

# INDUSTRIAL PARKS AS A MECHANISM OF ATTRACTING INVESTMENTS IN THE REGIONS OF RUSSIA

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## ARTICLE INFO

Received 28 December 2017

Accepted 26 January 2018

Published 10 February 2018

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## KEYWORDS

industrial park,  
investment policy of the  
region,  
regional effectiveness of  
creation of industrial parks

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## ABSTRACT

This article is devoted to a research of experience of creation of industrial parks in Russian regions. Conclusions are drawn:

1. To attract foreign investors to the regions of Russia, a unified development program and a single approach that is understandable to foreign investors is needed. This approach was the standard technology of creating industrial parks.
2. We need to understand that we need those investments that will bring high technologies to Russia. Just the opening of foreign productions, which will crush the domestic market with their goods, is not effective for the development of the country and its regions.
3. It is recommended to create an effective mechanism for regulating the investment process in the regions of Russia, ensuring the maximum positive return on investment for the process of their social and economic development and protection of public interests.

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**Introduction.** According to the UN, are listed in the "world investment Report" for 2015 Russia is among the countries with the greatest inflow of foreign direct investment (FDI). However, due to the destabilization of the political situation in the world, which led to the imposition of economic sanctions against Russia, the volume of attracted FDI decreased by 70 %, Russia has moved from 5th place to 16th place in the ranking of countries by FDI [1]. Many Russian experts believe that the sanctions had a positive impact on the Russian economy, as imports decreased (by 1 % in 2015 in real terms, according to Rosstat [2]), which led to the growth of their own production. However, the Russian economy is not able to grow as fast as falling imports, so there is a decline in GDP, but the pace is slowing from 2.8 percent in 2015, to 0.2 % in 2016 in real terms [2]. It should also be noted that, despite considerable by Russian standards, direct investments in a wide range of industrial sectors, the main purpose of transnational corporations (TNCs) investing in Russia, were not investing in production, and a breakthrough on the Russian market with the products manufactured by TNCs in third countries. Investments are realized primarily in the sphere of circulation. This practice is a global trend, according to estimates by UNCTAD (United Nations conference on trade and development) low efficiency of realization of investment policy measures in the world, taken in 2010-2014, confirms the fact that only a small fraction (about 8 %) related to countries' sustainable development (infrastructure, health, education, mitigation of climate change). UNCTAD experts believe that countries should intensify their efforts to promote the direction of more significant investments in sectors of special importance for their sustainable development, for example, manufacturing and services. Russia invests in the manufacturing industry is less than 15 % (27 % on average in the world), the service is less than 64 % (the world average estimated by UNCTAD).

Thus, the necessary approbation of the new mechanism of attracting foreign investments in the Russian economy, which provides:

1. The scale of the projects for the priority industries of the regional economy, providing economic growth;
2. The attraction of foreign technologies and ensuring the infrastructural development of the regions. This article investigated the experience of creating industrial parks in the regions of Russia as a new for the Russian economy mechanism, attracting investment.

**Industrial parks and their organization and management.** Industrial (industrial) Park is managed by a specialized management company of a complex of objects of immovable property consisting of land plot (plots) with the production, administrative, storage and other buildings, constructions and buildings, provided with engineering and transport infrastructure necessary for the

creation of new industrial production, as well as with the necessary legal regime for the implementation of productive activities [3]. That is, the industrial Park is prepared by the local administration or private investor area in a nonresidential zone, equipped with engineering and transport infrastructure for accommodation of industrial and warehouse facilities and enterprises. Park resident is a company which has leased or purchased in the Park area or land for the construction and operation of facilities within the Park. The intended use of the assets of the region is dominant in the creation of the Park, so its establishment is to provide the first, we formulated the requirement to the process of attracting foreign investment. It is also an important factor is that all industrial parks are located near traffic arteries, have access to customs and logistics terminals.

Industrial parks are of two types:

1. Industrial Park type Greenfield (greenfield): industrial Park, created on previously undeveloped land, as a rule, not provided with engineering and transport infrastructure at the beginning of the project.

2. Industrial Park type brownfield (brownfield): industrial Park, based on previously existing enterprises or production facilities, provided engineering and transport infrastructure in respect of which, as a rule, carried out and/or are being reconstructed and (or) repairs.

Large foreign companies mainly choose the option of Greenfield, as in this case, the system construction of facilities, taking into account all the wishes of the resident and the pre-determined conditions, this type of Park is widespread in Russia (83 % parks) (see Fig. 1).

