

The Territories of the Priority Development: Genesis of the Institutes

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Abstract: The introduction of the sanctions related to the largest Russian state-owned companies has been forced the country's government to impose the retaliatory sanctions. As a result, in a global world, there is a situation of sanctions war. Earlier, the Russian economy significantly depended on the import of equipment that is why, it has an acute shortage in the separately nomenclature groups. Consequently, the state authorities decided to intensify the industrial policy and implement an ambitious program of import substitution. However, from the theoretical and practical point of view, the correct solution is essentially faced with a number of institutional restrictions. Therefore, it's turned out that there are no institutional conditions for the development of industrial policy in the country. To change the situation, in December 2014 the state adopted two important regulatory acts: two Federal Laws; "On the territories of priority social and economic development in the Russian Federation" and "On industrial policy in the Russian Federation". In the process of the economic development of the country, it becomes increasingly clear that the formation of the institutional environment is very important. The law development concerning the territories of priority development gives the basis to develop and realize the genesis of a new economic category-the territories of priority development.

Key words: Territory of the priority development, approval, sanction war, economic development, dysfunction of public administration, industrial policy, import substitution

INTRODUCTION

In December 2014, the Russian Federation adopted the Federal Law # 473 "On the territories of priority social and economic development in the Russian Federation". There is an official determination of a territory of the priority development in this document. A territory of the priority development is a part of the territory of the Russian Federation, including mono cities, where, in accordance with a decision of the Government of the Russian Federation, a special legal regime is established to the entrepreneurial and other activities, in order to create a favorable conditions for attracting investments, ensuring rapid socio-economic development and the life support of the population.

The Federal Law defines a legal status of the territories of the priority social and economic development in the Russian Federation, the government support measures and the activities' procedures in these areas. The document establishes the new institutional

conditions for the industry development in the Russian Federation in a frame of the domestic economic situation and the unfavorable external economic environment. The foreign economic conditions started to worsen in 2008 due to the global financial crisis and after a brief improvement, the crisis broke out with a new force in 2013. A falling of the prices for the main Russian export commodities has led to a drop in revenues of the state budget. A strengthening of the unfavorable external economic environment has reduced the balance of the Russian economic system (Hedlund, 2011), in relation to the Ukrainian crisis and the introduction of economic sanctions against Russia. American scientists G. C. Hufbauer, J. Schott and K.A. Elliott determine the sanctions as "a deliberate, initiated by the government, gap or threat of breaking the usual economic relations" (Hufbauer *et al.*, 1990).

The sanctions related to the present stage of interstate Russian relations with the other countries create a system of economic relations of the mutual barriers and

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restrictive mechanisms. A scale of these mechanisms has the significant impact on the economic relations, not only Russian ones, but also its allies, as well as those countries which nevertheless opposed the imposition of sanctions, for example, Czech Republic, Finland, Serbia, Hungary.

Now a days, sanctions have a double impact on the economy. On the one hand, they reduce the possibility of attracting a cheap capital from the global financial markets and obtaining the unique equipment and/or technologies. On the other hand, sanctions provide a legal possibility of the protectionist economic policy. Sanctions in the latter case led to a transformation of the economic structure and improving a national competitiveness of the Russian economy.

MATERIALS AND METHODS

For Russia, the sanctions war means increasing an import substitution policy in those areas where Russia was severely dependent on the foreign suppliers. A particular attention is paid to the development of those industries where the dependence on imports is ranged from 80-100%: an equipment for the food industry, a heavy engineering, a power engineering, an electro and cable industry, an oil and gas engineering, a machine tools production, an engine production, a production of shipbuilding equipment, an electronic industry, a chemical and petrochemical industry, a pharmaceutical industry, a medical industry, an industry of conventional weapons, a civilian aircraft production, the components and equipment for transport engineering.

In fact, by a reason of the closure of the Russian market for goods and services of those countries which have imposed sanctions against Russia, some sectors of the Russian economy gets an artificial competitive advantage that could be implemented to increase production or its modernization.

Earlier there were some attempts to intensify the development of the geographically localized points of growth as the clusters (Abdin and Rahman, 2015), the special economic zones, the innovation platforms, etc. The skeptics point out that a territory of the priority development as well as the previous versions of the models were doomed to failure because of the specifics of the implementation of the industrial policy in Russia (Silvestrov *et al.*, 2015).

