Adapting Peculiarities of the Altai Region to Changes in the Environment External

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The authors attempt to disclose the specifics of the adaptation of the Altai Region to the external challenges and threats specific to different stages of economic development. The initial level of socio-economic development of the Region prior to market reforms is characterized. Specific contradictions of regional reproduction process are revealed. Factors, contributing to the cumulative effect of the regional economy decline, are specified. The status of intra-regional environment at the stages of transformational crisis (1992-1998), recovery growth (1999-2007), the crisis of 2008-2009, the crisis recovery (2010-2012) and the structural crisis of the economy (2013-2016) is assessed. The conclusion about the overlapping of the key trends of socio-economic development of the Altai Region and Russia is made. The features of the development of the region and their causes are given. The authors formulated a number of conclusions of conceptual nature for the formation of scientific basics of the Region development strategy for the period till 2035.

Keywords: Altai Region, development trends, region, industry, economic stagnation, regional economy.

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Introduction

The issues of increasing the effectiveness of strategizing and the real use of the Region Strategy as a tool for regional planning do not disappear from the pages of our leading regional studies journals.

Without pretending in any way to fully cover the entire set of strategizing issues, the authors focus mainly on the need to take into account the so-called “prehistory” of the Region.

In our opinion, it is difficult to give a scientifically grounded assessment of the long-
term prospects for regional development without a deep insight into the new, “market” history of the region, without revealing the origins of its present state and without characterizing the main stages of the regional economy development.

The purpose of the research, the results of which are partially outlined in this article, is to identify the transformational shifts that have occurred in the Altai Region in a quarter of a century of market transformations.

Radical market reforms that entailed the crisis of the entire economic system of Russia affected the economy of the Siberian Federal District and, in particular, the Altai Region, to a much greater extent than of the European regions of the country.

In fact, the main factors of economic growth and the problem of their mobilization in Russia (inflation rate, key rate, ruble exchange rate, investment rate, etc.) are formed, as is known, at the macro level. Such problems of development as underfinancing of production and social infrastructure, the condition of fixed assets, the absence of significant investments, excessive spatial differentiation of the economy, social differentiation, etc. are typical for all regions, though expressed in various extents.

Consequently, the development of the regional socio-economic system and its competitiveness cannot be considered and, most importantly, assessed outside the broader Russian context. In other words, structural changes taking place at the regional level and “modernization shifts” in the economic and social spheres of the Region, considered in the context of its competitive advantages formation, cannot be understood and explained, not mentioning the forecasts, without understanding the all-Russian trends and the specific situation at every stage of economic development.

The aforementioned information gives us certain grounds to assert that under the structural crisis conditions the economy of the Region turned out to be more adapted, in comparison with the average Russian region, with a less pronounced reaction to the economic environment deterioration. On the other hand, the above facts evidence, first of all, that due to the structural features of the economy the Region has been drawn into the crisis more slowly than Russia.

In general, the Region development at the present stage of post-crisis development can, in our opinion, can be assessed as positive. The main thing that was achieved in the difficult conditions of the structural crisis of the economy is not to allow the risk of serious destabilization of the socioeconomic situation in the Region and uncontrolled development of events. Despite the difficult general economic situation in the country, the Region managed to maintain its position in key industries – manufacturing and agriculture.

In our opinion, we should not expect a complete reversal of the negative trends that characterize the structural crisis of the economy under the conditions of the braking mechanism noted above. Exactly the same as a significant reduction in the differences at the level of social and economic development of the Altai Region, the SFD regions and Russia that have developed over the years.

**Statement of the Problem**

At the beginning of the market reforms, the Altai Region had its definite place in the all-Union division of labor, which enabled it to play a significant role in the Russian economy. According to the data from the Business Information Agency, in 1990, among 74 regions of Russia, in terms of the total social product, the Region occupied the 22nd place, in the national income – the 25th place, in the national income used for consumption and accumulation – the 18th place, in industrial production – the 24th place, in

In terms of rates of economic development, the Region also did not drop out of the total number: in 1990 the aggregate social product grew by 7% in the Altai Region, in the Novosibirsk Region by 12% and in the Omsk Region by 4.7%.

