THE SMOLENSK REGION [14]

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2015</th>
<th>2017</th>
<th>2018</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
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<tbody>
<tr>
<td><strong>Flax planted area, thousand ha</strong></td>
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<tr>
<td>Innovative scenario</td>
<td>3.9</td>
<td>6.6</td>
<td>7.2</td>
<td>7.7</td>
<td>8.5</td>
<td>9.4</td>
<td>10.4</td>
<td>16.8</td>
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<tr>
<td>Business as usual’ scenario</td>
<td>6.6</td>
<td>6.9</td>
<td>7.3</td>
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<tr>
<td><strong>Gross yield of flax, thousand tons</strong></td>
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<td>Innovative scenario</td>
<td>1.8</td>
<td>6.75</td>
<td>7.36</td>
<td>8.47</td>
<td>9.49</td>
<td>10.97</td>
<td>12.48</td>
<td>20.47</td>
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<td>Business as usual’ scenario</td>
<td>5.95</td>
<td>6.30</td>
<td>6.76</td>
<td>7.23</td>
<td>7.81</td>
<td>8.52</td>
<td>9.51</td>
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<td><strong>Gross yield of flaxseed, thousand tons</strong></td>
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<tr>
<td>Innovative scenario</td>
<td>0.94</td>
<td>1.69</td>
<td>1.93</td>
<td>2.16</td>
<td>2.48</td>
<td>2.87</td>
<td>3.32</td>
<td>5.59</td>
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<tr>
<td>Business as usual’ scenario</td>
<td>1.57</td>
<td>1.64</td>
<td>1.87</td>
<td>197</td>
<td>2.10</td>
<td>2.33</td>
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<tr>
<td><strong>Profitability of production and marketing of flax produce, %</strong></td>
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<td>Innovative scenario</td>
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<td>Business as usual’ scenario</td>
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The havoc of the road constructions is explained not only by the above defects in them and by the heavyweight transport traffic but also by the elevated humidity conditions and rapid change of temperature (zero crossing is marked 40 to 80 times a year) characteristic of our climate zone and posing serious difficulties for the good quality road maintenance in accordance with the international standards.

The issue of sufficient funding to provide current activities, buildup of reserves for modernization and future development of the road network is of vital importance too. Lack of funding leads to the road repair works falling far behind the road havoc, this creates in its turn difficulties for the public roads development which is a necessary condition for introduction of the logistic cluster into the region’s economy.

One of the priorities to develop the concept of the regional logistic cluster in Smolensk region is incorporation of the region into the system of Eurasian transport network, this presupposes modernization and complex evolution of the road network including capacity growth of the roads of the federal importance which pass through the region’s territory, capacity growth of the roads of the regional importance, abandonment of ‘bottlenecks’ near the transport hubs, improving quality of the road bed, development of the roadside furniture, etc.

In our opinion, the regional logistic cluster must sum up enterprises of the small and medium-sized business, research and educational institutions, combined on the account of their proximity and functional interdependence in terms of cargo and passenger logistics on the region’s territory; the activity of the above would be coordinated by the state authorities in the region and by the local government bodies (represented by the corresponding institutions).

The control for efficient application of the granted investment resources is to be assigned to the executive bodies of the state and local government which are competent to...
represent the region as an entity of the regional logistic cluster.

Introduction of the cluster mechanisms will ensure the accessibility of the region’s economy, it will increase the volume of cargo and passenger traffic through the region’s territory, boost the receipt of funds in the regional revenue budget and decrease the budget deficit; it will support realization of the regional social policy, enhance the investment attractiveness and possibilities for the long-term partnership relations. The improvement of the social infrastructure will be an additional bonus and will directly lead to building up of conditions for sustainable growth and evolving of the region, enhancing the quality of life and decreasing the migration of the workforce.

IV. CONCLUSION

The conducted research revealed the following.

The Smolensk region as an investment object has a number of advantages, among them: favorable border position, natural resources potential, accumulated historical capital, human capital; the region is undoubtedly attractive in terms of future investing that allows for considering it as one of the most lucrative.

Presently emphasized are such directions of regional development as hospitality industry (hotels, coffee shops, restaurants, museums, etc.) and regional logistic system (road and transport infrastructure).

Introduction of the cluster formation principles into the building up of the sustainable investment climate of the border region will allow for the integration of efforts of the state and local government bodies, private business and academic research aiming at the goals of regional economic and social policies, thus contributing to the region’s favorable brand name, growth of the region’s competitiveness and consequently to the investment attraction.

REFERENCES