It is important to highlight that the state role in the Russian economy was always special and it is necessary to consider it as a development institution to create the institutional conditions.

In our opinion, the most important issue in determining of the role and size of the state participation as an actor in the economic relations is an influence of the "path dependence" effect. In a historical prospect, the dependence on a previous path had a direct impact on the formation of the public administration and national specificities of the transactions in each country that was trying to transplant the institutions.

A path dependence expresses how the national institutions are built in the economic relations, government, legal system, etc. (North, 1990). Depending on the adopted path of development and historical background, the state and the nation build a path of its further development (Hodgson, 1988).

A degree of the state participation in the economic relations depends on a path dependence. If the state in Russia played a leading role in the economic life of the country for the centuries, this role could not be revolutionary changed in a short time, as an inclination to revive its role would be too much. The converse fact is that if the state selectively participates in solving social and economic problems over a long time, its fuller inclusion in the economic life of the country becomes more difficult and revolutionary changes still stay at the same level. Moreover, the forms and tools of the state participation vary little and become inbuilt in a historical perspective. Therefore, if Russia is always characterized by the inseparability of the property rights of the sovereign and the state treasury, this feature is proper not only to imperial period of Russian history but to the soviet period and modern Russia too. For example, nowadays only the president makes the final decision related to the methods and amounts of financing projects from the national welfare fund or national budget. If the pre-revolutionary Russia was always characterized by the relations where the head of the state holds his subjects as the servants, who would get the property for their faithful service but the property could be seized with the loss of confidence of a sovereign to his servants. The property of all persons except the sovereign (including his members) could be confiscated without any legal grounds. The property was secured by the personal relationships between a head of the state and his vassal. While the vassal faithfully served his sovereign, he was the owner of his property. As soon as the sovereign had lost the interest or confidence in his vassal, the vassal lost property and often the life. It is important to note that the same mechanisms were fixed in the Soviet period also. An empowerment, an ownership of the social benefits and property were carried out in relation to those who held the confidence of a leader (general secretary). A loss of the

confidence meant the deprivation of all goods and often the life. The leader change was also entailed by the change of the elites with fixing the social benefits for the new ones who most approached to the leader. The same mechanisms act in today's Russia, when legally registered, but obviously illegal, decisions cover the seizing a property to the other persons because of the raider attacks. It is no coincidence, the criminal prosecution of the entrepreneur victim of the seizure often accompanies this action. A loss of the confidence of the president entails a deprivation of the power and property. The leader change leads to a change of the elites.

Since, the days of the Roman Empire, the Roman law was characterized by the separation of the rights between the state and individuals and non-interference of one in the other business. So, it was wrongly prohibited to confiscate the property of the citizens in favor of the empire. As Western European countries embraced Roman law into their legal systems and then they were characterized to protect the property rights of the individuals from the abuse what so ever. This attitude is not typical for the Russian practice.

In such institutional conditions, the property rights turn into fiction, based on the patronage of the state head. The modern economic relations in Russia are also built on the leader's trust. In accordance with the theory of Douglass North the leader's change necessarily lead to the redistribution of the property in favor of the persons who will hold the confidence of a new president of the country (North *et al.*, 2009). It is no accident the oligarchs of the Yeltsin's period had almost gone bankrupt or emigrated from the country and the new oligarchs closed to the leader took their place. Under these conditions, the development of the confidence in the government-business society cannot be a revolutionary, it takes time and change of the state behavior in relation to business and society.

The experience of the Foreign countries as well as a convincing argument of Myrdal (1968, 1956), List (1841) and Reinert (2008) and the experience of the industrialization in Finland, France, South Korea and Singapore suggest the need of the protectionist industrial policy in the new environment. Today, the globalization is an irreversible process that led to the oligopolization of the world market by a small part of the most developed countries. Not only, the affected countries but also, even its sponsors from the International Monetary Fund and the World Bank have criticized the recipes of the Washington consensus. All of this prompts to pay attention to a different paradigm of the economic policy.