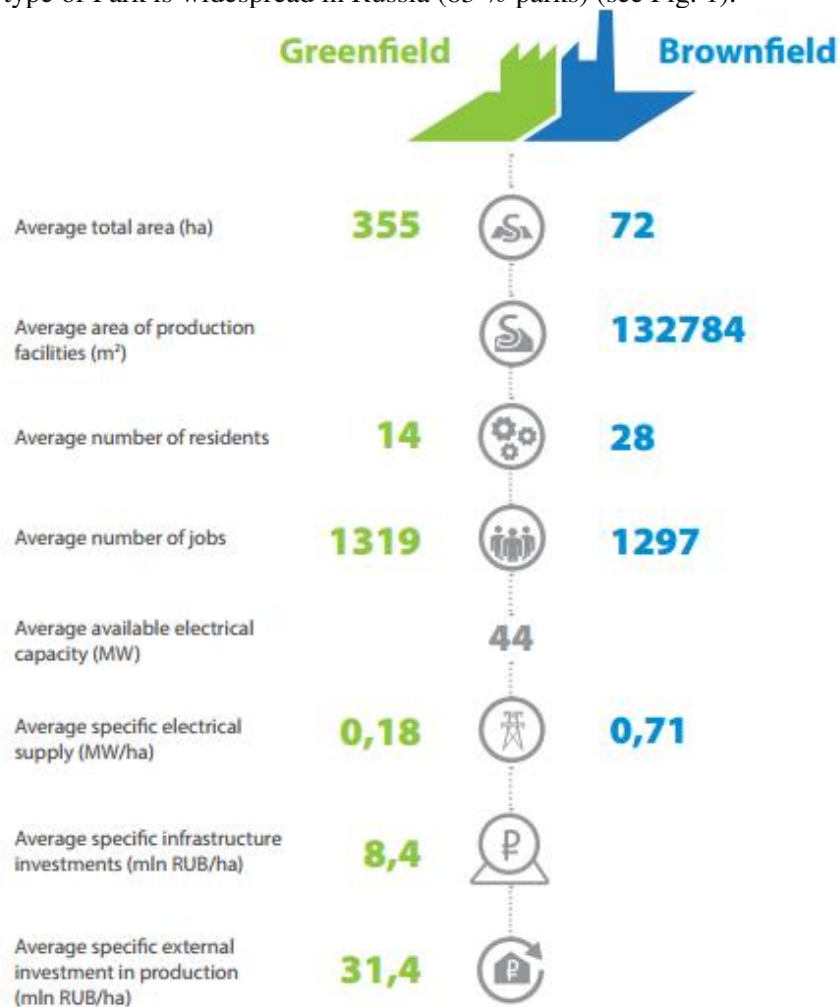


Fig. 1. Average indices of industrial parks of Russia in 2017. [4]

The efficiency of industrial parks in the world is confirmed quantitatively. "In the U.S. there are more than 400 industrial parks in Germany – 200 parks in Turkey – 262 Park, Czech Republic – about 140 in Japan – more than 70 in Poland – more than 60, Slovakia – 34 Costa Rica – 14 parks in Romania – 9. Vietnam created about 200 parks, which accounted for 25 % of GDP and 40 % of the

attracted investment" [7, 79]. Over the last 40-50 years in China created about 400 industrial parks. Experience of creation of parks in different countries have shown that it is as clear as possible, advantageous and therefore sought-after investor product. In the regions of Russia created 427 industrial Park (see Fig. 1), which is comparable with countries such as China and the United States, but their effectiveness is still far from industrial parks in these countries.

Existing in world practice models of management of industrial parks can be divided into three main types [6]:

1. Special model: it infrastructure management company, which provides businesses with not only space to accommodate their production, but also the infrastructure and range of services. This list of services is usually called the management of the industrial Park. Infrastructure managing company can also be the owner of the industrial Park. It can be not related to a particular industry, and a subsidiary of the anchor investor or joint venture of several companies to locate their production facilities in this Park. Services we provide are part of the free market, unless provided for by other rules (e.g., mandatory consumption of residents of certain services).

2. Independent model: independent, often small industrial parks are not managed by a specialized company, and firms to place their production on a single site, will provide all the necessary services or attract to this company.

3. Hybrid model: in some industrial parks are one of the companies who have placed their production, also acts as the management company.

