Chapter 8
Cross–Regional Interactions as a Source for Innovative Reformation: The Case of Russia

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ABSTRACT
The processes of disintegration in the 90th of the last century negatively influenced the Russian Federation economic environment. Differentiation of economic activity conditions sustained essential growth. According to experts the total volume of cross-regional economic relations became 4 times lower. Practically the split of economy into export sector and sector working for home market took place. Meanwhile, the achievement of sustainable economic growth, the rise of the country’ competitiveness and transfer to the innovative model of development depends directly on successful overcoming of autarkic tendencies. It requires the reform of cross-regional relations’ system aimed at efficient use of territories competitive advantages both in the interests of definite regions and state in whole. Solution of the defined problems is in the competence of federal and regional authorities interested in transition of the Russian industry into the innovative setup.

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INTRODUCTION

Innovative development today belongs to the most topical problems, both for science and for public authorities in any country. In its turn, this type of development is impossible without territorial integration which is to provide free movement of production, investment and labour resources between regions of a country.

In Russia, formation of the full-fledged cross-regional integration is complicated by significant distances between the territories and insufficient development of transport communications inside the country. This leads to serious cross-regional differences in terms of production, scientific and natural potentials. Besides, a significant share of the already formed production and trade relations inside the country and also with the former republics of the USSR have been distorted during the 1990s as a result of transition to market economy.

Consequently, Russian economy is characterized by rather distinct interregional heterogeneity and disbalances in its spacial development, both socioeconomic and innovative. This conclusion is additional proved by vast empirical data, available from both Russian and foreign studies.

Most of the researchers in this field are unanimous in the statement that cross-regional differentiation in Russia does not only exist – it actually leads to a range of rather negative externalities. Agreeing with most of the ideas of the “new economic geography” here, we think that inequality in the territories’ development levels within market economy would be impossible to smooth fully. At the same time, artificial smoothing of per capita incomes between the regions as performed by federal authorities through resources redistribution may lead to lower rates of economic development of the country as a whole.

Therefore, externalities from cross-regional differentiation should be more positive. And this would be possible it provided cross-regional cooperation effects dominate over the effects from cross-regional competition. This would enable widening the spacial borders of economic activity of one regions by means of the others. In this case cross-regional differentiation will become not only the resource increasing the welfare level in particular regions, but would be also the catalyst of innovative development of the national economy overall.

Theoretical and practical importance of reforming the cross-regional relations’ system which is an integral element of the innovative development of the regions and the country, have defined our choice of the objective and the subject matter for this research.

BACKGROUND

The means of the cross-regional economic interaction were formed during a long period of time simultaneously with social division of labour and with the development of production and trade relations. Therefore, considerable attention of scientists, from A. Smith with his theory of absolute and relative advantages to the present time, is paid to the problems of studying nature, forms, advantages and effects of cross-territorial interaction and cooperation of economic subjects. Survey of the modern academic literature on this subject revealed that problems of cross-regional interaction are considered by analysts either in the context of globalization when economic subjects co-operate with each other with the aim to meet international competition (Torre et al., 2005, Ovcharenko, 2001, Etzioni, 1965) or in the light of inequality of special regional development (Pyke et al., 1992, Song, 2007, Plikhun et al., 2009). These