The institutional environment, an international environment, a globalization, a sanctions war have had a significant influence on the ideology of the new industrial policy of Russia. These actions can help the country to take a more prominent place in the international division of labor as an import substitution is intended not only to ensure the domestic demand but also to create the access conditions to the foreign markets, including a strengthening of the national producers before sanctions cancellation.

The new industrial policy or new industrialization or re-industrialization is to create the institutional conditions for the industry development in Russia. In fact, the options for structural shifts in material production are needed to consider (Williamson, 1985).

In our opinion, it is necessary to take an advantage of favorable conditions of the sanctions and opportunities of the protectionist policy to develop a real sector of the economy. The geographically localized growth points are the best instrument to do it. In a market economy, the sanctions war makes the country's leaders to take into account the limited fiscal resources and reducing the private investments in the real sector of the economy due to the political risks. A more balanced approach to spending the budget forces is to determine the reference points, which could be the engines of the economic growth. These growth points may be previously mentioned industries, such as a machinery industry, a machine-tool construction and others. However, the government is not limited by these industries and offers to spend the investments on the infrastructure projects such as a railway construction and social infrastructure (Chenery *et al.*, 1986).

According to the law "On the territories of the priority development in the Russian Federation", this kind of the territories is a part of the territory of the Russian Federation, there is a special legal status of the business and other activities in order to create the favorable conditions for attracting investments, ensuring a rapid socio-economic development. On these territories, the residents will get the economic benefits in the form of special regimes of land use, taxation, employment and state control. There will be a unique mechanism of administration. A management company that deal with a particular territory will have its rights concerning the providing the educational and health services. It is assumed that the territories of the priority development will be able to act as the specific growth points and their rapid development will stimulate the development of the other territories and districts.

It should be noted that these ideas were not new in the Russian strategic planning. At the various times, the free economic zones (Federal Law "On Foreign Investments in the Russian Federation"), the special economic zones (Federal Law "On special economic zones

in the Russian Federation”), the territorial development zones (Federal Law “On zones of the territorial development in the Russian Federation and amendments to the certain legislative acts of the Russian Federation”) were created in Russia. The territories of the priority development have been the fourth attempt of Russian to follow the Chinese way of development via the creation of special territories. These territories should be the locomotives of the economy that can be capable of attracting the investment.

Comparing the law base of the free economic zones, territorial development zones and territories of priority development, there are the following differences. The territorial development zones, free economic zones and territories of the priority development have a different status. A creation of one or the other on the same territory is not allowed. The purpose of zone establishing. A territorial development zone is a zone of accelerated economic development, a free economic zone is an industrial zone and a territory of priority development is a zone of accelerated socio-economic development. A different period of zone operation: territorial development zones 12 year, free economic zones 49 year, territories of priority development 70 year. An establishment of the administration to manage the zones. A source of the finance. The territorial development zones are funded by the investment fund of the Russian Federation and the federal budget subsidies, the free economic zones are funded under the budgets, the territories of priority development are funded from the federal budget, the local budgets as well as extra-budgetary sources of funding.

The main factors of the territories of the priority development should include the existence of the real or potential effective activities, the relatively favorable climatic, the economic and geographical conditions, the possibility of the international cooperation, a presence of confirmed demand from investors for projects in this territory and an existence of the socio-economic, infrastructure, scientific and educational potential.

One of the indication of the scientific potential existence is an index of the inventive activity. The analysis of the index for the Far Eastern Federal District (Russian Federation) indicates not prosperous situation in the region. If we consider inventive activity ratio (the number of the applications of the patents for invention and utility model per 10 000 population) as one of the “points of growth”, in the Far Eastern Federal District this index was equal to 1.35 in 2014. The worse indexes were only in the North-Caucasian Federal District and Crimean district 0.89 and 0.41, respectively. In the leading regions (Central Federal District and the Northwestern Federal District), the indexes were 4.33 and 2.74, respectively.

