

# Industrial and business potential of the Russian regions bordering with Kazakhstan

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**Abstract.** The article substantiates the relevance of considering the problems of peripheral development of border areas. The development of the industrial and entrepreneurial potential of the twelve border regions of Russia and Kazakhstan has been studied. Using comparative, informational, statistical analysis, content analysis, features and interrelations were identified. More than that, the authors focus on the key problems and strategic directions for the implementation of the industrial and business potential of the border regions. More than that, the paper discusses capacity building in the areas of intensification of trade and cooperation, business, investment and infrastructure development.

**Keywords:** border regions, industrial and business potential, industry, enterprise, small enterprises

## 1. Introduction

The relevance of contemporary research in the development of industrial and entrepreneurial potential of the border regions of Russia and Kazakhstan is determined by three main factors: (1) a certain similarity of conditions of socio-economic development of both countries; (2) a growing attention on the part of the government to the intra-national problems of the development of small and medium-sized businesses; and (3) a common state border. In addition, these countries are the members of many international integration organizations, which influences the format of industrial and business cooperation.

## 2. Materials and Methods

The information and analytical base of the research was the regulatory, legal, strategic, forecast, and program documents posted on the official websites of the Government of the Russian Federation, the Ministry of Industry and Trade of the Russian Federation, the Ministry of Economic Development of the Russian Federation, the Eurasian Economic Commission, the executive authorities of the subjects of the Russian Federation, State Statistics Service of the Russian Federation, the authors' own calculations.

The object of the study are the following 12 subjects of the Russian Federation: Volgograd, Astrakhan, Saratov, Samara, Orenburg, Chelyabinsk, Kurgan, Tyumen, Omsk, Novosibirsk regions, Altai Krai and the Altai Republic, with a common border with the Republic of Kazakhstan.

The aim of the study is to highlight the features and interconnections of the implementation of the industrial and business potential of the border regions.

The main research methods were comparative, informational, statistical analysis, and content analysis.

As a theoretical basis of the study, scientific works were studied on various issues of development of border regions. Among the foreign research of great interest to us are the studies conducted by the Border Policy Research Institute, the Western Washington University, and to a large extent devoted to issues of cross-border interaction between the USA, Canada, and Mexico [1], including the development of business communications [2]. The range of Russian studies covers both general issues of development of border regions, including an assessment of the influence of the border position itself [3], [4], [5]. Foreign experience is also being studied, including business development in border regions [6]. A separate block can be distinguished work exploring the border regions depending on the geographical location [7, 8]. A special place here is occupied by the issues of ecology, trade relations, migration, joint ventures. The selected works affect the context of the Eurasian Union [9], [22], [23]. Against this background, studies of the regions bordering with Kazakhstan are much less common than in other territories [10], [11]. But, given the importance of the Russian-Kazakh economic and political relations, of course, research in these regions should be intensified, including from the standpoint of assessing their industrial and entrepreneurial potential.

### 3. Results

According to the data of the territorial bodies of the Federal State Statistics Service, the total gross product of the Russian regions bordering with Kazakhstan in 2017 exceeded 7.9 trillion rubles, or 11% of Russia's GDP. Most of these territories (excluding the Kurgan and Novosibirsk regions, the Altai Republic) belong to the industrially developed (industry accounts for more than 30% of the GRP).

The industry in the border areas is highly diversified [12]. The Astrakhan, Orenburg, and Samara regions are focused mainly on the extraction and processing of gas, oil, gold, iron ore, etc. Samara and Orenburg regions are in the TOP-5 oil and gas producing regions of Russia, where the Rosneft PJSC, Gazprom, and NK RussNeft carry out their activities. The industrial specialization of other analyzed border regions is engineering (automobile and transport engineering, space industry), chemistry and petrochemistry, and the food industry. The industry specialization in border regions affects the closeness of cooperation between enterprises in Russia and Kazakhstan (Table 1).

**Table 1.** Foreign economic cooperation of Russia and border regions with the Republic of Kazakhstan in 2016-2018

Indicators	Cooperation of Russia with the Republic of Kazakhstan, billion US dollars			Cooperation of the Russian border regions with the Republic of Kazakhstan, million US dollars		
	2016	2017	2018	2016	2017	2018
Export	9,5	12,5	7,5	2254,8	2792,2	1868,4
Import	3,6	5,0	3,2	1465,5	1864,1	1017,2
Commodity circulation	13,1	17,5	10,7	3395,4	4393,3	2661,7

The share of Kazakhstan in the foreign trade turnover of Russia for the period 2016-2018 was only 2.9%, or 41.3 billion US dollars. In the structure of trade with Kazakhstan, the following products prevail: mineral products (20%), metals and products from them (20%), machinery, equipment and apparatus (19.7%).