The choice of model is determined by the scale and composition of participants Park in Russia is the first model, as industrial parks are being established with the help of budget funds. According to [5] for 2016 to attract investment in industrial parks of Russia - amounted 549.9 billion rubles, while state support from the Federal budget amounted to 13.9 billion rubles.

The attractiveness of industrial parks for business lies primarily in the possibility to rent industrial, office and warehouse space and to organize production in a much shorter time. In the industrial Park management company takes care of all commitment to providing resident engineering services, electricity, water, heat supply, can provide transport, security and consulting services. In addition, it provides the proper condition of roads and driveways, while a resident enterprise can engage in their main activity - production.

The interest of residents to industrial parks and is also called concentration, and cooperation, complementary industries, making possible the creation of the cluster. Thus is saving on transportation costs and engineering services, that allows to reduce the cost of production.

Thus, the creation of industrial parks gives investors advantages such as:

1. Significant reduction in the time from investment to commencement of production;
2. Low administrative risks;
3. Reducing the cost of products;
4. The extra profit due to tax benefits.

For the regional economy, the creation of industrial parks should result in:

1. Growth of investment attractiveness and investment;
2. The increase in tax revenues;
3. The creation of additional high-performance workplaces;
4. Improving the innovative development of the region.

Also the development of the Institute of industrial parks allows to minimize the risks of complex development of regions and the country as a whole:

1. Involvement in industrial parks, modern production facilities using advanced technologies reduces innovation risks in the region.

2. Involvement in the design, construction and management of industrial parks the companies – international leaders, reduces the commercial and technological risks of the region.

3. The application of mechanisms of public-private partnerships while investing in industrial parks allocates the risks between the state and the private partner – investor.

4. Helps reduce social and personnel risks by means of internships, post-graduate training, publication of instructional, informational and educational materials and programs.

**The performance of creating industrial parks in the regions of Russia.** In Russia the industrial parks market has already passed the initial stage of its formation and is currently under intensive development. Currently, the growth occurs not so much due to the increase in the number of projects, but because of the implementation of the announced projects and the expansion of successful sites. In addition, the continuing process of improving regional and Federal legislation in this area, fixing the terminology and the mechanisms for providing privileges and subsidies. Increases the level of preparedness of the venues and the security of their infrastructure necessary to start production.

According to the Association of industrial parks [5] for the period from 2013 to 2016 the number of industrial parks in Russia grew by more than 80 %, from 80 to 146. Growth occurs at the expense of existing parks, the amount of which for three years increased more than doubled, from 45 to 92. In turn, the number of the created parks remains stable from year to year and ranges 44 through 56 projects. This confirms the attractiveness of using the review mechanism for the implementation of regional m:

the investment policy. The performance of investment activities of Russian industrial parks are characterized in Fig. 2. According to him, only 18 % of the investments involved in infrastructure projects that speaks about insufficient efficiency of the mechanism used to attract investment for infrastructure development of the regions of Russia.

Most industrial parks are located in the European part of Russia in the Central Federal district and Volga Federal district. Subjects leaders in the implementation of such investment projects are the Moscow region, Tatarstan, the Kaluga and Lipetsk region, the Leningrad region (see Fig. 3).