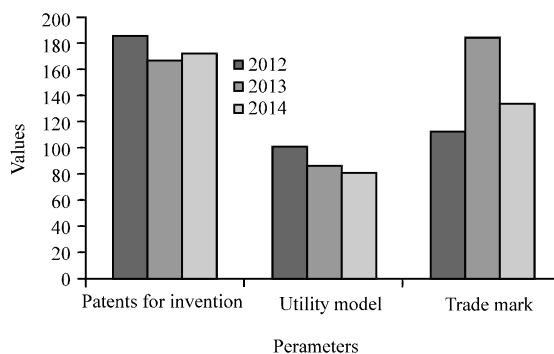


Fig. 1: A dynamics of the applications for a registration of the intellectual property in the Khabarovsk region for the period from 2012-2014

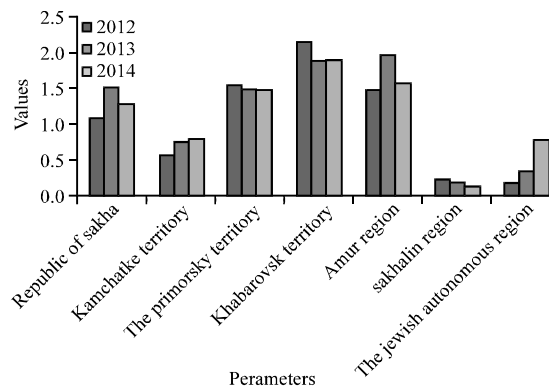


Fig. 2: A comparative analysis of the ratio of the inventive activity in the Far Eastern Federal District for the period from 2012-2014

Thus, we cannot expect any successful activities in this economic area related to the scientific and innovative directions that can be effectively implemented in terms of attracting investors and using the mechanisms of public-private partnership (Fig. 1).

On the other hand, Khabarovsk region (with the cities: Khabarovsk, Komsomolsk-on-Amur) is a leader in the creation and protection of the rights of intellectual property in the Far Eastern Federal District that is a sign of the significant scientific and technical potential.

Thus, the combination of a high inventive activity ratio with the other infrastructure, economic, social and geopolitical features makes Khabarovsk region attractive to create the territory of the priority development in it.

Amust-be requirement of the choice is an existence of the multiple based investors who might be a kind of a guarantee that the budget would not be spent for nothing. In addition it is important to choose criteria of the presence of the design and estimate documentation and the principle of 50/50 co-financing with the regions percent (Fig. 2).

An official criteria for the referring land to the territories of the priority development, as well as the customs, tax, administrative benefits, the procedure of the access to the existing infrastructure and the final list of the territories will be legislated during 2015-2016.

First of all, the subjects of the Far Eastern Federal District will be on the list. They should be the pilot projects aimed to develop the district as a whole. A territory of the priority development "Komsomolsk". Specialization: aviation, shipbuilding and engineering. Total investments in the infrastructure 1.7 billion rubles. The production will be located at the factories "Parus", "Amurlitmash", also in Amursk City. Total area exceeds 300 hectares.

A territory of the priority development "Khabarovsk". Specialization: metallurgy, agricultural and food production, industrial production, transport and logistics center, distribution, storage and services sector. A territory of the priority development "Nadezhda". Specialization: logistics, food processing, construction materials. This route is due to a new geopolitical situation in terms of sanctions, against which there is a change of the Far Eastern policy. Today, the Far East becomes a national priority of the country.

The Far Eastern Federal District as a largest district by area occupies the last place in terms of the population and the fourth place in the level of employment in a whole country. The gap between the potential and current level of the district is enormous. The emergence of the territories of the priority development in the Far East will not only stimulate a production, but also promote a development of the technologies, innovations, investment in the health, education and social sector. Thus, there will be the conditions for the integrated development of the Far East.

The Ministry of the Russian Federation for Far East development has formed a database of the large manufacturers that export products to Asia-Pacific countries. The negotiations held with >300 companies and the first 5 memoranda of understanding with Foreign investors to finance the territories of the priority development are signed. The heads of the major South Korean companies (Samsung, Lotte, LG, Daewoo) and the Japanese companies (Sumitomo, Kawasaki, Hitachi, Mitsubishi, Mitsui) personally expressed an interest in the projects in the territories of the priority development.

According to the analyzed facts, a creation of the territories of the priority development is not a new fact but a promising route of the strategic planning. The formation of such territories includes attracting investments, a concentration of the various resources, a creation of the conditions for the growth of the competitiveness of

goods and services as well as obtaining a multiplier effect—the momentum transfer of development from the territories of the priority development to the other ones, especially neighboring territories. This action will ensure an effective use of the limited resources and achieve a rapid economic growth under the sanctions of the Western countries.

