

## The Intensification Factors of Regional Innovative Activities in the Post-Soviet Space

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### Abstract

*The article is devoted to the investigation of a burning problem of the ex Soviet republics, the increase of innovation activity in the real sector.*

*The problems associated with the innovative aspects of the processes of economic development are considered and analyzed. Also, the essence of innovation and innovation activity is clarified and the prerequisites, which determine the need for increased innovation, especially in times of crisis, are identified. For a long time the scientists have been concerned with the question of the innovation and innovation activity. In Soviet times, the innovation was analyzed as the problems connected with the economies of scientific and technological progress. In the post-soviet period one has been seeking ways to overcome the effects of a deep economic recession and the need to adapt quickly to the international economic community. The development of innovation depends on the degree of development of market relations and contributes to the further development of the society, the country's economy as a whole. It reveals the causes of hindering innovation activity of the enterprises, identifies the factors that hinder the development of innovation. Increased attention to the theoretical study of the problems of innovation and innovation activity is due to many factors and, above all, the emergence of an innovative way of development.*

*There are identified the prerequisites promoting the innovation in the real sector of the post-soviet area. But it is problematic to achieve significant results in the development of innovation sphere in post-Soviet area in the nearest future. This is due to the lack of experience of innovation in market conditions.*

*It can be noted that in the past these problem-oriented research organizations in the implementation of state's orders were focused mainly on the domestic market. The financial and economic difficulties played an important role: such as the «brain drain» and the ageing of scientific personnel.*

*It should be remembered that the effective use of the innovative capacity depends on the change in the orientation of the people, their preferences and beliefs, the successful formation of market mechanisms, the structural adjustment and industrial upgrading, as well as the continuation of institutional reforms. Especially there are opportunities of long-term sustainability and competitiveness of the economy in the region.*

**Key words:** innovation, sustainability, economic recession, development.

**JEL Classification:** O31

### INTRODUCTION

The economic reforms occurring last decades on the territory of former Soviet Union are directed towards the creation of a favorable micro and macro economic climate. Unfortunately, this process is often stopped by the economic instabilities on the background of a rough competition between the local and foreign manufacturers. Finally, the businessmen have acknowledged that for entering and surviving on foreign markets it is necessary to learn the methods and tools of the modern management, because the current type of the economic growth is not reduced only to those which are known in this area: extensive and intensive. Today, the economic growth at global level is characterized by the achieving of a new and net superior living standard, public availability to high quality resources, proper assessing of the knowledge and finally the increase of the influence of human resources on economic growth.

## **I. The Intensification Factors of Regional Innovative Activities in the Post-Soviet Space**

Developed countries show us that the leader place would be taken by the system which would have a higher technological level, based on intellectual resources. Nowadays, a rough fighting is taking place among the USA, Japan and Western Europe, for the global market, and the creation of global competition priorities based on scientific researches and innovative activities.

At the end of the XXth century in the USA, it has been promulgated the techno-global doctrine, whose aim was to ensure the global technological competition of the USA at the international level. It included incentive activities of the private sector in the field of innovations' development, marketing new technologies, creating human potential able to contribute to the development of "new economies" [1].

According to Maastricht Convention, Western European countries emphasized the necessity of increasing the scientific-technological basis of the European industries and the improving of the competitiveness of the European community countries at an international level. By the end of 2010 it is expected the ending of the creation of a Single European research area. For this it is necessary to increase the share of the investments in innovations up to 3% of GDP, 2/3 of which are assumed to be provided by the private sector. (Barcelona 2002).

Thus, the stimulation of the innovative processes in the developed countries becomes the crucial condition of a progressive economic development. It was observed that the updating of the innovative process and the sensibility to the factors of increasing the innovative activity is of primary importance in the framework of finding the leader position in globalization conditions.

Most ex-soviet countries, which have signed the Convention of technical-scientific collaboration with the European Community, its priorities referring to a potential economic growth based on the development and marketing of innovations should take all the above said into account.

The habit of these countries to carry on a managerial activity based on the accumulation of goods does not meet the current requirements of the world economy. This finding is particular important especially for the countries that are in the process of modernizing their economy alongside with the globalization requirements and the development of "new economies". Therefore, if density factors that determine the economic growth in the USA in the last 50 years is composed of scientific progress -49%, labour -27%, capital -24%, then in the former soviet countries the GDP increased by 6% from labour, 10% from capital and 80% from natural rents. It is clear that such a correlation among the factors is against the current demands [2].

The new concept of economic development and growth makes impossible the use of traditional pattern of economic growth because there are not taken into consideration the influence of the new trends which mirrors an unadequate reality the fact that does not allow the ensurance of a competition in the region as well as the production and launching on the markets of goods and services that can be competitive on international level. Innovative policy should modernize national economy by providing progressive developments of some specific domains of particular activity according to the demand of new economy.

Most businesses are seeking and developing new products and technologies through new innovational opportunities. There can be distinguished some fundamental assumptions which determine the need for increasing the innovative activity in the countries of the CIS.

