Materials of Conferences

ESTIMATION OF INVESTMENT CLIMATE AT THE REGIONS OF THE FAR EAST

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For the complex analysis of conditions of rational use of investments at the economic science and practice there is used scientific category of investment climate. Investment climate is a generalized characteristic of totality of social, economic, organizational, legal, political, sociocultural premises, which suppose attractiveness and reasonability of investing in one or another economic system (economy of the country, region, corporation).

The creation of favourable investment climate in Russia is one of the most important conditions of mobilization of investment and further economic growth of the country. Nowadays for the overcoming of recession, for the guaranteeing of stability and stable growth of Russian economy there are necessary stable investment aid. The activization of investment activity in the country directly depends on investment activity and investment attractiveness of its regions.

Nowadays on the basis of Conception of long-term socially-economical development of Russian Federation for the period till 2020 year «…state regional politics is directed to the guaranteeing of balanced socially-economical development of the subjects of Russian Federation, decrease of the level of inter-regional differentiation at the socially-economical condition of the regions and quality of life. Balanced territorial development of Russian Federation provides the directivity to the guaranteeing of the conditions, which allow every region to own necessary and sufficient resources for guaranteeing decent living conditions of citizens, complex development and increase of competitiveness of regional economy» [1].

For the characteristic of investment climate of region many Russian scientists as the base component single out such concept as investment activity and investment attractiveness, which includes investment potential and investment risk.

Investment activity. As analysis shows, in 2008 the volume of investment to the basic capital in RF was 8764864,1 million roubles (that is 30,5% more than in previous year), while this the distribution by the federal districts formed like that: the biggest density went to the Central federal district – 2152342,0 million roubles (25%), then follows Ural one – 1463299,3 million roubles (17%), Volga – 1455069,7 million roubles (17%), Northwest – 998636,5 million roubles (12%), Southern – 905814,4 million roubles (11%), Siberian – 895248,0 million roubles (11%) and the most minimal number of investments go to the Far Eastern federal district – 564167,6 million roubles (7%).

Far Eastern federal district (FEFD) is the largest area of Russia's regions. The basic leading sectors are: mining – with the biggest «union» meaning of diamond's (Yakutia) and gold mining; fishing and fish cannery industry (Primorye, Kamchatka, Khabarovsk Territories, Sakhalin region); nonferrous metallurgy (Dalnegorsk); machinery industry – shipbuilding and ship repair (Vladivostok), including production of ship's diesel engines (Khabarovsk), production of heavy lifting and transport equipment (Komsomolsk-on-Amur); timber industry (Amursk) and other. At the same time this region is characterized by underutilization – especially by the coal mining and production of water power.

On the one hand these and other characteristics improve, and on the other hand worsen the investment activity and attractiveness of the FEFD regions and it directly affects the volume of investment to the basic capital. The volumes of investments by the subregions of FEFD are shown in a table 1.

The analysis of facts shows, that the biggest density in 2008 y. By the volume of investment to the basic capital goes to the Sakha Republic (Yakutia) – 27,3% and Sakhalin region – 26,7% then follow Khabarovsk territory – 13,7%, Primorye territory – 12,9% and Amur region – 11,5%, extremely minimal part goes to the Kamchatka territory – 2,8%, Magadan region – 2,1%, Chukotka autonomous district – 1,6% and Jewish autonomous region – 1,4%. The dynamics of growth rate of investments by the Far East and its subregions in general correspond to the All-Russian tendencies.

The activization of investment activity in some regions is connected:

− with the bulding and bringing into service of plants by producing liquefied natural gas (on the Sakhalin island within the bounds of the project Sakhalin-2);

− with the creation at the Far East of gas-transport system for the guaranteeing of necessities of region users in gas and gas export to the countries of Asia-Pacific region;

− with the building of infrastructure objects for the carrying out in 2012 y. summit of APEC in the city of Vladivostok.