RESULTS AND DISCUSSION

A prosperous industrial sector is a key component of high economic growth, especially in the early stages. If the economy is not able to diversify a domestic production and create jobs in the new industries, the state should seek to find a way to dramatically push the process and act as a driver of the development. However, these efforts have to obey the certain rules. Firstly, they should be temporary because, the problems are not permanent also. Secondly, the measures taken concerning the modernization are necessary to think about and quickly coordinate them if the strategy leads to a significant imbalance of the economic system. If these measures do not give a desired result, the state should have an opportunity to promptly abandon them and continue the industrial policy in a different way. An example of one of these tools is the state measures which usage can be justified if any production without them cannot be started also the creation of the specialized free economic zones and the territories of priority development. If the industry is not able to keep going without them, it means that the initial industrial policy was wrong and ineffective institute should be canceled. Third, even though such strategies will gravitate in favor of the industrial sector of the national economy, in general, they should be neutral in relation to the rest of the industry. If it is possible, they should be indifferent to a particular production, leaving a choice to the private investors. Finally, it is important to note that the inclusive development of the modern economies in parallel with the modernization of the industrial sector embrace the other key ingredients of the growth—education, technology, flexible and efficient management, etc.

In the modern Russian practice, the weakness of the institutional environment and lack of a strategic definiteness reduce the planning horizon of the most decision makers and the state policy becomes short-term, reactive. Actually, in these conditions, the government should be a driver to start a modernization of the industrial sector of the national economy. The modernization directly aims at developing the economic potential of the Russian Federation, ensuring the production of competitive industrial products,

development of non-commodity exports. It is important to note that the current trends of the economic growth in Russia should also be inclusive. Analyzing the different options of the industrial policy, implemented earlier in Russia and abroad, the most efficient option is that one which focused on the removal of the various institutional barriers to doing business.

The priority task of forming mechanism of the territories of priority development is a creation of a business climate and infrastructure that could compete for the investments and labor resources on a global market. Accordingly, the main problems remain the same, the solutions of which were not found by the previous mechanisms.

A new law on the territories of the priority development more clearly defines the criteria for the resident's selection, details a legal aspect which regulate the activity of the territories of the priority development and its residents. The main difference between a new law from the previous analog is the emphasis on the public financing of the construction and maintenance of the future infrastructure, i.e., one of the main current problems of the industrial sector.

Another unresolved contradiction in the functioning of the mechanism is the human resources acting here as a potential of the development. Firstly, we would like to emphasize the lack of the educational programs links with educational institutions that could be directed to the training or professional reorientation of the labor force. Subsequently, the absence of a decision on this issue will lead to a shortage of Russian experts. A preparation of the professional experts takes a time and this fact will increase the need to attract a foreign labor. Secondly, in order to improve the competitiveness of the existing work force at these territories, the state should make a local labor cheaper. The tax incentives, provision of free housing as well as the development of the resettlement programs and a creation of the favorable conditions for Russian citizens from regions with high unemployment can achieve it. The existing experience to motivate the labor force to move as wage supplements only leads to a rise in the labor cost, increase the investment costs and the main result is an unrestricted attraction of the foreign workers, especially from Asian countries, with lower wage costs. Third, during the implementation of the projects in the territories of the priority development, it is important to take into account the local specifics. It is meant a standard of living of the local population, the income and living conditions, the demographics and regional characteristics, which can have a positive effect on their correct use. In other words, any project should not be penetrate spontaneously, sharply, without an adequate training in the region and obviously not with an expectation of the instant results.

