

Investment Attractiveness of the Region as the Factor in the Formation of Competitive Advantages

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Abstract

A lot of research is devoted to the improvement of investment attractiveness and competitiveness of regional economy. Investments are considered not only as a source for economic growth, but also as a factor of competitiveness of regional economy. The article highlights the main problems and prospects of development to raise the investment attractiveness of regional economy. The authors have reviewed the impact of investment attractiveness on the formation of con-competitive advantages of a territory.

Keywords: *investments, competitiveness of the region, formation of competitive advantages, investment attractiveness of the regional economy.*

1. Introduction

In economic literature the notion of competitiveness of the region as the place for location of different kinds of activities is associated with the notion of its attractiveness. And the region has to be attractive not only for enterprises but also for people as one of the main resources ensuring the development of the territory. High competitive positions of the region create favourable conditions for the development of business, high living standards, while low standards get people move to more attractive places. The absence of favourable conditions for business doesn't stimulate the creation of the enterprises of the final production sector, service sector and high-technology sector, which consolidates the raw material focus of the region.

Competitiveness of the region depends on the goals and strategies of regional development directed to achieve the advantages of the region not only in the production of a particular product, but also in the growth of its attractiveness for the development of small and big business, and, consequently, active growth of all life spheres of people. Studying the experience of the developed countries we might notice that the main goal of regional development is the raise of quality of the territory as the place for life and business. These are two factors American states compete on, i.e. on attracting people and business to their territory.

A lot of scientists emphasize that a territory may not be competitive in all economic sectors. Its wealth depends on the ability to attract or to create quite profitable kinds of economic activity. You can't find a territory which is attractive for all kinds of economic activity to develop on it, the success in the competition is connected with the development of such kinds of economic activity in which the territory has a better competition position. It tells the researcher about the necessity for the territory to specialize on particular economic functions and their complementarity.

2. Theory

There exist different points of view as regards the peculiar characteristics of competitive (successful) territories. The amplification of the processes going on the competitive territories, both positive and negative, includes such elements as sectoral structure (increase the importance of services as compared to industries, especially with the high value added); innovations; the importance of the territory as the centre for making decisions; high-technology production and concentration of high-qualified working force with the specific demand as regards to the living environment and services; class structure; successful conflict management; the increase of the importance of the places of recreation, culture and places of interest, high standard services; decrease of the importance of the influence of negative neighbourhood effects; development of communications and infrastructure; high incomes of citizens and high level of employment. The growing expenses lead to the increase of the assessment basis and the growth of public services.

The term "territorial competition" is treated differently by different scientists. I. Begg looks at it from two different points of view: firstly, from the point of view of the level of regional economic development; secondly, in comparison with other territories. In this respect, as he concludes, the competitiveness of the city lies in its protection of its share of the market. To make the region competitive it is important to provide necessary localization conditions and facilitate the competitiveness of enterprises working on its territory. The competitive power of the region (in terms of economic strength) depends on competitive power of firms located in the region. But to attract them and keep them on the given territory it is necessary to provide these organizations with the conditions which would encourage their competitiveness. That is why attractiveness of the region is the synonym to its competitiveness as the place to locate different kinds of activities. And also the region should be attractive not only for business but also for people who represent one of the most important resources, which the territory can offer to enterprises. Badd views territorial competition from two sides: on the one hand, there is competition between particular kinds of activities or markets which operate on the territories of regions (localization economy), on the other hand – the competition between characteristics of regions and their social capital, for example, infrastructure and high-qualified staff.

Thus, competitiveness of the territory is the ability to increase or, at least, hold the market shares which are enough for enlargement and streamlining of enterprises for the increase of living standards and sustaining a strong and effective management. The term "competitiveness" is also associated with the notion of "image". The image of the territory is a complex of emotional and rational impressions got from comparison of all characteristic features of the territory, personal experience of people and rumours influencing the creation of a particular image. In other words we should single out objective and subjective components among the elements of the image. The most important objective component of the image of a particular territory is the complex of competitive advantages and disadvantages. They are determined by the peculiarities of the industry specialization of the region, by the presence of export potential, territorial remoteness and the development of transport, intellectual and innovative potential and its correlation with the goals of regional development, the level of the development of social sphere, the state of industrial potential and the established level of investing activity (the volumes of investments and qualitative characteristics of investing activities), etc. It is obvious that the competition advantages promote strengthening of territorial competitiveness, and the competition disadvantages complicate the process of its inclusion into the market space.

The second component of the investment attractiveness has a subjective character which is determined by the action of at least three factors. Firstly, it is determined by the assessment of the territory by domestic and foreign politicians, entrepreneurs, tourists on the basis of their own observations and experience. Emotional attitude to competitive advantages and disadvantages can significantly change the image of the territory under development. Firstly, the image of the territory depends significantly on the activity of regional and local authorities who while demonstrating particular political abilities and ambitions can practice "icon marketing" connected with the image of particular personalities. Thirdly, the subjectivity of the image of the territory can be strengthened by mass media giving to it one-sided characteristics. So the abundance of negative information about the political and socio-economic situation with a particular absence of positive reports about it promotes the development of solid negative reputation of the region.

Taking into account that investment attractiveness of the region is the most important condition characterizing the outward environment of the territorial development the influence of negative reputation affects not only the activity of business, decrease of the investment attractiveness, attracting tourists, but also it affects the situation in the country. In such conditions it is quite obvious that there is an urgent need for regional and local authorities to improve their work on correction and formation of investment attractiveness of the region.