Table 1

Volume of investments to the basic capital by the regions of FEFD (million roubles)

Region	2000 y.	2005 y.	2006 y.	2007 y.	2008 y.
FEFD	53589,0	276291,0	330824,7	436848,7	564167,6
Including					
Sakha Republic (Yakutia)	15809,0	48977,9	56618,8	119824,5	154187,9
Kamchatka territory	3546,0	7059,8	8336,9	13019,2	15913,3
Primorye territory	7332,0	28498,6	34233,5	46988,1	72749,1
Khabarovsk territory	11605,0	39166,1	47281,4	64543,8	77372,5
Amur region	4051,0	23742,5	28650,9	45683,2	64799,2
Magadan region	2138,0	5126,5	7109,3	9899,6	11980,4
Sakhalin region	8067,0	110850,3	137528,8	122756,2	150384,1
Jewish autonomous region	340,0	5460,8	6059,4	8540,7	7986,2
Chukotka autonomous district	701,0	7408,5	5005,7	5593,5	8794,9

S o u r s e : Done by the author by [2].

Analysing the motives of investment in other regions, we can say, that they were more combined to the side of short-term of current demand, which guarantees fast receiving of profit.

Investing attractiveness

The appearance in Russia (instead of one and only investor – state) of many independent business entity and potential investors, and also arrival to the Russian market of foreign investors caused the necessity in estimations of investment attractiveness of Russia's regions.

The analysis of economic literature showed that in practice there are used three most character approaches to the estimation of investment attractiveness of the region: narrow (other interpretation – narrowed, macroeconomic), factor (widen) and risk (factor-risk).

First approach – narrow (narrowed, macroeconomic). It is based on the revealing of some fundamental factor, characteristic, the presence of which definitely defines the investmet attractiveness of the region. Also this approach is based on the estimation of macroeconomic showings, such as: dynamics of gross domestic product and volume of production of industry products; dynamics of distribution of the national income, proportions of accumulation and consumptions; condition of legislative regulation of investment activity; development of separate investment markets, including stock and money.

The followers of first approach are such scientists as, for example, K. Guseva, the basic factor of investment attractiveness she considers «market reaction of regions» [3]. This indicator reflects the degree of adaptation of regions to the market relations. At the offered by her method of estimation of investment attractiveness of regions there are used such showings, while the analysis of which there rise the subjective factor, what is naturally cannot but affect the results of analysis. O.V. Inshakov lays an emphasis on the production [4]. I.U. Zulkarnaev considers «the institute of society» to be the decisive factor, which could be examined as institutional recourses of the region. T. Lukyanenko point out the necessity of forming of positive opinion of the investment objects. A. Stecenko and E. Beniksov denote such factor as «image of the region» [5]. These approach is the most simple, doesn't require considerable costs on its realization, because there are used simple methods and calculations. It is universal and can be used for the research of investment attractiveness of economic systems of different level. But on the base of narrow approach investor receive only the information about the effectiveness of investments and practically cannot reach based investment decision. The lack of information is conditioned by the absence in this approach the analysis of the factors of investment potential, investment risks, and also interconnections of elements, which compound the investment processes. In other words this approach

ignores the objective connections between factor of investments and other resource factors of development of RF subjects.

Second approach is factor (widen). It has a lot of interpretations in different methods. While this approach there are used qualitative and quantitative methods of estimation of different factors from the experts' estimation till the quantitative dependences and mathematical models. The essence of this approach consists in the definition of influence of different factors and their interconnections on the resultant estimation of investment attractiveness. It allows to single out enlarged groups of close by the essence showings, which are further considered as factors. The estimation of investment attractiveness in that case comes to the estimation of influence of such enlarged factors on the condition of investment environment. In spite of essential differences in the methods of estimation, let's single out the number of factors that are character for all scientific researches [6, 7]: politic, social, economic, ecological, criminal, financial, resource-based, labour, production, innovative, infrastructure, consumer, institutional, legislative.

The resultant showing of estimation of investment attractiveness while the factor approach there comes out the sum of many weight average estimations by the totality of researched showings with the taking into consideration of its meaningfulness. With the integral showing there is often given extra information about some factors, which influence the investment attractiveness. The factor approach give base for the reaching by the investor the decisions of investment and reflects the balance of interests of potential investors and recipients of investment resources.