According to the new Article of the Tax Code by a resident of the territory (hereinafter a resident) is admitted by Russian organizations that have received this status in accordance with the law and which simultaneously meets the following requirements:

- A state registration of a legal entity is made in the territory of the priority development
- An organization does not have the separate units located outside the territory of the priority development
- An organization does not use the special tax regimes
- An organization is not a party of the consolidated group of taxpayers
- An organization is not a non-profit organization, a bank, an insurance company (insurer), non-state pension fund, professional participant of the bond market, clearing corporation
- An organization is not a resident of a special economic zone of any type
- An organization is not a party of the regional investment projects
- Creating an enabling environment within the territories of the priority development suggests the following directions
- In the territories of the priority development there is a use of the customs procedure of free customs zone, established by the customs legislation of the Customs Union
- An implementation of the urban development activities (a simplified procedure for the preparation and approval of the planning documents for the territories of the priority development)
- A state environmental review in the shortest possible time (45 days)
- The seizure and provision of land plots and (or) other property in reduced terms and simplified procedure of appeal and redemption of it
- The reduced procedural deadlines establishment of easements on land plots
- The use of forests for placing the objects (forest cutting without restrictions provided by the forest legislation allowed)
- Foreign nationals are allowed to work without quotas

An agreement on the implementation of activities is between the management company and the individual entrepreneur or legal entity includes a condition related to the proportion of Foreign workers involved by the resident of the territory of the priority development. This share is determined by taking into account the decision of the Supervisory Board based on the evaluation of the

need for foreign workers, including professional qualification groups, taking into account the situation on the Russian labor market.

Tax benefits reduced rates of income tax for the residents: The new version of Art. 284 of the Tax Code allows the residents to apply reduced rates of income tax. It is possible within five tax periods, starting with the period when a resident has been received a first profit from operations realized in the territory of the priority development.

For example, if the income tax goes to the federal budget, the tax rate is zero percent (p. 1.8 Art. 284 of the Tax Code, p. 3 of Art. 284.4 of the Tax Code). If the income tax goes to the regional budget, the tax rate cannot exceed 5%. In the next five tax periods, the tax rate cannot be less than 10 percent (p. 4 of Art. 284.4 of the Tax Code). The residents have the right to apply these tax rates under two conditions:

- The income from activities realized in the territory shall be not less than 90 per cent of the income of the taxpayer
- The organization shall maintain separate records of income and expenses for such activities

The residents are entitled to a VAT refund in a declarative manner: In addition, the changes have affected the Chapter 21 of the Tax Code. Now, the resident taxpayers are entitled to a declaratory order of the VAT refund, in case of the provision of a guarantee contract of the management company. In this case, there is no need in a bank guarantee (pp. 3 para. 2 of Art. 176.1 of the Tax Code).

The territories of the priority development is the implementation tool of the industrial policy. This fact is confirmed by the adoption of the Federal laws concerning the territories of the priority development and the new industrial policy for a period of 3 days.

The goals of industrial policy in the Russian Federation should be determined in accordance with the law on industrial policy; to promote an establishment or development of the industrial infrastructure as well as the infrastructure to support the industrial activity. To create the conditions of the industrial activity in the Russian Federation which can be competitive with the same conditions in the foreign countries (USA, Europe, Southeast Asia, Japan, Brazil, India and China).

The subjects of the industrial activities should carry out a promotion of the industrial activity. In the projects, there are the species and measures of the support of the various activities of the subjects. The support should be

provided by the subsidies and penalties, tax incentives, public procurement and so on. The document gives a detailed insight into the use of the appropriate measures in the main areas of subjects' activity of the industrial activity.

An analysis of the proposed measures to stimulate an industrial production shows that mainly administrative measures could be a base of the implementation of the industrial policy. Moreover, sometimes they should be prescriptive. Considering the relationship between business and the state in Russia which are characterized by the tightness of the informal relations, including finance, this approach will not lead to the implementation of the declared objectives but if only for the individual companies.

One of the downsides of the document is a lack of the information about the mechanisms of solving problems related to the production of finished products in Russia. In particular, a mechanism to create the favorable conditions for the industrial activity is not established. This mechanism allows producing the competitive goods in comparison with the similar terms and conditions of the industrial activities in the Foreign territories.

Nevertheless, a creation of the territories of the priority development helps to prepare a more competitive environment for the manufacturers and residents of such territories. Thus, the territories of the priority development are most applicable in production of goods within the territory of one-industry towns.

