

## STRUCTURAL TRANSFORMATION OF ECONOMY

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Russia possesses considerable potential for a sustainable development. In this connection it is logical to make a structural reorganisation of economic systems which will allow to define the factors, the mechanisms and the development directions. Today the main task of transformation of Russian economy consists in the elimination of the deep structural deformations. Basis strategy of realisation of the mechanism of structural reorganisation is offered.

Radical macroeconomic transformations connected with the transition from command to market economy have been taking place in Russia since 1990. These transformations presuppose a number of serious micro- and macroeconomic reforms. Structural reorganization is one of the most important components of industrial policy in the period of transition. It occurs both at the macro level as changing the industrial structure, and at the level of managing subjects as dealing with intraproduction relations. But the economy is inert and that is why serious efforts and material and intellectual costs are required for its transformation. Profundity and speed of change depend mainly on government policy and opportunities to make significant investments.

Structural reorganization of national economy means deep transformation of productive forces which is determined by the necessity of technological production update and its adaptation to the changing internal and external conditions. Its main aims are: production reorganization, including reorganization by liquidation of inefficient sectors and by merging or dividing the enterprises, the replacement of physically worn out or obsolete assets, innovations and new production. Everything mentioned results in considerable changes in branch, technological, dimensional, regional and other structures of public production.

Today the main task of economy transformation in Russia is to eliminate the accumulated structural deformations. They are: distorted branch structures of national economy which are manifested in hypertrophied development of heavy industry and military-industrial complex, large amounts of natural resources, poor devel-

opment of industrial and social infrastructure, technological structure deformation, which is the reason of enterprises being fitted out with obsolete equipment, technical and production lag caused by the lack of competition and long-term isolation from the world economy, dimensional structure deformation which is the result of big and super big enterprises' prevalence and the lack of small ones, distorted regional economies caused by errors in enterprise location which were chosen without taking into account cost minimization requirements including costs of transportation.

From the very first days of the reforms the government chose maximum economic liberalism policy. It is explained by the fact that by the beginning of our reforms Keynesianism as theoretical basis of government economic policy in the West in 50 - 70s had left the stage, opening the place to neoliberalism with its main slogan: "Less government - more market".

The economy was forced to form basic market economy institutions and reduce government intervention in it. Large-scale privatization became the central part of the reforms and as a result we now have the prevalence of the private sector supplemented with private-public sector. Market mechanisms of self-organization were supposed to start working automatically after providing full independence and structural reorganization, and thus the economic growth that came to a halt in the late 80s would consequently start.

Private property mechanisms and their corresponding new organizational-legal forms together with the market freedom of pricing and competition were supposed to replace the state regulation functions of the economy. Fiscal,

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budget, customs and partially banking regulations were left to the state which now doesn't have real authoritative power. Now one can say that privatization resulted in the loss of public and state control over production and finance, its "shadowing" and the usage of obsolete and worn out assets.

Structural reorganization is an effective way to overcome cyclic crises, manifested in periodic worsening in economy functioning due to the decrease in efficiency and competitiveness combined with gradual accumulation of inner contradictions, obsolescence of the existing forms of organization and management, market saturation with the traditional production of private enterprises in the interests of new owners and oligarchic groups. Economy mechanism deformation took place. Disinterest of new owners of privatized enterprises in production restructuring was enhanced by the domination of barter, the accumulation of large non-payments and the creation of banking system isolated from the real sector.

There is most acute shortage of financial resources at all levels everywhere. It is manifested in chronic budget deficit for federal and regional administrations, in the shortage of turnover capital and investment resources for enterprises, in the limited assets of commercial banks, in low income, little savings due to non-payment of salaries, wages, retirement pensions and social securities for the citizens of the country. The main reason of such shortage is non-controlled outflow of financial assets from the economy resulting in the depletion of national resources.

Structural crisis is one of the main factors that hinders the development of Russian economy. During the period of reforms the most significant changes happened in branch structure of the economy, caused by uneven production and investment decrease rate in separate sectors. First of all production sphere was considerably reduced with the corresponding increase in the sphere of services.

At the same time, unfavourable tendencies in the structure of production are enhancing and the main tendency is the ratio change between the extracting industries and the manufacturing branches in favour of the former. The growth of fuel energy complex share is the greatest. A considerable decrease in machine-building and in a wide range of industries producing consumer goods are among other negative tenden-

cies. Timber, woodworking, pulp and paper industries, industry producing building materials and chemical and petrochemical industries are in a much worse state.

Over the last years technological structure of the economy has become worse.

At the same time there were important and positive changes in the dimensional structure of production, characterizing the ratio between different types of enterprises: large, medium-size and small. During the years of reforms the system of small-scale enterprises which was practically absent earlier has been created.

One of the most important factors in the structural reorganization of economy in the context of rapidly progressing integration to the world economy is its external economic links. They are largely maintained through the channels of foreign trade: export and import, foreign investments, international economic cooperation, development of domestic enterprises. As a result the country's participation in the world system of labour division has unexpectedly grown.

At present the problems of the country's economic independence, technological industrial reconstruction and the formation of modern production plant are first-priority. It is necessary to realize the transition of the main branches to the use and output of new technological equipment. The urgency of such transition is very high as many kinds of equipment and technologies have become obsolete. Production of traditional models leads to the loss of competitiveness not only in the foreign but also in the domestic market.

Structural reorganization of Russian economy in the mid-term should be carried out on the basis of the three main strategies:

- ◆ development of high-tech science-intensive industries, first of all on the basis of production markets development, involving intellectual property in economic turnover and coordination of investments with innovation projects;

- ◆ development of competitive production of consumer and investment goods on the basis of price advantages of domestic products, realizing government purchases and promoting Russian goods in the domestic and foreign markets;

- ◆ providing the stability of energy- and raw-materials production development for satisfying the needs of domestic market; simplified taxation and customs-tariff policies; helping to attract foreign investments and a number of other steps.

The following purposes are of special importance in the structural policy: curtailment of structurally-depressed production and liquidation of equipment beyond expiry date; reduction and then termination of obsolete machine-building production; rearrangement of capital assets. Rearrangement and re-profiling of capital assets should be carried out in the form of mergers and acquisitions. To stimulate these processes it is important to simplify the bankruptcy procedure of problem enterprises and their acquisition.

Special attention should be paid to the use of military-industrial complex potential while elaborating the policy of import-changing. This means the defense enterprises enter the consumer market with a new product or technology; sale of licenses for commercial use of know-how, obtained in the military research works; mutual capital mobility between military and civilian sectors of economy; transition to double application technologies.

At the same time it is necessary to accelerate the processes of enterprises' merger and acquisition, including the bankruptcy procedures, for the purpose of rearrangement and re-profiling of capital assets and for the accumulation of financial investment resources to prevent their diffusion.

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