# Ways to Improve the Competitiveness of the Economic Complex of the Republic of Mordovia

L.V. Marabaeva<sup>1</sup>, I.A. Gorin<sup>2</sup>

#### Abstract:

The economic development of the Republic of Mordovia from 1998 to 2013 is analyzed in the article in the context of federal districts of the Russian Federation and regions of the Volga Federal District, the main trends and specifics of the development of economic complex of the Republic of Mordovia are established in comparison with those regions; key factors that affect the level of competitiveness of the regional economic complex of the Republic of Mordovia are determined; the main directions and measures to improve the competitiveness of the economic complex of the region are determined, considering economic, innovative and infrastructure opportunities that conform to the applicable program documents regulating the social and economic development of the Republic of Mordovia. In the article conclusions are made on the need for solving the problem of increasing the competitiveness of the regional economy through the use of its innovation and infrastructure capacities and the possibility of using the experience of the Republic of Mordovia in the implementation of this approach by other subjects of the Russian Federation with the same economic conditions as well as by relatively problem regions that don't have their own resource potential.

*Key Words:* Competitiveness, innovations, economic development, innovation infrastructure, diversification, innovation potential

<sup>&</sup>lt;sup>1</sup> Full Doctor of Economics, Professor, Management Department, Ogarev Mordovia State University, Saransk, Russian Federation, menegment310@yandex.ru

<sup>&</sup>lt;sup>2</sup> PhD (Economics), Associate Professor, Management Department, Ogarev Mordovia State University, Saransk, Russian Federation, ivan2412@mail.ru

# 1. Introduction

Provision of high level of competitiveness of the Russian economy is a priority task, which is largely dependent on the condition and trends of the development of regional economic complexes. In their turn, economic, natural, national cultural and other specifics of the Russian Federation largely determine the possibilities of the effective use of their economic, innovation, infrastructure capacities for sustainable development and, as a consequence, the real increase in the level of their competitiveness. Such dependence is a manifestation of a system approach to the solution of the task of national competitiveness increase as a whole. Therefore, the study of sources and opportunities to improve the competitiveness of economic systems of separate regions is one of the directions for the solution of this task.

The founders, made the conceptual foundations for the theories of competition and competitiveness were such representatives of the Classical School as Smith (1776) and Ricardo (1817). Their ideas were developed by Mill (1848), Marshall (1879), Fisher (1906), Keynes (1919), Schumpeter (1934), Galbraith (1975), Drucker (1981), Lindert (1986), Kindleberger (1986), Porter (1990), Fujita (2001), Krugman (2001), Venables (2001), Rogoff (2009), Brue (2014), McConnell (2014), Flynn (2014).

In Russian economic science the problems of competitiveness of the region are reflected in the works of Azoev (2002), Baumgarten (2005), Belobragin (2001), Bogomolova (2005), Voronov (2000), Vorotnikov (2001), Gelvanovsky (1998), Goncharova (1998), Iwaniec (2000), Litvinenko (1993), Lifits (2004), Mansurov (2006), Ostrovsky (2001), Seleznev (1999), Sinko (2001), Chub. (1999), Shekhovtseva (2001), Yudanov (1996), Yanovsky (1996) and others.

In the conditions of growing crisis tendencies new problems arise in the Russian economy, and they influence the level of competitiveness of regional economic complexes. Therefore, experience of maintaining and developing the competitiveness of the economic systems of the most stable regions, including the Republic of Mordovia, become important.

The purpose of the study is the establishing of the ways of increasing the competitiveness of the regional economic complex in an unstable market environment. For its implementation, we studied the condition of the economic complex of one of the regions of the Volga Federal District - the Republic of Mordovia, the specifics and the factors affecting the competitiveness level in the context of the priorities and trends of the development of the Volga Federal District were found, some directions of its improvement were suggested, considering economic, innovation and infrastructure opportunities.

# 2. Methodology

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At present time, the Republic of Mordovia is one of dynamically developing regions of Russia. It has a developed transport infrastructure, including major railways, pipelines and highways connecting the European part of the country with the Urals, North to the Volga region. The population of the Republic in 2013 was 818.5 thousand people. The Republic of Mordovia is a region with industrial-agricultural type of economics: leading sectors are industry, agriculture and forestry. In the structure of industrial production 89.5% are manufacturing industries, such as: food industry, manufacturing of transport equipment, manufacturing of other non-metallic mineral products, manufacturing of electrical and optical equipment.

