

The Impact of International Economic Activity on the Regional Economic Development: Case of the Northwestern Federal District (the Russian Federation)

Professor Elena Korchagina

Peter the Great St. Petersburg Polytechnic University

The Assessments of the Impact of International Economic Activity on the Russian Economic Development

- ▶ Sanctions were one of the three key factors for reducing Russian GDP growth and increasing gap between Russian and world economic growth rates (The UN report "World Economic Situation and Prospects 2015").
- ▶ The sanctions were one of the main factor of slowdown in the growth of the Russian economy (The Russian Central Bank "Guidelines for the Single State Monetary Policy in 2016 and for 2017 and 2018").
- ▶ Russia loses about 2% of the quarterly GDP growth due to the sanctions policy (K. Kholodilin and A. Nechunayev, 2016).

- ▶ The purpose of this study is to analyze the impact of foreign economic activity on the dynamics of the development of Russian regions.
- ▶ The study focuses on the analysis of the North-West Federal District regions (the Republic of Karelia, the Komi Republic, the Nenets Autonomous District, the Arkhangelsk region, the Vologda region, the Kaliningrad region, the Leningrad region, the Murmansk region, the Novgorod region, the Pskov region and St. Petersburg).
- ▶ We analyzed the GRP dynamics of regions of the Northwestern Federal District from 2010 to 2015.
- ▶ The source of all the data analyzed in the paper is the Russian Federal State Statistics Service.

