Chapter 4

Economic Reforms in the Twenty-First Century: Integration Potential of Spatial Development

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ABSTRACT

This chapter deals on regional specialization and inter-territorial integration. Author’s investigation provides an overview of the methodological tools of analysis of the territory’s integration potential. The main factors, underlying the integration potential, includes the following: availability of financial and natural resources, and geographical location of the region, transport infrastructure, human and intellectual potential, industry, services and trade development, regional management quality, etc. The authors consider intensity of the inter-regional integration processes by comparing the turnover of wholesale trade and the gross regional product (GDP). The chapter describes the evaluation method of integration potential and integration intensity on the example of the Volga Region: Tatarstan Republic, Perm region, Bashkortostan Republic and Udmurt Republic. Implementation of theoretical and methodological developments may contribute to improving the effectiveness of regional cluster policies in the framework of the spatial development strategy and ensure living standards increasing in the long term.

INTRODUCTION

At the end of the last century the process of management functions redistribution started from sovereign states to transnational actors, which act as international and supranational organizations. This process is known as de-sovereignization of globalized world economy (Smorodinskaya, 2015). Transnational network alliances haven’t territorial boundaries, and their life cycle determined by created projects.

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Activities of the new network actors associated with the interactions at the global, regional and local levels. An interesting fact is that in modern conditions of global relations the regions need to maintain and develop a specialization for own competitiveness. Diversification of the economy at the global level while deepening regional specialization - these are two simultaneous processes in the conditions of open markets competition. Under these circumstances regional integration processes is widespread phenomenon. The interaction of territories occurs not only in the field of economy and trade, but also culture, security, science and education, and mostly in the field of knowledge and technology sharing. It is clear that developed partnerships between members of the cluster contribute to the efficiency and effectiveness of not only industry cluster but also in the performance of each individual participant. Therefore cluster-network structures come to the fore. The multi-level interaction development of cluster structures stakeholders involves as the horizontal and vertical partnerships economic agents within a certain region as inter-territorial integration.

Russia is a country with a federal system, where each of 85 regions can be considered as an equal economic system, which also takes part in the integration processes globally and within the country. Despite the fact that the Russian regions is part of the national space, often takes place inter-regional competition. The heterogeneity of economic space of the Russian regions is one of the major obstacles to integration (Burkov, 2015). In other words the obstacles of regional integration processes are differences in the levels of innovative and socio-economic development, wherein each region has an integration potential implemented to varying degrees.

The level of integration potential should have a direct influence on the strategy of regions’ spatial development and priorities of economic activities that will contribute to inter-regional cooperation and more sustainable economy development. The main objective of the chapter is to develop evaluation method of the integration potential (IP) and integration intensity ratio (IIR), which determines the direction of regional specialization and spatial development strategy on the example of the Volga Region including Tatarstan Republic, Perm region, Bashkortostan Republic and Udmurt Republic.

**BACKGROUND**

Regional integration is one of the forms of interaction between states. In Dobson model regional integration is presented as the most intense form of inter-state interaction, involving common policies (Dobson, 1991). Figure 1 shows how the integration is positioned relative to other forms of interaction. It is clear that integration is the opposite to conflict, and the central place occupies independence.

*Figure 1. Dobson’s “Policy Conflict-Independence-Integration” Spectrum (Dobson, 1991)*