However, in the late 1990s the Republic of Mordovia used industrial capacity at relatively low level. This resulted in relatively low activity of the regional economic complex in comparison with other regions of the Volga Federal District. For example, the gross regional product (GRP) in 1998 was only 861 mln USD (Table 1). The lower indicators were only in the Republic of Marij El, where GRP in 1998 was 630 mln. USD, almost 27% lower than in the Republic of Mordovia.

	Year			Ratio			
District or region	1998	2007	2013	2013/	2007/	2013/	
				1998	1998	2007	
GRP on disticts*	232.163	1.093.324	1.695.874	7,30	4,71	1,55	
Central Federal District	65.399	399.144	595.790	9,11	6,10	1,49	
Northwestern Federal							
District	24.823	108.308	175.403	7,07	4,36	1,62	
Southern Federal							
District	13.894	61.660	110.775	7,97	4,44	1,80	
North Caucasian Federal							
District	5.179	22.412	42.677	8,24	4,33	1,90	
Ural Federal District	32.551	165.630	240.144	7,38	5,09	1,45	
Siberian Federal District	31.136	116.928	173.797	5,58	3,76	1,49	
Far Eastern Federal							
District	14.863	49.933	88.175	5,93	3,36	1,77	
Volga Federal District,							
incl.	44.318	169.309	269.112	6,07	3,82	1,59	
Republic of							
Bashkortostan	5.828	23.070	39.780	6,83	3,96	1,72	
The Republic of Marij							
El	630	2.153	3.906	6,20	3,42	1,81	
The Republic of							
Mordovia	861	3.012	4.689	5,45	3,50	1,56	
The Republic of							
Tatarstan	6.776	29 613	48.576	7,17	4,37	1,64	
The Udmurt Republic	1.951	8.040	12.711	6,52	4,12	1,58	
The Chuvash Republic	1.150	4.827	7.047	6,13	4,20	1,46	

**Table 1.** Gross value added at basic current prices by federal districts of the Russian

 Federation, mln USD

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The Perm Territory	5.374	18.681	28.051	5,22	3,48	1,50
The Kirov Region	1.620	4.620	7.056	4,35	2,85	1,53
The Nizhny Novgorod						
Region	4.888	18.505	29.069	5,95	3,79	1,57
The Orenburg Region	2.811	14.501	22.277	7,92	5,16	1,54
The Penza Region	1.087	4.657	8.504	7,82	4,28	1,83
The Samara Region	6.961	22.871	32.675	4,69	3,29	1,43
The Saratov Region	2.857	9.886	16.599	5,81	3,46	1,68
The Ulyanovsk Region	1.524	4.875	8.174	5,36	3,20	1,68

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According to the official website of the Federal State Statistics Service of the Russian Federation (values are adjusted for the weighted average rate of the RUB/USD).

An analysis of the dynamics of development of the Republic of Mordovia states that from 1998 to 2013 it had a 10% below the average growth rate through the Volga Federal District and 25% lower rate than the average in the regions of the Russian Federation. Hence, for the taken period GRP of the Republic of Mordovia increased 5.45 times, while in Russia the average rate was more than 7 times. In addition, this increase was lower than the average through all the federal districts of the Russian Federation (Table 1). Analyzing the dynamics of the Volga Federal District, we estimated that the Republic of Mordovia has the 10th place out of 14 regions on the GRP growth for the period from 1998 to 2013. Samara region and Kirov region showed the worst dynamics (growth of 4.69 and 4.35 times, respectively). The Republic of Mordovia, along with the Perm, Nizhny Novgorod, Saratov and Ulyanovsk regions showed almost the same dynamics (from 5.22 to 5.95).

The analysis of the causes of uneven regional development has shown that the regions that do not possess a developed resource base, the regions with a strong narrow sectorial specialization have more problems than other regions. In addition, the most important factor influencing the level of regional economic development is the quality of management, both in public and private sectors.