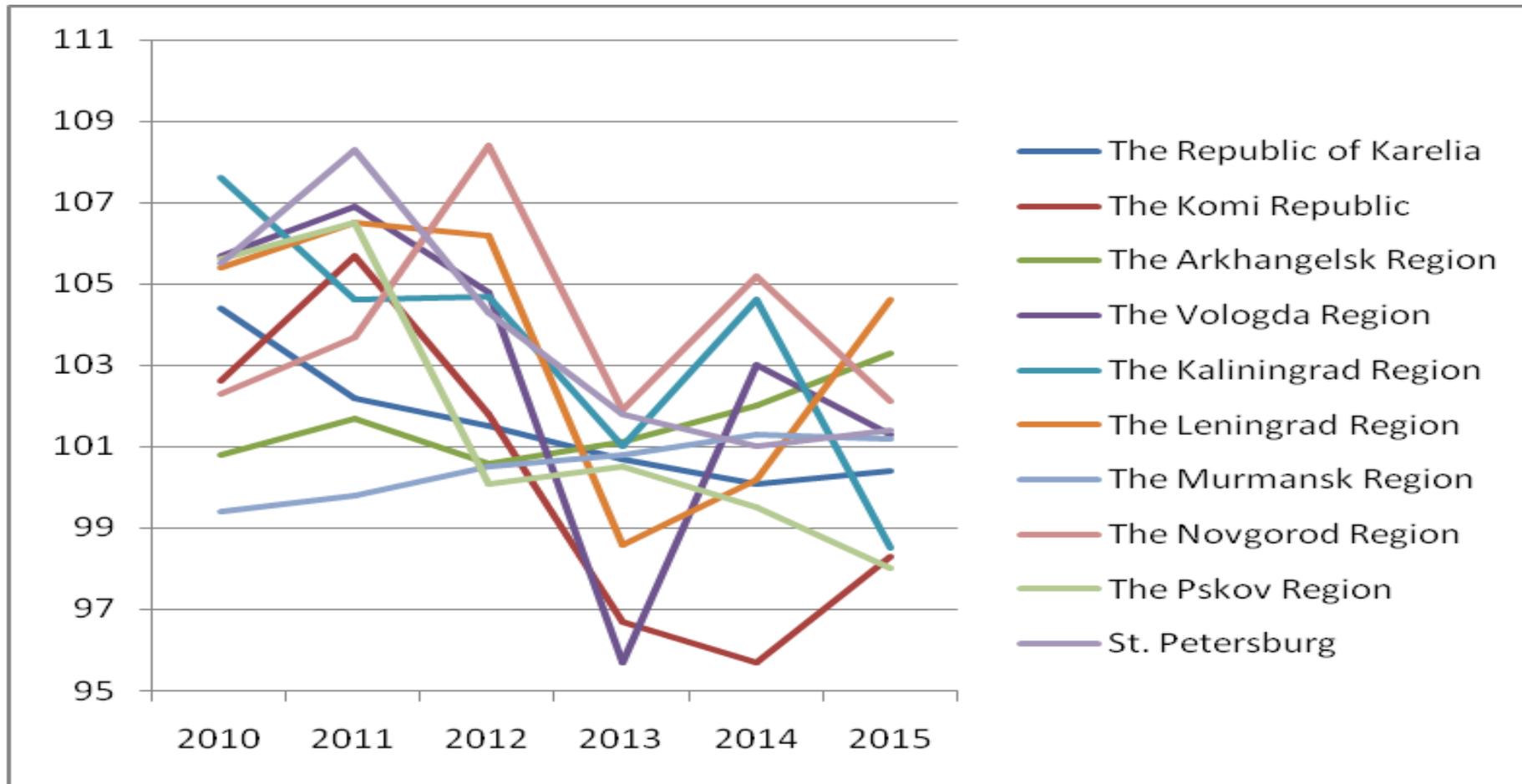
Federal Districts of Russia



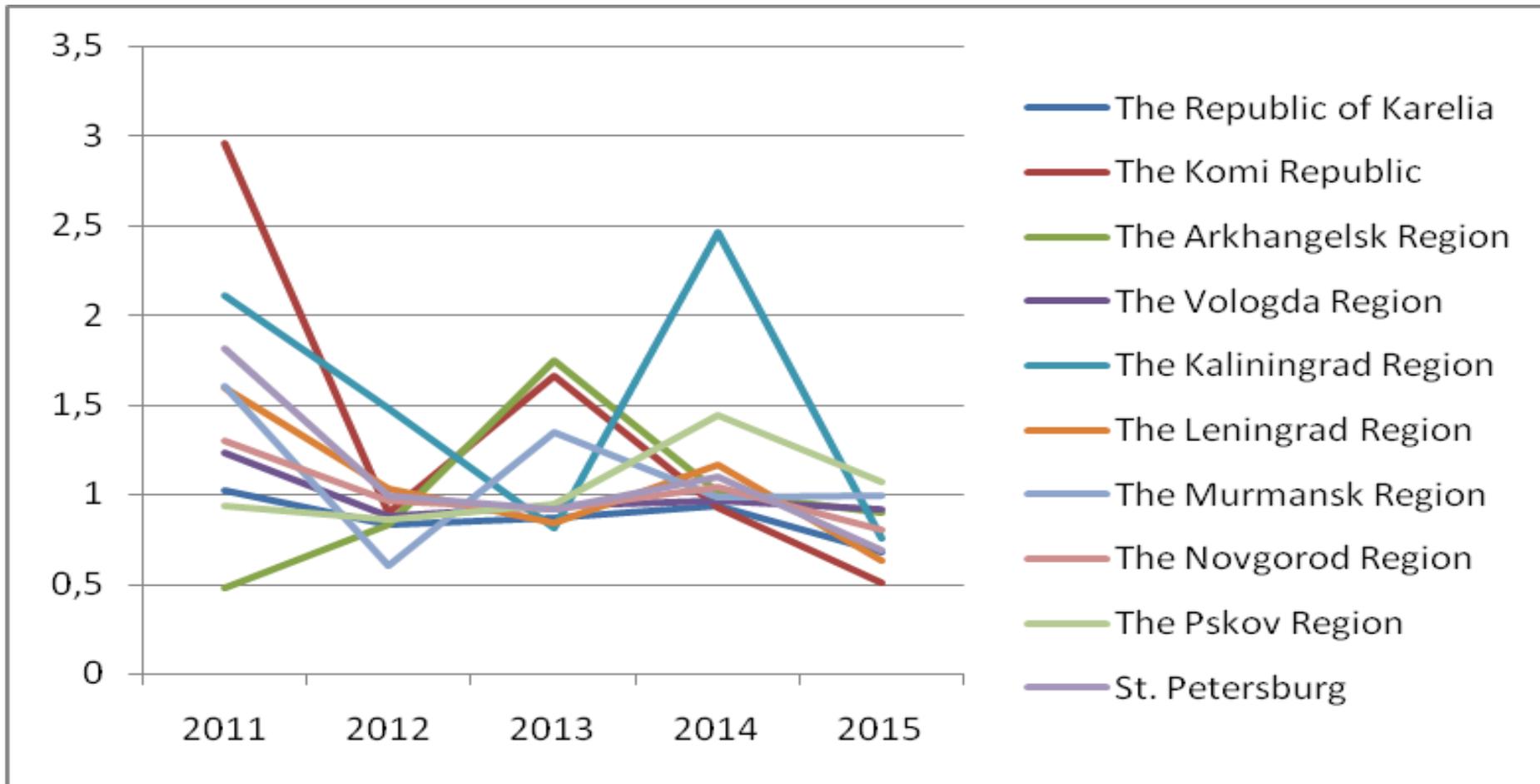