The followers of this direction are A. Privalov, M. Knysh, B. Perekatov, U. Tutikov. In our opinion this approach has a lot of advantages. It allows to make conclusions about investment perspectives of Russian regions' development; allows to define the degree of realization of their investment attractiveness; allows to estimate the majority of showings with the statistic methods; gives an opportunity of substantiation of trustworthiness of the received results – use of criterion of degree of narrowness of correlative connection between considered categories. But, in our opinion, there exist definite shortcomings, the main of which is the «opacity» of method of revealing of factorial signs of investment attractiveness.

Third approach – risk (factor-risk). It supposes the use of similar to factor approach methods of estimation, but the base aim of this approach consists in definition of level of risk of investments to the economic system. The base of risk approach is the estimation of investment potential as definition of essential conditions of carrying out of investment activity and investment risk as the probability of investment loss. The methods of estimation, which were developed within risk approach, have rather big informativity, because they examine a lot of factors and characterize the peculiarities of investment processes in terms of risk. The defined likeness of researched factors and used methods at the risk and factor approaches singled out as the base of integration in some methods.

The followers of third approach (G. Marchenko, O. Machulskaya and others) analyse the big number of factors, but investment attractiveness of the region in this case is considered as aggregative indicator, which is defined by two characteristics: investment potential and investment risk [8].

The analysis of special literature showed that on the base of this approach there are formed several popular methods. In the Russian practice there is widely use a method of making of complex raiting of investment attractiveness of Russian regions, which was developed by the analytics of raiting agency «Expert-RA». The key element of this method is the use of two components of investment attractiveness: investment potential and investment risk [9].

Investment potential takes into consideration base macroeconomic characteristics: territory's richness with the factors of production (natural resources, labour force, fixed assets, infrastructure etc), consumer demand and other. Total investment potential of region consists of nine particular potentials (till 2005 y. – of eight): naturally-resource; labour; production; innovative; institutional; infrastructural; financial; consumer; tourist.

It should be noted that above mentioned showings of investment potential in turn are aggregated estimations and are characterized by the whole group of internal indicators.

The investment potential of the regions of Far Eastern federal district for 2007–2008 yy. By the estimation of the «Expert-RA» id showed in the table 2.

The analysis of investment potential of FEFD regions shows that eight regions have relatively high naturally-source rank (except Jewish autonomous region), what is on the one hand should attract the investor. But, for the Sakha Republic (Yakutia), Primorye and Khabarovsk territories is character very low infrastructure rank; for the Sakhalin, Magadan and Jewish autonomous regions – labour; for the Chukotka autonomous district – consumer; for the Kamchatka territory – labour and consumer; for the Amur region – innovative. Narrow oriented to the extractive industry

investor doesn't want to invest money into the infrastructure, and the attempts to force to do it lead to his leaving the region. Foreign experts appreciate the presence of infrastructure: transport and geographic position of territory they single out to the first place by the meaningfulness among other factors of investment attractiveness, and resource potential – to the last. National experts establish the priorities in different way: at the first place is the production potential, and on the second – resource. Thereby, from the positions of national researchers the most important thing for business is to have resources and money. While for the foreign entrepreneurs is the possibility of their comfortable «reaching». If it's not possible to reach the resources, there become first-priority the projects by the creation and development of necessary infrastructure, when it is economically justified.

Table 2

Investment potential of FEFD regions in 2007–2008 yy.

Rank of potential		Rank of risk, 2007-2008 yy.	Region	Ranks of the parts of investment potential in 2007-2008 yy.									Change of the potential rank, 2007-2008 yy. to 2006-2007 yy.
2007–2008 yy.	2006–2007 yy.			Labour	Consumer	Production	Financial	Institutional	Innovative	Infrastructure	Naturally-resource	Tourist	
19	18	57	Sakha Republic (Yakutia)	43	46	41	35	58	44	83	2	70	-1
21	22	64	Primorye territory	18	26	37	24	19	22	44	17	21	1
28	25	51	Khabarovsk territory	27	30	36	26	34	40	60	8	42	-3
53	64	69	Sakhalin region	71	59	34	41	55	65	54	20	73	11
56	48	61	Amur region	63	62	64	59	64	69	66	13	65	-8
67	74	80	Kamchatka territory	73	73	71	67	71	56	67	16	54	7
70	69	76	Chukotka autonomous district	82	84	79	82	82	82	72	9	84	-1
73	71	83	Magadan region	80	75	75	75	74	70	77	15	79	-2
80	78	75	Jewish autonomous region	81	78	78	79	75	77	62	41	81	-2