In the absence of its own resource base the Republic of Mordovia had to find the real sources and mechanisms for the development of its economic potential. The solution to this problem was found as a result of the assessment of innovation infrastructure and prospects of regional economic complex. Now, as the study of the Association of Innovative Regions of Russia shows, the Republic of Mordovia is in the top 12 subjects of the Russian Federation, with the greatest potential for innovations, and has the first place in Russia in the share of total number of innovations in products and services. For instance, the indicator "share of products (services) produced recently or have undergone significant technological changes" is 22%.

According to another survey, in the rating of the innovative development of the subject of the Russian Federation, made by experts of the Higher School of Economics in 2014 the Republic of Mordovia has the 18th position out of 83.

The third rating, which we analyzed, was presented by the National Association for Innovation and Development of Information Technologies and was connected with innovative activity of regions in 2013; the Republic of Mordovia had there the 34th place and held an average innovation activity.

All of this has a certainly positive impact on the level of competitiveness of the economic complex of the Republic of Mordovia, which continues to rise gradually, primarily through the development of regional innovation infrastructure. At the same time, the results of qualitative and quantitative analysis of the main economic indicators of the Republic of Mordovia identified some problems affecting this process. We can specify the following among them:

- insufficiently high growth rates of production of high-tech products, reduction of the degree of its novelty and competitiveness;
- the predominance of capital-intensive, material-intensive and energyintensive industries;
- high level of moral and physical depreciation of fixed assets;
- low level of labor productivity in key sectors of the regional economy;
- relatively low level of intersectorial and interregional cooperation among enterprises, between themselves and with research companies;
- insufficiently high development of small and medium-sized businesses;
- the outflow of skilled workers to other regions, and the lack of skilled workers;
- increased human-induced load on the environment;
- insufficient development and relatively low efficiency of foreign trade activities.

We believe that one of the most significant reasons for the existence of these problems is the fact that the Republic has one of the lowest per capita incomes, which is almost 1.8 times lower than the average in Russia - 453.1 USD/month in the Republic of Mordovia against 814.1 USD/month in Russia by the end of 2013. Another equally important reason is the "thin layer" of the middle class (Table 2). According to the official website of the Federal State Statistics Service of the Russian Federation (values are adjusted for the weighted average rate of the RUB/USD).

Criterion of classification		Years	Years				
	2007	2008	2009	2010	2011	2012	2013
The Russian Federation	490,3	598,0	532,6	624,2	707,0	741,7	814,1
The Republic of Mordovia	240,0	332,7	300,2	371,9	406,5	415,3	453,1
The ratio of average income in the	2,04	1,80	1,77	1,68	1,74	1,79	1,80

Table 2. Per capita income in 2008-2013, USD

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Russian Federation to the average			
income in the Republic of			
Mordovia, times			

Thus in the course of study the following fundamental mismatch was revealed: the Republic of Mordovia, which had one of the best values in Russia in terms of the innovation activities, investments in the institutes for development (22,29 bln USD) and expanded innovation reproduction, at the same time had one of the worst rates of GRP growth, cash income and other key indicators among the regions of the Volga Federal District.

Analysis of the rating of the subjects of the Russian Federation's debt load has shown that the Republic of Mordovia is the last among the other regions with its 83rd place. National debt as of 01.01.2013, in % of budget revenues of the Republic without gratuitous receipts was 179.7%, which was almost 70% higher than that of the next subject - the Republic of North Ossetia-Alania. This fact, in our opinion, greatly escalates the above mentioned problems and their negative consequences. This budget debt of the Republic of Mordovia was formed due to the fact that the funds allocated to the Republic over the past 5 years, which were directed to the modernization of production, improvement of the quality of life, the development of innovations, transport, social infrastructure, etc., were allocated in terms of cofinancing by the regional budget.

On the results of the studies made, the conclusion was made that in the majority of rating models there was no indicator for "region debt" and therefore the effectiveness of federal transfers was not considered. Therefore, the existing methods of assessment of innovative development of subjects of the Russian Federation need revision, namely on the inclusion of indicators on the risks of debt of subjects and the calculation of the economic, social and other efficiency of federal transfers.

Despite the existence of problems directly and indirectly affecting the competitiveness of the economic complex of the Republic of Mordovia, it should be noted that over the past 5-7 years in general the task of creation of the basic elements of its innovation infrastructure was solved: creation of high-tech technological cluster "Mordovia", innovation and technology centers, LLC Center of nanotechnology and nanomaterials of the Republic of Mordovia created in collaboration with OJSC Rosnano; Republican Business Incubator; two investment venture capital funds; innovation cluster "Energy efficient lighting and intelligent lighting control systems" etc.