The features of the Altai Region were associated with the nature of the reproduction process. By the early 90s of the 20th century it was characterized by a number of specific regional contradictions, including:

− chronic financial dependence on the center;
− relatively low efficiency of material production, determined by the production facilities obsolescence and decrease in the benefit from its use;
− small and dispersed settlement structure;
− delay in the development of the non-productive sphere of the Region from the levels achieved by Russia and Western Siberia, etc. (Trotskovskii, Chertov, 2003).

Essentially, the accumulation resources were received by the Region externally from the state budget, and the main directions of state participation in the Region development were connected with the agro-industrial complex and the industries that ensure its functioning. With this in mind, the most important function of the Altai Region in the system of interregional division of labor was production and supply of food to the industrial regions of the east of Russia.

For the Altai Region, at the start of market reforms, there was an unfavorable combination of the main factors of regional development, which caused the cumulative effect of the economic decline of the Region.

One of the most important factors that negatively affected the development of the Region’s economy was the low share of the fuel and energy complex, which in 1992 was 7.1% in the structure of the Region’s industry, compared to 23.3% for the national economic complex of the country as a whole and 61.1% for the West-Siberian economic region. The Region received almost a half of the electric energy by overflow. At the same time, its production at the enterprises of the Region was carried out on the imported fuel and, as a result, one of the highest tariffs for heat and electric energy in the region were established.

The second factor is relative remoteness of the main productions of the Region from the raw materials and consumers of products, which determines the high degree of dependence of the competitiveness of the region’s products, even on the domestic Russian market, on transport tariffs.

The third most important factor is the structure of the Region’s industry that is “unprofitable” in the context of the break-up of cooperation relations: the total share of agricultural machinery industry, light industry and defense enterprises that are most vulnerable to the crisis, amounted 71% in the structure of the Region’s industry.

Finally, the fourth factor limiting the competitiveness of the Region’s economy is the high proportion of low-efficiency agricultural production in the sectoral structure of the Region.

A retrospective analysis conducted by the Institute of Economics and Industrial Engineering of the SB RAS demonstrated that in the 1970s of the 20th century the Region was a part of a group of regions with a slowed down, inertial development of industry, unsustainable dynamics of agricultural production, and shrinking new production construction. The growth rate of the gross social product was 5% compared to 6% for the country as a whole, with a more drastic slowdown in subsequent years.
Market Transformation of the Altai Region

The analysis of transformational shifts in the Altai Region’s economy showed that the trends of socio-economic and demographic development of Russia and the Region coincide in their main features. This is a natural consequence of the single economic space formed in Russia. At the same time, when the trends coincide at different stages of the economy, asynchronous development takes place in certain years. Its typical manifestation is a different rate of the processes flow, which generates a mismatch in their time and depth.

When entering the market and at the stage of the transformational crisis the Region, in comparison with the regions of Russia, is characterized by a deeper decline, determined by the sector specificity of its economy. At the lowest point of the fall, that took place in 1998, the index of the physical volume of the gross regional product of the Region in comparison with Russia decreased 3.3 times in comparison with 1994 (Fig. 1). It took the Altai Region 12 years to reach the pre-crisis level, and an “average Russian region” – 6 years. The contribution of the Altai Region to Russia’s gross regional product declined from 1.1 % in 1994 to 0.9 % in 1999 (Trotskovskii, Perekarenkova, 2015).

The entry of the region into the market was accompanied by a serious deterioration in the state of the intraregional environment, which limited the opportunities for the development of industrial and agricultural enterprises located in the territory of the Region. The loss of the positions, reached in the beginning of the reforms in the Russian economy, demonstrated a relative weakening of competitive advantages and a decrease in its competitiveness.

The agrarian specialization of the Region in these years was, in a certain sense, its competitive advantage, which ensured relative stability of its development. While the industry of the Region was characterized by a collapse in production (in 1998, compared to 1991 about 70 %), the production of gross agricultural output was reduced to a much lesser extent (29.6 %). The “closeness to the land” of the national economy of the Region leveled their negative consequences in the early years (and in the future) of radical reforms, made it possible not to aggravate the socio-political situation in the Region with lower incomes of the population than in the country and neighboring regions and save costs associated
with public investment in the agricultural sector development, etc.