The Northwestern Federal District

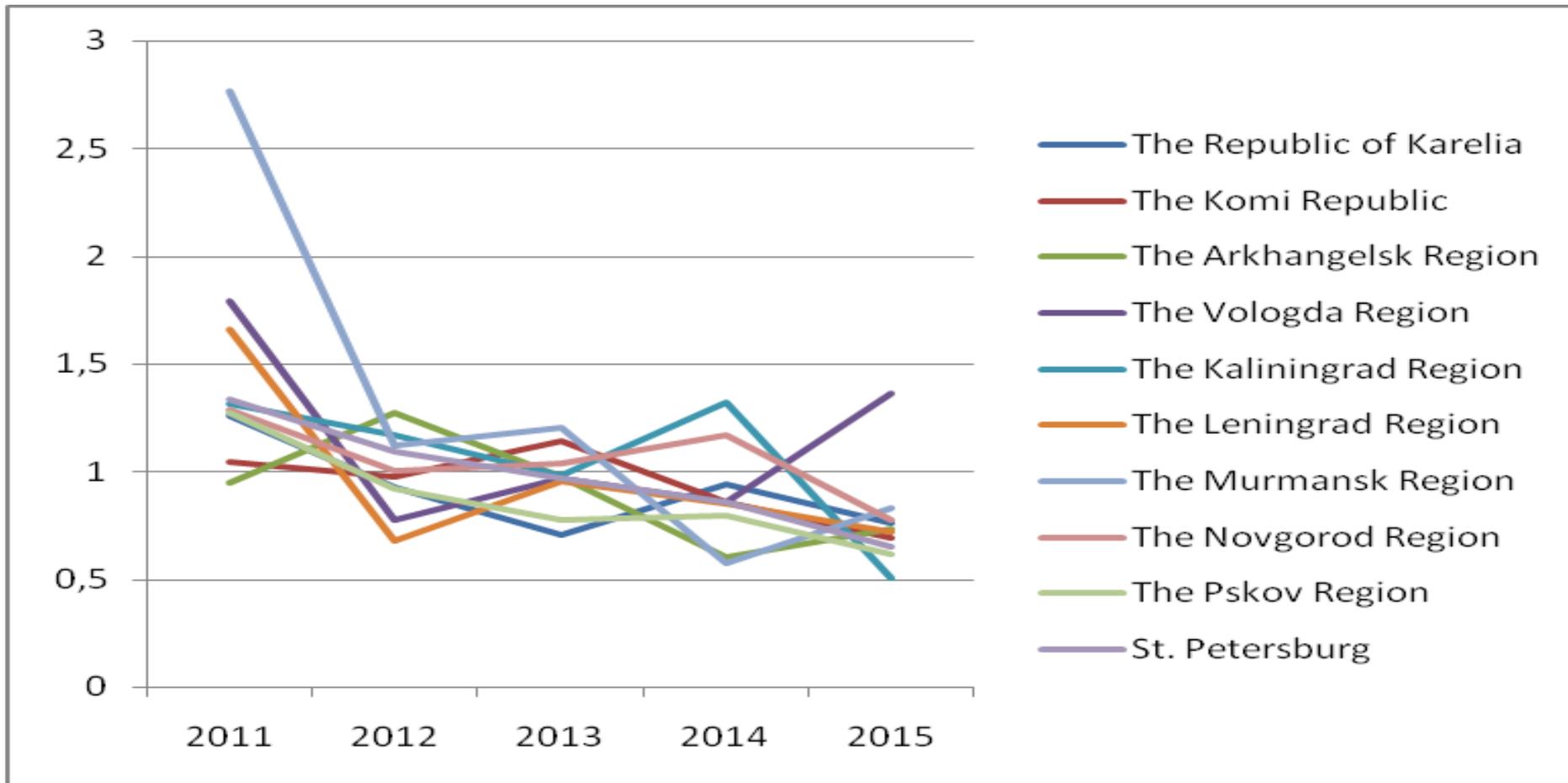
The GRP Index of the Northwestern Federal District Regions