Innovation cluster "Energy efficient lighting and intelligent lighting control systems" fulfills one of the key objectives of economic and innovative development of the regional economy. It includes more than 10 large and medium-sized companies with annual turnover of more than 160 mln USD, Research Institute of lighting of A.N.

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Lodygin, where more than 90% of the lightings produced by domestic enterprises has been developed; Ogarev Mordovia State University, which has the only in the country Lighting Department, where over last 35 years than 5000 highly qualified specialists for the lighting companies have been trained more; technological cluster "Mordovia", one of the strategic areas of which is energy-efficient lighting fixtures; and the Association of Manufacturers of lighting products "Russian light" with the headquarters in Saransk, uniting more than 40 lighting companies of Russia and CIS countries and being the main supervisor of the industry.

Cluster enterprises produce over 30% of the total lighting products in the Russian Federation, taking up about 10% of the Russian market, current state of which is characterized by a large expansion of foreign manufacturers (the share of imported products is about 70%). Cluster development program provides the implementation of major investment projects in infrastructure and territory-based cluster development, as well as the production and marketing development. Key projects are the development of technological cluster, construction of the industrial park, joint ventures with foreign partners for the production of LEDs, modernization and technical re-equipment of leading companies. The successful implementation of the cluster at the global and Russian markets.

## 3. Results and Discussion

To solve the problems of increasing the competitiveness of regional economic complex of the Republic of Mordovia in accordance with the priorities of the strategic development of the Volga Federal District it is necessary to systematically solve the following tasks:

- to increase the competitiveness of the regional economy;
- to improve the efficiency of state and municipal authorities;
- to develop innovative diversified economy;
- to increase the level of the green economy;
- to increase the level and quality of life and to increase the share of the middle class.

System solution of these problems is a prerequisite for improving the competitiveness of the regional economic complex. The opportunities and directions for the solutions can be described as follows.

# 1. Improving the Competitiveness of the Regional Economics

The solution for this problem must be found on the basis of competitive paradigm of regional development considering the regions as economic subjects that have to prove their right to have share in the national wealth by the economic success, which means the transition from the redistributive principles of regional policy to the stimulation of internal causes of development.

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This task must be solved primarily by increasing the economic potential of the enterprises, accumulated scientific, technical, human, informational, financial and other resources, located in the Republic of Mordovia. Also, local factors (attributes) available in the region may provide additional positive effects. Thus, the strategy of social economic development of the Volga Federal District for the period up to 2020 sets strategic priorities in the economy and social sphere of the Republic of Mordovia, including: the creation and development of electrical (including lighting), wagon-building and agro industrial clusters, transport and logistics and energy complex, tourist and recreational sphere, improvement of information and telecommunication infrastructure.

Appropriate methodologies should be used for effective assessment of the economic potential and competitiveness of the regional economic complex. In our opinion, the competitiveness of the region should be assessed in four interrelated areas and their determinants: the parameters of the factors for development (natural resources, skills, capital, infrastructure); demand conditions (level of income, demand flexibility, customer requirements for the quality of goods and services, the service itself etc.); the presence of supporting industries and institutions that provide business with the necessary resources, components, information, banking, insurance, consulting and other services; implementation of strategies by companies and organizations to increase their competitiveness and development of the competitive advantage. This methodical approach allows generating the necessary information base of decision-making according to the strategic development of the regional economy, including its innovative component.

To improve the competitiveness of the region it is necessary to identify priority industries and market segments, which are capable of mutually enforcing each other and ensuring synergy in the future.

## 2. Improving the Efficiency of State and Municipal Authorities

The effectiveness of social and economic development of the region is largely dependent on the quality of state and municipal authorities.