At the initial stage of recovery growth (1999-2004), the prerequisites for the transition of the basic sectors of the Region economy to sustainable development and increasing the competitiveness of the Region as a whole were never formed.

In the industry of the Region this manifested itself: firstly, in the low competitiveness of the industrial enterprises products of the Region (the share of the competitive enterprises is about 8-10 %), the lack of the necessary conditions for a significant increase in their competitiveness in the long run due to the accelerated withdrawal of fixed production assets; secondly, in a low level of investment demand, obsolete material and technical base of industrial production with an extremely high (more than 70 %) share of technological equipment that has been in operation for more than 15 years; thirdly, in the reduction of the fixed assets use efficiency, high material consumption and an increase in energy intensity of products and low profitability, insufficient to ensure expanded reproduction, etc. (more details, for instance, (Borodin, 2001)).

In the agricultural sector of the Region, despite the growth in the volume of gross agricultural production and financial indicators, there has not been dramatic improvement in the situation of agricultural producers. The burning issue remained the lack of own working capital for seasonal financing of production, connected with the inaccessibility of bank loans and high accounts payable. Purchases of new agricultural machinery, vehicles and equipment have been drastically reduced, capital investments in the development of the social infrastructure of the village have ceased, and the increased lack of demand for labor potential has caused high unemployment in the village (Kurtsev et al., 2005).

The final stage of the recovery economic growth (2005 – early 2008) can be considered as the beginning of a new stage of its development. Since 2005, there has been an increasing process of constant investment growth: in comparison with 2000, the rate of investment growth in 2005 was 1.8 times, in 2006 – 2.2 times, and in 2007 – 2.7 times. The intensity of fixed assets renewal has increased. The coefficient of fixed assets renewal in 2005-2007 was, respectively, 2.5, 2.7 and 3.0 (Investitsionnaia deiatel’nost’…, 2011). However, compared with the previous period, fixed assets in the Region were used less efficiently (Protsessy vosproizvodstva…, 2010).

As a result of the steady demand for labor in all the economy sectors, there was a steady increase in employment in the Region and in Russia as a whole that continues until the new economic crisis (Rynok truda Altaiskogo kraia…, 2010).

Positive trends in the economy development beneficially affected the income of the population: real incomes of the population in 2008 increased by 1.7 times compared to 2004.

In general, the economy of the Altai Region, at the final stage of recovery growth, can be characterized as a period of partial recovery. However, the steady growth of the economy was not accompanied by a significant increase in its quality, which is necessary for the formation of competitive environment of the Region.

The crisis of 2008-2009. Downward trends in this period development are typical both for Russia and the Region. A feature of the latter’s development is a slower entry into the crisis in the first half of 2008, and its more rapid escalation in the second half.

The first year of the crisis for the Region, judging by the results, was of a contradictory nature. The dynamics of the Region’s development in the previous period had a positive impact on a number of key indicators of its development: the
output of goods and services by the basic types of economic activity, the volume of industrial production, and foreign trade turnover increased. The growth of real disposable incomes of the population increased.

On the other hand, stagnation and further recession in the second half of 2008 affected the slowdown in the growth rates of a number of key industries and areas: most of all construction, industrial production, investment in fixed assets, retail trade turnover, etc. The labor market of the region significantly responded to the crisis as well. The total number of the unemployed increased by 28.6 % (with a decrease in the number of unemployed in 2007 by 26.8 %).

The second year of the crisis is the year of a full-scale recession in the economy of both the country and the Region. The vast majority of industries (with the exception of agriculture) are characterized by negative growth rates. The gross regional product in the Region decreased in comparable prices by 5.3 % (in Russia – by 7.6 %), output of goods and services by the basic types of economic activity – by 4.7 %.

Analysis of the results of the Region’s development in the crisis period is of interest from the point of view of its competitiveness assessment. It is at the “break” of the economy that both strong and weak aspects of its development are visible. In the 2008-2009 crisis, two interdependent branches provided the relative economic stability of the Altai Region: agriculture and manufacturing (food production, including beverages and tobacco; wood processing and wood products and chemical production).