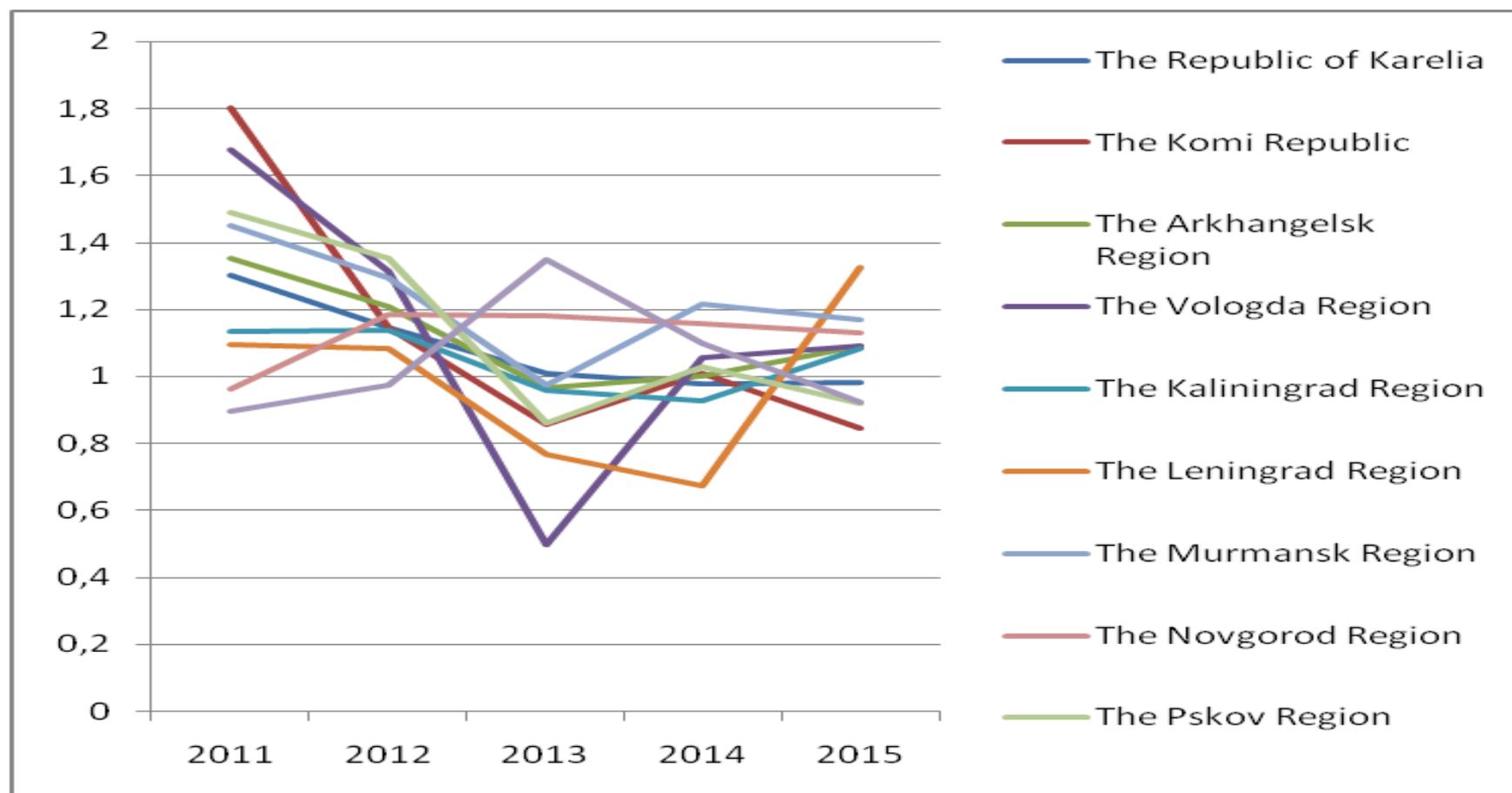
The Exports Index of the Northwestern Federal District Regions