In the structure of the all-Russian commodity circulation of Russia with Kazakhstan, the share of border regions was about 25%. The top 10 in terms of exports and imports included the following territories:

1. In terms of exports to Kazakhstan, Chelyabinsk (3rd place or 7% of Russia's exports to Kazakhstan), Orenburg (6th place or 4.1%), and Samara (10th place or 3%) regions.
2. In terms of imports, we would like to note the Chelyabinsk (1st place or 19.1% of imports), Orenburg (4th place or 5.6%) and Novosibirsk (6th places or 3.8%) regions, as well as the Altai (7th place or 2.3% ) and Omsk regions (8th place or 2.2%).

Analysis of indicators on the development of foreign economic activities of the Russian border regions with the Republic of Kazakhstan for 2016-2018 in the dynamics, in the product section showed the following:

1. The volume of trade for 2016-2018 decreased by 1.3 times (1.6 times for 2017-2018), exports in 1.2 times, and imports in 1.4 times.
2. The largest volume of trade, exports, and imports from Kazakhstan accounted for the Chelyabinsk and Orenburg regions, the smallest one was in the Republic of Altai and the Astrakhan region.
3. Mineral products (ores, oil and petroleum products), ferrous metals, and products from them, machinery (transport), equipment and apparatus, and products of the chemical industry prevail in the structure of trade.

Thus, the industrial interaction of the analyzed peripheral territories is focused on the development of the commodity sector of the economy, which does not contribute to the transition of the economy of such territories to a new neo-industrial stage of development. Overcoming these negative trends is impossible without entrepreneurial activity in the region.

It should be noted that when assessing entrepreneurial potential, results are analyzed that are related only to the development of small (including micro) enterprises. Table 2 presents the author's calculations of the specific weight of the border regions of Russia and Kazakhstan [12]. To show through significance for Russia as a whole the results of this group of regions in the development of its entrepreneurial potential.

**Table 2.** The proportion of regions bordering with Kazakhstan in indicators of the development of small enterprises in Russia in 2011-2017, %.

The border region's proportion	Years						
	2011	2012	2013	2014	2015	2016	2017
Number of small businesses	17.02	16.64	16.96	17.17	17.03	15.63	15.20
Average number of employees	15.97	15.93	15.56	15.87	16.49	15.33	15.53
Small business turnover	12.75	13.58	13.82	14.03	13.73	12.56	12.29
Investments in fixed assets	17.50	16.70	16.40	16.47	13.08	12.10	13.32

The results presented in Table 2, reflect the steady trend of reducing the share of these regions in 2014 in the total number of small enterprises in Russia, from 17.17% to 15.20%. The share of border regions in the average number of employees of small enterprises in Russia at the level of 15-16% remains almost unchanged. This indicator is comparable to the share of the number of enterprises. Obvious multidirectional dynamics of changes in the share of border regions in the turnover of small enterprises in Russia. From 2011 to 2014, the indicator grew steadily, then decreased to 12.29% in 2017, which was the smallest indicator for the analyzed period. The share of the group of border regions in investments in fixed assets, in small business was quite high, amounting to 17.5% in 2011, which was higher than the values of the three previous indicators. However, then a significant decline began, which was preserved until 2016. However, the share of the group increased to 13.32% in 2017, but still it lagged significantly behind the 2011 level.

Exploring the entrepreneurial potential of the region in conjunction with the industrial, it is important to have an idea not only about the general indicators of the development of small enterprises, but also about how many of them operate in the manufacturing industry. Calculations showed that the share of the group of border regions in the number of small enterprises by type of

economic activity “manufacturing industries” in Russia for the period studied remained practically unchanged, namely at the level of 16-17%. However, the upward trend that emerged in 2013 ended in 2016 with a noticeable reduction in the values of this indicator.

#### 4. Discussion

Due to the historical features of development, Russia and Kazakhstan belong to industrial partners. Despite the existence of established trade relations between countries, there is a reduction in trade turnover and a decline in foreign investment in the Russian industry [14]. A large proportion of cross-border cooperation comes from the commodity sector. Given the accumulated potential of the strategic areas of industrial interaction between countries can be considered: oil and gas and energy, transport and transport communications, chemical, light and food industries [15], [16], [17].

As for the entrepreneurial potential of the group of border regions, it is quite high in general. Most of these regions are characterized by high business and investment activity of small businesses. In addition, this sector is actively creating jobs. The leaders in almost all positions are the Novosibirsk, Samara, and Chelyabinsk regions. The composition of the closing troika does not change, such as the Republic of Altai, Kurgan and Astrakhan regions.

All of these regions have strategies and programs for the development of small and medium-sized businesses. However, as shown by the content analysis of these documents, they almost do not reflect the border specificity, do not take into account both additional features and certain restrictions related to the geographical location of the regions [19].

#### 5. Conclusion

The study showed that increasing the industrial and entrepreneurial potential of the Russian regions bordering on Kazakhstan is possible in the context of intensified trade and cooperation, entrepreneurial, investment, and infrastructure development.

To intensify these processes, it is necessary to create conditions (institutional, contributing to the formation of a favorable investment and business climate, ensuring transparency of decisions taken) to attract investments from Kazakhstan to the production of a high degree of processing of raw materials, to spread impulses of accelerated development from raw materials to the manufacturing sector, including innovative [18], [20], [21].

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