The industry of the region turned out to be among the sectors most affected by the crisis. Along with that, the rate of decline in industrial production in the Region was 1.8 times less than the average for Russia, which indirectly indicates that the region’s industry, albeit at the cost of large losses, went through the hard way of adapting to the new market realities.

The social sphere of the Region was particularly vulnerable and less resilient to the external shocks: the proportion of the population that had incomes below the subsistence minimum increased from 20.1 % in 2007 to 24.4 % in 2009. The unemployment rate in the Altai Region was significantly higher than in Russia on average: in selected months of 2008-2009 the excess of the indicator of total unemployment reached 1.7 times and on official (registered) unemployment – 2.3 times.

The development of the Region at the stage of the crisis recovery (2010-2012) is characterized by three distinctive features.

The first of them is in the higher rates of restorative growth of the real sector of the economy. Production of industrial products in the first year of post-crisis development compared to 2007 was 115.9 % (in Russia – 96.4 %); agricultural production – 105.9 % (in Russia – 99.7 %); cargo turnover of public transport 106.1 and 96.7 % respectively.

Here, the effect of a whole complex of causes was manifested, an important place among which was occupied by the so-called scale effect. Regions with a relatively small economy overcame the crisis in the first place. It is also impossible to ignore the activities of the regional authorities in the anti-crisis programme implementation (Regional’noe i munitsipal’noe…, 2016).

The second distinctive feature of the recovery period is less intensive restoration of the labor market stability in comparison with Russia. The situation on the labor market of the Region at the initial stage of recovery from the crisis compared with the all-Russian remained more complex: the level of total unemployment in the Altai Region was 8.8 % in 2010, which is 1.3 p.p. above the national average (Rynok truda Altaiskogo…, 2010).
Finally, the third feature is the lower, in comparison with Russia, rates of monetary incomes stabilization and the level of consumption of the population, which does not exclude a noticeable growth in various indicators of the standard of living. In 2012, compared to the first year of the crisis, the salaries of employees increased by 40%, pensions by 2.2 times and disposable household resources on average for 1 household member – by a third.

Despite the fact that in 2010-2012 the Region managed to reduce the poverty level of the population by a higher than in Russia rate (3.3 p.p. compared to 1.8 p.p. respectively), the gap remained notable: the share of the population below the poverty line in the Region in 2012 was 20.6% (in Russia – 10.7%).

However, annual growth of real monetary incomes by 1.8-4.7% in 2008-2012 did not allow compensating a sharp (by 14%) drop in the incomes of the population in 2009. Compared to the beginning of the crisis, the real disposable money incomes of the region’s population decreased by 4.2%, and the share of the population with incomes below the subsistence level increased by 6.3% (Denezhnye dokhody…, 2010).

It is obvious that the state of the labor market, the level of the population incomes and the consumer market development are the factors that affect the attractiveness of the Region as a place of residence, and therefore, its competitiveness adversely.

_The development of the Region under the structural crisis conditions (2012-2016)_ also generally took place within the framework of all-Russian trends, which lie in the dampening nature of economic growth.

The trend of accelerating restoration of investment activity, typical for the post-crisis recovery of the economy in 2010-2012, came to its end already in 2013. If in 2010-2012 the growth rate of investments in fixed assets were 114% on average, then in 2013-2015 only 96.5% (in the first half of 2016 – 88.5%) (Investitsii v osnovnoi capital…, 2015). A similar picture is typical for Russia as a whole.

“Squeezing” of the revenues of the budgets of all levels in the context of the transition from the post-crisis recovery of the economy (2010-2012) to its stagnation, which continues up to the present day, noticeably reduced the investment potential of the Altai economy and the opportunities for stimulating economic growth in the Region at the expense of budgetary funds. For the period of 2013-2014, in comparison with the previous two years, financing of federal target programmes from the federal budget resources decreased by 1.4 times in the average annual calculation and capital investments from the regional budget resources – 2.5 times.