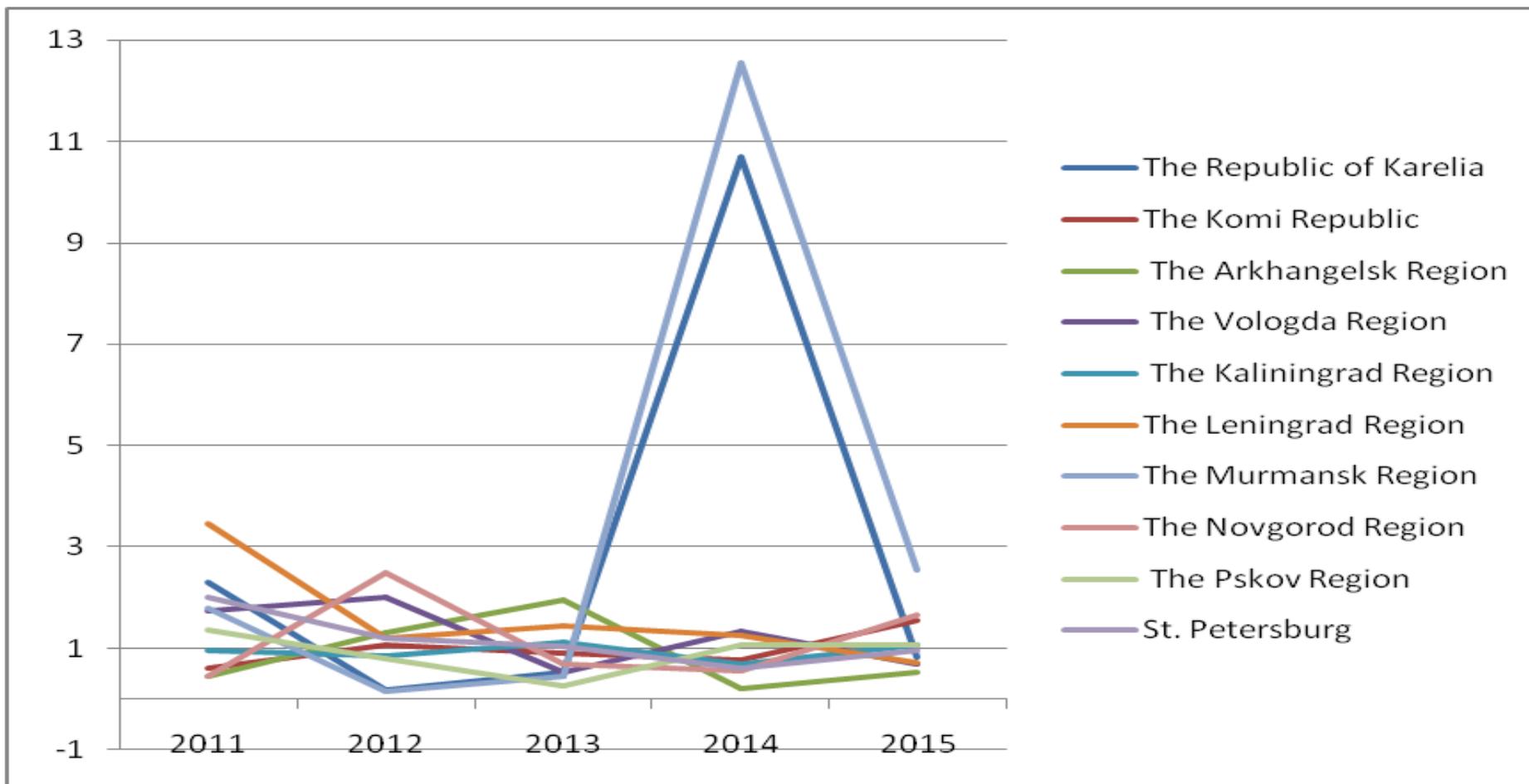
The Imports Index of the Northwestern Federal District Regions