Second indicator – investment risk – reflects the probability of investment loss and income from them. Risk is probabilistic, qualitative characteristic. Per unit there is taken The Russian average level of risk. The calculation of the risk is carrying out similarly to the calculation of investment potential. With regard to the region we can single out following types of risk: economic; financial; social; ecological; criminal; legislative; administrative.

Investment risk of regions of Far East federal district for 2007–2008 yy. By the estimation of «Expert-RA» is showed in the table 3.

Thereby on the 1 of January 2008 y. to the regions of FEFD in the whole plan there were given following categories of investment climate: Sakha Republic (Yakutia) (77) – average potential – moderate risk (2B); Kamchatka territory (78) – insignificant potential – high risk (3C2); Primorye territory (79) – low potential – moderate risk (3B1); Amur region (81) – insignificant potential – moderate risk (3B2); Magadan region (82) – low potential – extremal risk (3D); Sakhalin region (83) – insignificant potential – high risk (3C2); Jewish autonomous region (84) – insignificant potential – high risk (3C2); Chukotka autonomous district (85) – insignificant potential – high risk (3C2).

Table 3

Investment risk in the regions of FEFD in 2007–2008 yy.

Rank of risk		Rank of potential, 2007-2008 yy.	Region	Ranks of components of investment risk in 2007-2008 yy.							Changing of risk rank 2007-2008 yy. to 2006-2007 yy.
2007–2008 yy.	2006 –2007 yy.			Legislative	Social	Economic	Financial	Criminal	Ecological	Administrative	
51	35	28	Khabarovsk territory	4	52	67	50	72	62	25	-16
57	54	19	Sakha Republic (Yakutia)	48	39	77	55	17	71	55	-3
61	57	56	Amur region	31	47	70	65	54	61	70	-4
64	52	21	Primorye territory	53	50	33	56	71	68	66	-12
69	70	53	Sakhalin region	60	76	25	60	36	59	4	1
75	76	80	Jewish autonomous region	27	65	80	78	66	34	65	1
76	77	70	Chukotka autonomous district	62	70	79	72	33	77	74	1
80	83	67	Kamchatka territory	49	82	83	76	46	49	77	3
83	80	73	Magadan region	33	85	84	79	70	69	73	-3

Thereby, for the regions of FEFD there is character internal limitation of growth, which is conditioned by insufficient development of transport and energetic infrastructure, deficit of qualified engineering and labour personnel. Modern situation is strengthen by the pendency of the number of social and institutional problems, the most important of which are: high level of social inequality and regional differentiation; high risks of carrying out of entrepreneurial activity in Russia, in connection with the presence of corruption, excessive administrative barrier, insufficient level of protection of property rights; weak development of the forms of self-organization and self-regulation of business and society, low level of competition at the markets, which doesn't create for enterprises the stimulus to the rise of productivity of labour; insufficient level of development of national innovative system, coordination of education, science and business.

But, territories of FEFD, in the nearest future should interest the investors, because modern state politics is directed to the active development of Far East, which is in considerable measure based on the huge natural resources (fish, timber, coal, oil and gas, ore and mineral), and also profitable seaside geographical position and nearness to the markets of the countries of Asian-Pacific region. The most important region, which regulates the development of the Far East regions in the medium-term perspective, is the realization of federal target program «Economic and social development of Far East and Transbaikalia for the period till 2003 year» and preparation to the summit of APEC.

The principle factor of development of FEFD regions is the solving in the long-term of problems of gasification, forming of distributed power system, optimization of transport and energetic tariffs, modernization and creation of new seaports, also for the development of container transportation and export of resources, creation of the common connection system of transport communication, which connects basic centers of Far East, and also their integration into the All-Russian and world transport systems.

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