Under the structural crisis conditions, the economy of the Region as a whole, in comparison with the average Russian region, turned out to be more adapted, with a less pronounced reaction to the worsening of the economic environment, as evidenced by the growth of the Region’s gross regional product in 2013 against the fall of Russia’s gross regional product (from the total of regions).

The engines for growth of gross added value in the Region were agriculture, trade, manufacturing industries, real estate transactions, rent and provision of services. They accounted for more than 62% of the gross added value of the Region.

In general, the development of the region at the present stage of post-crisis development (2010-2016) can, in our opinion, be assessed as positive. The main thing that was achieved in the difficult conditions of the structural crisis of the economy is to prevent the risk of serious destabilization of the economic situation in the Region, to support the development of the social sphere and social.
infrastructure because of available limited resources and, most importantly, starting from 2009, to reverse the increasing tendency of the Region’s underrunning from the average Russian indicators in terms of dynamics of the GRP physical volume index.

Conclusions

The analysis of the Region’s development in 1991-2016 allowed to briefly formulate a number of conceptual thesis for the scientific foundations formation of the Strategy for the Region Development.

1. The prospects for the development of the Altai Region economy are mainly determined by two key factors.

The first of them is relatively low starting positions of the Region before market reforms and a dramatic, much deeper in comparison with Russia, slowdown of the Altai economy in the period of entering the market.

The second factor is the “unprofitable” for the Region structure of the economy, along with the increased redistribution of the economic potential of Russian regions.

As a result, as shown by numerous studies, there has been an increase in the spatial heterogeneity of the country and concentration of economic potential in the most developed regions.

For the Altai Region, this situation means deterioration in the prospects for its development, which currently involves firstly, a significant reduction of the Region’s role in the Russian economy in a number of key indicators (gross regional product, volume of industrial production, investment, etc.), and secondly, the preservation of disproportions in the economic and social development of the Region.

As a result, the key risks and constraints in the Strategy of Social and Economic Development of the Altai Region for the period till 2025, especially the risk of technological backwardness, have become sustainable and remain relevant for the medium and long term.

2. The development of the Region is characterized by the appearance of a number of objective features that change the situation for the medium-developed regions (including the Altai Region) for the better.

First of all, it is the growth of the anchor industries importance (first of all, agriculture) in the new economic and political realities.

For the Strategy for the Region Development, the issues of these processes sustainability, as well as the opportunities for the emergence of new and strengthening traditional sources for the growth of its economy, are of principal importance.

In our opinion, it is impossible to exclude a situation in which deceleration of the country’s economic development, caused by the slowdown in the growth rates of highly developed regions, will motivate the Federal Center to further redistribution of budget resources in their favor.

3. One of the most acute problems, as demonstrated by the long-standing practice of the Region’s development, is connected with the insufficient inflow of capital into the Region.

In recent years, there have been a number of positive processes, including an increase in the share of the Altai Region in the accumulation of Russia’s fixed capital and more dynamic investment development, as a result of which, in terms of per capita investment in comparable prices, the Region approached Russia as a whole.

At the same time, in the new Strategy, it is necessary to take into account the problem of investments inflow into the region, which may become more acute due to the reduction of the possibilities of budget financing. The importance of budget funds in investments for the Altai Region remains high (every fourth investment ruble).

4. It is to be expected that in the medium term, the social sphere of the Region will be
one of the most vulnerable, as evidenced by a significant decrease in social indicators in the crisis years.

For the Altai Region which is characterized by the high dependence of the population on social payments from the budget, keeping social indicators at a proper level can be problematic.

5. The most important task of the Strategy for the Development of the Region till 2035 is to increase the production and labor productivity efficiency. This task is important for Russia as well, but for the Altai Region it of special importance.

Summarizing the abovementioned, let us note that, taking into account the systemic reasons for the slowdown in the growth of the Russian economy, the implementation of the Strategy for the Development of the Region in the medium and long term will be carried out in more difficult conditions in comparison with the relatively prosperous past periods in the economy development.

This, in our opinion, assumes, to give priority to its realism with a certain preservation of “ambitious principles” in shaping the Strategy for Development of the Region.

References


Особенности адаптации Алтайского края к изменениям внешней среды

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