STIMULATION OF FOREIGN INVESTMENTS IN RUSSIAN REGION ECONOMIES

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Abstract. This article presents the results of the analysis of efficiency of attracting foreign investments in the Russian economy. Methodology of the research included an assessment of the structure and dynamics of foreign investments, the level of regional disparities and other Study was based on official data from Rosstat and UNCTAD. Were summarized and analyzed data for the period from 1995 to present. With the help of statistical methods defined problems hindering the growth of volume and improvement of quality of foreign investments in the Russian economy: the growth of disparities in regional economy, explicit and implicit administrative barriers, corruption, non-transparency of Russian business. On the basis of correlation analysis ranked the factors motivating the inflow of foreign investors in Russia. It was analyzed the efficiency of creation of special economic zones as a tool of attracting investments into the regional economy.

Keywords: investment, foreign direct investment, special economic zones, regional disparities, administrative barriers, tax advantages

Introduction

To meet challenges of economical modernization and to enhance economic growth, foreign direct investment (FDI) are required in Russia. A number of significant steps in this direction were made recently, eg. regulatory framework was changed, tax credits were established, Special Economic Zones (SEZ) were created, etc. But in spite of all these measures, FDI contribution to the Russian economy in the total volume of investments was reduced, the problem of regional disparity of FDI has become more serious and expansion rates of regional FDI declined.

The aim of our study was to assess the effectiveness of economical inducements of FDI to the region by means of establishment of SEZ.

Material and methods

The study was conducted by methods of time-series analysis of FDI, correlation analysis of FDI and regional economic growth association, comparison of our results

with the international experience in this field. In the study we used official data of Federal State Statistics Service for the period of 1995-2012.

Results.

The analysis revealed huge disparities of FDI volumes in different regions. In the period 2009-2011 a slowdown in the growth rates of FDI was seen in all Russian regions. Exceptions are Moscow and the Urals Federal District. The Urals Federal District, which covers the Tyumen region, is famous for its natural resources and is a leader in terms of investment growth rates. However, according to our calculations, in absolute terms, the volume of investment resources in this region in 2012 was 7 times less than in the economy of Moscow.

The research included the pair correlation analysis between the growth rate of foreign investments in the Russian economy and a number of economic factors. The highest correlation is observed between the amount of foreign investment and real estate market, the level of investment in innovation and fixed assets, suggest that purely speculative motives of foreign investors

Our correlation analysis of the relationship between growth rates of the regional gross domestic product, growth rates of industrial production in the region and growth rates of FDI in the regional economy showed a weak or even inverse association (in 2009 the relationship between the index of industrial production in the corresponding region and the amount of investment in the region was weak, but still positive, in 2010 and 2011 the correlation rate was negative).

It was found that nowdays strategic economic motives, eg. average cost of debt capital, interest on loan, etc., have come to the fore. In the study period there was a steady upward trend in the rate of other investment in total foreign investment volume (30.98% to 89.92%), and a sharp decline in the rate of FDI (67.72% to 9.66%).

Since 2005 SEZ are being actively created in Russia as inducements for FDI. Currently 17 zones have been set up in various Russian regions. In 2006-2012 Russian SEZ attracted more than 300 investors from 22 countries (The administration of the «Russia. Special economic zones», 2012).

In the cource of our study we examined benefits provided to residents of the SEZ in Russian and compare them with benefits provided in other countries. The most important benefits provided to residents of SEZ in Russia include:

- rate reduction of contributions to non-budgetary funds from 30 to 14%;
- rate reduction of income tax from 20 to 13.5%;
- the exemption for a period of 5 to 10 years from property tax, land tax, vehicle tax

In addition to tax benefits, SEZ residents are able to get budget aid grants, in particular, due to the budget of Moscow (The Moscow City Government, 2012). However, according to the Regulation on the grant provision, its maximum size is limited by 100 million rubles.

At first glance, the list of benefits seems to be significant. But if we evaluate these benefits from the perspective of FDI attraction, tax benefits for investors are almost abscent. Investors are provided with free infrastructure, preferential rates for the land and buildings renting, access to financial resources: private equity funds, venture capital funds, banks. On the contrary, in some countries, such as China, benefits are provided intentionally to investors. This stimulates the flow-in of FDI in fixed assets (in China for about 50% of the investment goes to the capital stock, in Russia - only about 20% (Rianovosti**,** 2011).

Further reduction of the income tax for SEZ residents seems appropriate. For example, in Germany, the newly formed companies are required to pay only a quarter of the fixed rate of income tax, in the second year – only half of it, and only in the third year they have to pay full tax rate (Ivasenko & Nikonov, 2011)

Analysis of various publications and reviews showed that administrative burden and corruption remain significant problem for FDI (index of corruption in Russia in 2012 was 28 points (www.transparency.org).

Conclusions.

The analysis of economic incentives of FDI in the Russian economy by creation of SEZ has shown their ineffectiveness. The existing mechanism of SEZ only intensifies regional disparities, as SEZ are administrative and legislative practices, mainly in the Central Federal District. Financial measures that have been recently implemented at the federal and regional levels, are expensive and increase the burden on the budget. Such measures are effective for advanced economies, characterized by a low level of corruption and lack of administrative barriers. In the corrupt Russian economy they do not work.

From our point of view, the main measures to attract FDI to the regions and to reduce existing regional disparities include reducion of administrative barriers, increase of tax incentives for investors in fixed capital, further development of infrastructure and anti-corruption efforts.

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