The Investment in Fixed Assets Index of the Northwestern Federal District Regions



The Foreign Investment Index of the Northwestern Federal District Regions



The Assessment of the International Economic Activity Impact on the Regional Economic Development in the Northwestern Federal District

The regression model showed the gross regional product dependence on the indicators of exports, imports and investments in fixed assets (including foreign investment).

The regression model was based on the official statistics of the Russian Federal State Statistics Service from 2011 to 2015 for all regions of the Northwestern Federal District.

The names of the indicators were following:

- ▶ Dgrp is the index of the physical volume of GRP in percent;
- ▶ Dexp is the dynamics of exports in percent;
- ▶ Dimp is the dynamics of imports in percent;
- ▶ Dinvest is the dynamics of investment in fixed assets (including foreign investment) in percent.

The Assessment of the Impact of Foreign Trade and Investment Performance on the Regional Development

Dgrp	Coef.	Std. Err.	T	p> t	[95%	Conf Interval]
Ddexp	-.0016216	.0011875	-1.37	0.178	-.0040045	.0007613
Dimp	-.0099894	.0105543	-0.95	0.348	-.0311681	.0111893
Dinvest	.0604527	.0215842	2.80	0.007	.0171408	.1037645

Conclusion

- ▶ The foreign trade activity was not the key factor of the regional development in the Northwestern Federal District of the Russian Federation.
- ▶ The negative exports and imports trends did not affect the dynamics of the regional GRP in analyzed regions despite their border location and established trade relations with the European Union.
- ▶ The trade restrictions imposed by several countries against Russia were not significant for its economy at least in the short term.
- ▶ The restrictions imposed by the Russian government on imports did not have neither positive nor negative impact on regional economic development in the period under review.

Conclusion

- ▶ To accelerate the growth rate of the gross regional product it is necessary to increase both domestic and foreign investments in fixed assets.
- ▶ The development of the investments both domestic and foreign should become the basis of state regional policy in Russia.
- ▶ The foreign sanctions aimed at the financing limiting of Russian business could be very painful for Russia in the long term.
- ▶ Russia should cover two key directions: stimulation of the domestic investment policy and development of international relations with the new foreign partners and investors.

Limitations

- ▶ The study covered only the eleven Russian regions belonging to the same federal district therefore it could have some limitations.
- ▶ Perhaps the conclusion about the insignificance of foreign trade activity is not true for all Russian regions.
- ▶ It can be assumed that the development of Russian regions that focused on the extraction of natural resources would be more dependent on foreign trade activity.
- ▶ The further development of the study should include the analysis of a larger number of Russian regions.
- ▶ The statistics only for the year and a half of the sanctions and counter-sanction regimes were available.
- ▶ The study over a longer period of time can show a greater influence of international trade on regional development in Russia.

Thanks for your attention!

Elena Korchagina
elena.korchagina@mail.ru