According to the existing assessments currently there are the following main problems affecting the efficiency of state authority and local government of the Republic of Mordovia: not rational enough structure of state executive authorities and local government, the presence of redundant and duplicating functions, lack of consistency in the performance of related functions; high number of state and municipal employees with insufficient competence; relatively low level of public satisfaction with the activities of the executive authorities, the lack of the quality of public and municipal services; underdeveloped legal and material and technical base for the effective functioning of municipal authorities; insufficient funding of local authorities for quality performance of their assigned duties. To solve these problems it is viable to continue the optimization of the structure of the government of the Republic of Mordovia; improvement of the efficiency of informational interaction between state and local authorities through the use of database of the all-Russian State Information Center; development of the multifunctional centers providing public and municipal services in municipal districts of the Republic of Mordovia with a unite list of services provided on their basis. In addition, there is a necessity of a system for monitoring the quality and accessibility of public and municipal services, as well as the monitoring system for public opinion on the effectiveness of the authorities and effectiveness of professional work of government employees. It is also important to increase the funding of local authorities in order to properly fulfill their duties, to develop the regulatory and legal framework of state and municipal government and the mechanisms of formation of a personnel reserve, certification and rotation of government workers.

### 3. Development of Innovative Diversified Economics

The study has shown that in the Republic of Mordovia there are significant problems that aggravate increase in scientific and technological capacities, resulting in insufficient growth of R&D, reducing the degree of products novelty. The main reason concerning the deal is the lack of investment resources transferred into the R&D sphere. The share of re-implemented products and products with significant technological changes in the total volume of innovative products remains low. To solve these problems, it is necessary to develop a system of management for the innovation sphere of the region. In particular:

- to carry out constant monitoring of the current condition and trends of the science and scientific services development in the Republic of Mordovia;
- to develop a management model for the regional innovation system;
- to formulate complex measures for the development of innovation infrastructure, based on the interaction between research organizations, planning and design offices, small implemental and venture capital firms, industrial companies, venture capital funds and other organizations participating in innovative processes, and its personnel;
- to ensure optimal agreement within the interests of innovators, engineers, manufacturers and investors, including the recognition of intellectual property as a source of income;
- to widely involve small businesses, entrepreneurs and banksin the implementation of regional innovation projects;
- to develop foreign economic relations and attract foreign investors to the development and implementation of the regional innovation projects aimed at increasing the production of competitive, high-quality goods.

The information base for these problems solving will be the results of the study on the condition of innovation environment among the regional economic complex of the Republic of Mordovia, assessments of its development based on innovation priorities of the economy and the Volga Federal District and the Russian Federation. 282

Also, in the Republic of Mordovia there are infrastructural prerequisites: a series of centers that can serve as the organizational and technical support for scientific and technical projects, which include: Engineering and consulting center (ICC), with offices in each region of the Republic, Foundation for development of venture capital investments in small enterprises in scientific and technical sphere of the Republic of Mordovia, Republican business Incubator, Information center for data processing and regional management, infrastructure of research and innovation enterprises and organizations etc.

An important role in the innovative development of the Republic is allotted to Ogarev Mordovia State University having promising fundamental and applied developments which are ready for commercialization and marketing, as well as involved in education of highly qualified personnel in priority areas of science and technology.

As noted above, the most important center of development of modern technologies is a processive federal technological cluster in the Republic of Mordovia, the decision about its creation was made by the Government of the Russian Federation. It specializes in the development of new technologies in the field of electronics, instrumentation, lighting, as well as new materials, optics and information technologies. Enterprises of the Republic, as the main economic agents and consumers of innovations are also active participants of the regional innovation processes.

The development of the innovative diversified economy will create the prerequisites for the following structural changes:

- increase in the share of high technology and import-substituting industries, agribusiness industry, construction in the gross regional product;
- increase in the capacity and the share of small businesses in the structures of production and incomes of the real economy;
- development of production infrastructure based on modern information technologies;
- formation of cluster and holding structures in the regional economy;
- increased support for export-oriented and import-substituting industries;
- establishing the long-term partnership with leading companies, foreign R&D centers.

# 4. Increasing Level of Green Economics

An estimated economic growth and structural changes in the economy, on the one hand, should help to improve the level and quality of life in the region, and, on the other hand, will inevitably lead to increased negative impact on the environment. These facts explain the importance of the efficient use of natural resources (water, air, land, mineral resources, etc.), ensuring reasonable level of consumption, improvement of the demographic situation, environmental safety and comfortable living conditions. These problems can be solved on the following basis:

- utilization of environmentally-friendly technologies, reducing the environmental impact of all anthropogenic sources, improving the system of environmental regulation, environmental monitoring, environmental impact audit of projects, provision of economic incentives for nature protection activities;
- saving and development of a network of specially protected areas in the republic, of the natural complexes of special environmental, scientific, cultural, aesthetic, recreational and health-giving importance;
- strengthening the air protection from the pollution from stationary and mobile sources of pollution;
- ensuring citizens' rights for clean water and favorable water environment, maintaining the optimal water quality of surface water and groundwater to meet health and environmental requirements;
- determining the key actions for the reduction of the discharge of untreated sewage into water objects of the Republic of Mordovia;
- restoration of waterways and reservoirs, which allow implementing the ecological functions of water objects and adjacent territories, as well as ensuring the quality and safety of the region's soil;
- protection of the people and territories from emergency situations of natural and man-made kinds.

Environmental protection of the region also requires the implementation of modern technologies for collection, transportation, use and disposal of waste, including a waste treatment technology in medical institutions. For these needs it is necessary to provide the construction of waste recycling plant, landfills for disposal of municipal solid waste, centers for medical waste disposal, as well as to carry out remediation of illegal dumps. Particular attention should also be paid to the formation of ecological culture in the Republic of Mordovia.

5. Increasing Level and Quality of Life and Increasing in the Share of the Middle Class

In the conditions of formation of an innovative economy and improvement of the competitiveness of the region the key areas for economic well-being are the sphere of science, education and the accumulation of human capital. In the Republic of Mordovia there are the following most acute social problems of this group, which require immediate action: negative demographic trends in the field of the labor market, in the field of income and consumption. Also, there is a decrease in the resident population, both due to its natural decrease and because of migration, which directly affects the condition of human capacity in the region and, ultimately, has a very significant impact on the level of its competitiveness.

These problems should be solved in the following key areas:

•	improving	the	demo	graphi	c si	tuation	ı by	y cre	eating	the	conditions	for
	increasing	the	birth	rate	and	reduc	cing	the	morta	ality	(including	the
	employable	e po	pulatio	n), ii	ncrea	sing	he	life	expec	tancy	, reduction	of
	migration of	outflo	w from	n the r	egior	ı;						

- providing flexibility of the labor market also through the development of professional and territorial mobility of labor, improving the efficiency of employment of the working population;
- creating the conditions for the growth of real incomes of the population;
- reduction of social differentiation and stratification of the population;
- maintenance and development of free public education, the formation of the mechanisms for assessing the quality and relevance of education services, the modernization of the institutions of the education system;
- improving the efficiency of the medical care system, the development of preventive medicine and public health system;
- promotion of healthy lifestyle, the development of mass physical culture and sports, physical education of the population;
- the development of moral and spiritual values, ensuring the maximum availability of cultural goods to the public, as well as improving the quality of services provided in the cultural field;
- improving the efficiency of the social support system for the most vulnerable social groups.

## 4. Conclusions

Thus, the implementation of the presented ways to increase the competitiveness of the economic complex of the Republic of Mordovia, through the development of its innovative and infrastructural capabilities will allow, in our opinion, dramatically increasing the competitiveness of products and to strengthen the competitive positions of the regional companies on the national and international markets, and will lead to bigger share of innovative and import-substituting products in total production, as well as to the increase in the proportion of organizations engaged in technological and organizational innovation changes in the total number of economic entities. We can also expect an increase in the proportion of intangible assets in the total assets of innovation-oriented companies, the growth of small and medium-sized innovative companies, as well as increase in the human capacity of enterprises and organizations of the innovation sector of the economy.

The important results of the practical implementation of the given recommendations also include the projected increase in the share of products sold in the other regions of the Russian Federation and in foreign markets, the further development of innovative, industrial, transport and social infrastructure, efficient use of natural resources, environmental safety and comfortable living conditions for the population of the Republic of Mordovia, improvement in the quality of state and municipal authorities.

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The conducted study has confirmed that the solution of the task of increasing the competitiveness of the regional economy based on innovation and the use of its infrastructural potential is feasible, but quite risky. Therefore, it is important to systematically assess the risks associated with the choice of an innovative approach to the development of the competitiveness of the regional economic complex, taking into account its economic, political, resource, environmental, ethnic, cultural and other specifics. The experience of the Republic of Mordovia in the implementation of this approach shows that it can be successfully used even by relatively problematic regions that don't have their own resource potential, and on this basis it can be recommended to the other subjects of the Russian Federation with the same economic conditions.

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