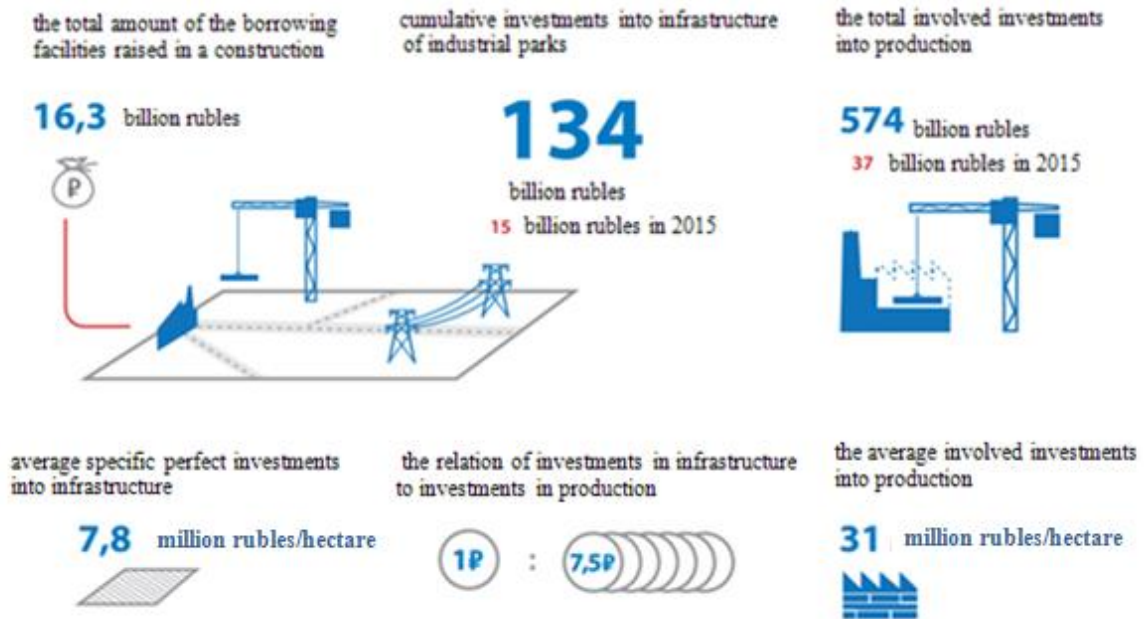


Fig. 2. Indicators of investment activities of Russian industrial parks [5]

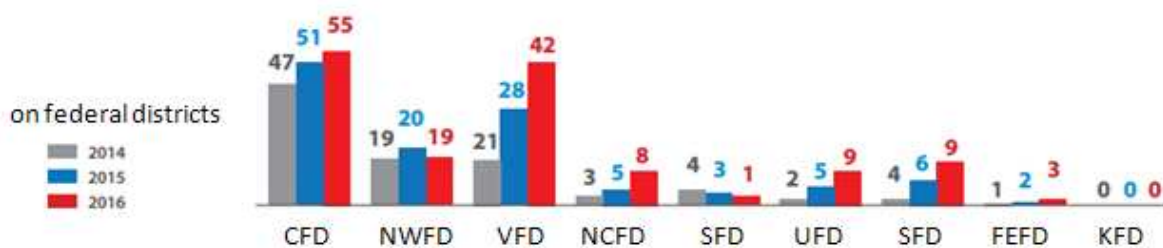


Fig. 3. The geography of Russian industrial parks [5]

Thus, not solved the problem of territorial imbalance in the development of Russian regions.

In Table 1 presents the attractiveness of industrial parks of Russia for foreign investors. 248 foreign companies from 27 countries have localized their production in the industrial parks of regions of Russia, 14 % of all residents, which also indicates a low effectiveness in the use of industrial parks to solve the problem of reducing the level of foreign investment in the Russian economy.



Table 1. Localization of foreign companies in industrial parks of Russia [5]

Countries	Number of the companies
Germany	74
USA	35
Japan	19
Turkey	17
France	14
Italy	11
Finland	10
South Korea	8
China	7
others	43

For 2015 "occupancy" industrial parks amounted to exactly 50 %, compared to 53 % in 2014. The increase of the total area of industrial parks during this period was close to 20 % (see Fig. 1-2). In their report, the Association of industrial parks of Russia identifies two problems that strongly impede the creation of new industrial parks in Russia: an average of 2 million RUB per 1 ha. This is two times less than the specified standard value, it is not surprising that the region's industrial parks lack of residents, on average, 8 one Park, while the average for the regions of Russia and 14 (see Fig. 1). A more detailed analysis is presented in [8]

**Conclusions.** Contemporary international policy makes all investments very risky, and Russia can be attractive for investment only if the capital will bring a very high income. As practice shows potentially Russia and its regions have the opportunity to raise capital in the manufacturing industry, and in agriculture and in many other areas, but we need a unified program of development and a common approach, understandable to foreign investors. This approach has become standard technology of creation of industrial parks, but you have to understand that we need those investments, which will bring Russian high technology. Just the opening of the foreign proceedings, which will crush domestic market for its goods, is not effective for the development of the country and its regions. It is necessary not only to create a mechanism of attracting investments, but effective control mechanism for maximum positive return on investment for process development and minimize associated risks by ensuring the protection of the public interest.

*The research was carried out with the financial support of the Russian Foundation for Basic Research and the Government of the Kaluga region (№ 17-12-40003a (p) "Influence of the results of financial and economic activity of enterprises of the commercial sector of the economy of an investment-attractive region on the achievement of the goals of its social and economic development (for the example of the Kaluga region) ")."*

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