By May 2015, immediately after the law came into a force (04.30.2015) six territories of the priority development have been developed and approved in the Russian Far East. The main goal of a territory of the priority development is to attract the investments. The investment activity and renewal of the fixed assets are determined by two main factors:

- Providing an investment growth in production (extensive factor)
- A technical improvement of the existing production facilities provided a reduction of the resource consumption and the increase of a profitability of the production (intensive factor)

A selection of these two factors is conditionally; both of them affect the investment activities at the same time and in a close relationship. However, in a market economy during the periods of a rapid growth the first factor dominates, during the slow periods of development dominates the second one. As a result, there is a balanced expansion of the production facilities and the increase its technical level.

A domination of the extensive factors is reflected in a high share of the investments in the new construction and production expansion. An extensive reproduction character of the fixed assets leads to the accumulation of a significant volume of the moral and physical depreciated assets in the economy. A domination of the intensive factors is reflected in the high level of the expenses for the technical re-equipment of enterprises and high rates of liquidation of the fixed assets.

In Russia, a share of investment in the modernization and reconstruction is almost equal to share of investments directed to the purchase of the fixed assets. It accounts about 20%. The task of the raising of a technical level of the production is not on the first place in the Russian Federation. Due to the obsolescence of existing fixed assets, the sphere of modernization and reconstruction grew excessively. Its value is slightly less than the volume of the purchase of new fixed assets.

This situation is due to the reluctance to invest in the industrial production due to its relatively low profitability. On the other hand, a desire to invest in the construction connected to the high prices of the commercial real estate market and high rental rates.

A serious problem is the manufacturing business conditions due to the high electricity prices. In accordance with the basic regulations of the functioning of retail electricity markets, approved by the Russian Government Decree from 1 January 2011, the electric energy (except for the volume of electricity delivered to the population) is available for free (unregulated) prices. In September 2014 for Moscow legal entities, it amounted from 1.59-6.5 kWh⁻¹ rubles and for the population the price amounted 3.15 kWh⁻¹ rubles. At the same time, the average export price of electricity amounted to 53, 969 dollars for 1 million kilowatt-hours. If the price remains at this level (a rise in export prices for electricity is very unlikely because of the conditions of long-term contracts) and the exchange rate of the ruble to the US dollar is about 50 rubles, the price of electricity to the Foreign consumers will be 2.15 kWh⁻¹ rubles which is significantly lower the average rate for Russian legal entities. In 2013, on the wholesale market the average rate for Russian legal entities amounted to 3.83 kWh⁻¹ rubles and on other markets, it amounted to 4.09 kWh⁻¹ rubles.

One of the major importers of Russian electricity is China. This country is one of the leading competitors in the industrial production. Described above the market conditions make it impossible to compete in the industrial industries. It is much cheaper to place the factory on the Chinese territory.

CONCLUSION

The current economic environment of the industrial activity does not contribute to the development of manufacturing industries in Russia. Presumably, an administrative regulating effect of stimulating growth in the manufacturing industry will bring a slight economic benefit. The new political and socio-economic conditions of Russian economic development, in particular industry, determine the need for differentiated policies of the reproduction of fixed assets and development of the engineering industries.

For the successful integration of high-tech product with a high value added into the global chain of production, we need some time to predict the beginning of the technological order and plan the investments in the corresponding production. All of this will be able to outstrip the competitors on emerging markets and provide a competitive advantage. The developed countries tend to stand at the head of the way and this is the main determinant of their level of development. The fifth technological order is passing under the United States leading. It should be noted that the Soviet Union took the third and fourth technological orders during the planning and industrialization of the economy.

A human capital plays the great role in the economic planning associated with technological orders. Well-trained professionals in the leading sectors and clusters should be at the beginning of the technological order as an intensity factor of the research relates to the quality of training. That is each technological wave is connected with a latency period which is formed by highly qualified professionals. According to some estimates, the most productive age of a scientist is 30-35 years. However, it is necessary to create the conditions that could help him to come to the science. It is noted that the first scientific interest appears even at 12 years of age. Thus, the process of educational planning should last the 20 years.

The changing in industrial policy related to the sanctions should have a positive effect by the creating new jobs in the territories of the priority development. The wages in these workplaces will give an additional demand for the products and become the engine of a new round of development in most sectors of the economy. Because it is obvious that a domestic demand is able to start the economic growth in the current difficult circumstances.

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