

Natalia Yevchenko, Rostov CASE

International Strategy of the South Russia Region

Abstract:

The Southern Federal Okrug of the Russian Federation has the largest boundary length in European Russia. Geographical location of the Southern Federal Okrug could be an advantage for effective regional development via international activity. However, over the past decade the Southern Federal Okrug has been growing less attractive for foreign trade and investments. The economic level is low, key production elements (energy, fuel, professional staff) are scarce, whereas political instability in some Caucasian republics keeps growing. Regional Administrations do not pursue any clear-cut economic policy, as they have seen no positive output of international business. The situation in the region has to be changed by developing international policy which would involve both medium- and long-term forecasts. The Russian Duma (Parliament) should adopt in 2006 new legislation on the so-called "boundary-to-boundary cooperation". The bill in question does not take full account of the possible international involvement of municipalities in environmental assessment, especially for large investment projects which could be detrimental to environment. The 660-km long state boundary with Ukraine needs state budget allocation for its immediate and effective protection. Ukraine has been fortifying its boundary since 2004, while Russia, having declared a policy of reliable customs control, has not moved ahead since. The Southern Federal Okrug must be granted federal tax remissions and investment incentives, similar to those offered to foreign investors in natural resources sector. Regional Administrations are to be evaluated by the number of new jobs they have created, the amount of attracted investments, and cuts in federal budget subsidies.