As is seen from practical experience while forming the investment attractiveness of the region one should sort out those facts and events from the whole massive of information which can be of primary interest for prospective partners, for example: the agility of socio-economic processes; the quality of working force; advance techniques; investment

benevolent laws; care about people; information reasons; leaders and top-managers. From this perspective the first step to increase investment attractiveness of the region must be to advertise the region and participate in all sorts of forums, conferences and exhibitions, and also to hold similar events on the territory of the region.

3. Results

Competitiveness is formed on different levels: good (service), company, branch (market), region, country. In this respect one should distinguish between the competitiveness of the good, company, branch, region, country. In its general meaning competitiveness is the ability to perform functions (intention, mission) with the demanded quality and cost under the conditions of competitive market. Competition may be defined in comparison with other similar (often even better) objects. The given characteristic feature refers to the estimated figures, that is why it implies the presence of the subject (who estimates), object (what is estimated), goal (criteria) of the estimation. The function of the subjects of estimation may well be performed by authorities, organizations, investors, customers, etc. The objects of the estimation are goods, firms, organizations, regions, country. The criteria (goal) of the estimation may be the position on the market, tempos of the development, the opportunity to pay for the received borrowed proceeds, consumer attributes as regards the price of goods, etc. That is why this multi-faceted notion may be determined in different aspects depending on the tasks in hand. There also exist methods which are possible to use to estimate the competitiveness and which are built on the basis of statistic indicators, expert estimations, ranks.

Competitiveness of the region is the position of the region and its particular commodity producers on the domestic and foreign markets determined by the economic, social, political and other factors which is reflected in the indicators adequately characterizing such position and its behavior.

On the analogy with the methodology of World Bank the wellbeing of the region may be estimated by four major indicators per capita:

- the size of Gross Regional Product;
- the size of manufacturing recourses (capital funds, etc.);
- the size of natural recourses;
- the size of human recourses (educational level).

Taking into account the present economic situation in Russia and huge wear and tear of capital funds (physical and moral) a big importance in the national economy is given to the providing of the reproduction process on the modern technological and innovative basis, which demands investments. That is why we should add one more characteristic feature to the mentioned above which denotes the level of direct investments into the economy of the region with the account to the volume necessary for reproduction including knowledge-intensive industries. Competitiveness of the region may be determined by the level of creating comforts to people on the basis of international and other standards, and also on the basis of other factors and indicators. In the framework of the task of formation of competitiveness of the region this notion may be defined as the ability to provide conditions for steady growth of the region.

Table 1: Formation of competitive advantages of the region at different stages of economic growth

Stages of	Determinants			
	Factors	Strategies	Conditions of demand	Allied industries
Production Factor	+++++			
Investments	+++++	+++++	+++++	
Innovations	+++++	+++++	+++++	+++++
Wealth	+++++	+++++	+++++	+++++

	Determinant is not used
+++++	Determinant is used noncompletely
+++++	Determinant is used to its full extent

Thus, competitive position of the region is provided (table 1):

- at the first stage — due to the factors of production: natural resources, favourable conditions for production of goods, high-qualified working force (is provided by one determinant);

- at the second stage — on the basis of aggressive investing (mostly of national firms) into education, technologies, licenses (is provided by three determinants);
- at the third stage — at the expense of creation of new kinds of production, production processes, organizational decision and other innovations through actions of all components of the “rhomb”;
- at the fourth stage — at the expense of the produced wealth, it rests on all determinants which are used noncompletely.

In modern conditions it is reasonable to put emphasis on early stage of investments with the following transition to innovative development. But today there exists an objective necessity in innovative “fill” of the attracted investments. In the creation of a competitive advantage of the region a big role is played by scientific knowledge, education – as both the factors of the development of production and the factors of formation of innovative potential of the region.

So, coming to the conclusion, we might single out two key factors of the competitiveness of the territory:

- economic determinants: location, factors of production, infrastructure, economic structure, territorial places of interest and recreation zones;
- strategic determinants: effective strength of regulatory bodies, territorial strategy, public-private partnership and institutional flexibility, which we see as an organizing ability of regulatory bodies and their ability to adapt to the changing environment.

In the short-term period competitiveness depends on the structure of economy, as well as on the character and effectiveness of institutions, quality and abundance of infrastructure and other factors which influence the effective strength of the national system in general. In the long-term period competitiveness depends on the ability to reach a steady changing of factors which promote the increase in effectiveness.

During the year of 2013 we could observe the decline of economic index numbers in many parts of the Russian Federation, and in the Republic of Tatarstan in particular:

- decrease of the level of GRP by 3,32% as compared to the similar index number of 2012;
- decrease of the level of labour efficiency by 2,85% as compared to similar index number of 2012;
- decrease of the level of fiscal performance by 3,15% as compared to similar index number of 2012, etc.

Such behaviour is determined by a whole set of reasons, both external (unfavourable external business climate, escalation of inflation, unstable political situation in the world), and internal (unfavourable climate conditions resulting in the loss of a part of harvest and the rise of food prices). We should keep in mind that any change of economic situation of a region or a country influences the investment climate, investment attractiveness and the behavior of investors.

4. Conclusions

Investment climate in the subjects of the Russian Federation in general is unfavourable, however, it varies from region to region. It shows that the experience of the leading regions in the sphere of investment attractiveness could help to develop less successful ones. Attraction of investments onto the territory depends on many factors: resource base, climate conditions, consumer market, legislation (tax, customs, budget, etc.), state of economy, readiness of government authorities to cooperate, presence of necessary infrastructure, protection of rights of investors, administration of guarantees and many others. It goes without saying that introduction of new programmes and standards of development is an important factor on the way to achieve a particular task which is set by the government authorities at any level. However, quite often the endorsement of a programme doesn't lead to improve the situation in the region. With the purpose to attract investments in any state, region or municipality there should be observed the one of the most important conditions, that is and effective regulation of the investment activity and protection of investors.

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