Firstly, it should be mentioned the competition among businesses within each country as well as abroad. For example, the manufacturers of the vineyard industry are forced to compete among them in the Republic of Moldova and on Russian, Ukrainian and Belorussian

markets they should compete with similar products made in Georgia. The requirements that are getting higher force the national business people to improve the quality of the launched products.

Secondly, it should be stressed the variable demand of the customers. Lately, the customers are becoming more experienced concerning the quality of the goods and services that are offered to them. This leads to the revising of the internal policy of most of the enterprises as to offer to the customer goods and services that are competitive on the regional markets.

Thirdly, it should be emphasized the rapid development and the diversity of new technologies make possible the manufacturing of new products, which were impossible in the past and because of expensive production costs.

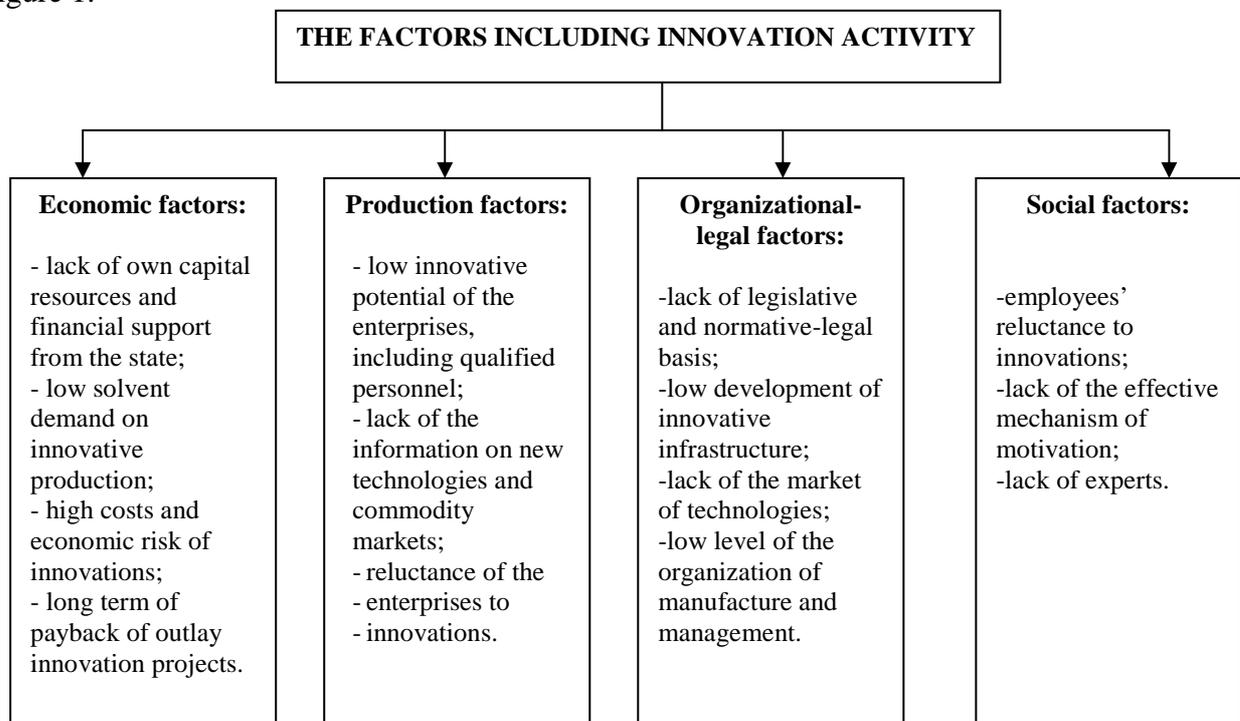
These three factors stimulate businessmen to continuous searches and investigations. In the last 20-30 years the quantity of the products offered for sale has increased several times, simultaneously with the variety of various products.

However, the achievement of important results in the field of innovations and trading of technologies is quite difficult. The reason is the lack of the experience in the running of managerial activity on the competitive markets.

Past experience shows that the businesses having researching activity were requested only to honor the state's orders and were ultimately designated only for internal markets. It also reflected and the lack of the experience in developing and the marketing of new products on world markets.

The problems of the intensification of the integration process of the innovations in the manufacturing are caused by the lack of a qualitative infrastructure concerning the horizontal links among the businesses research laboratories and financial institutions. A negative effect on this process has had the lack of the investments in national economies which "have facilitated" the ageing of scientific staff and the emigration of young and perspective people.

The main factors that impede the innovation development in the region are shown in figure 1.



*Source: Prepared by the authors*

The increase of innovational activity along with the government's supervision of the participants' activity at this process and the involvement of the structures concerned with the achievement of innovations, drawing of the investments, the creation of new favorable conditions for innovational process and the applying of the results of this activity in the country's economy. Thus, the innovative activity in the post soviet area is at different stages of development, this being directly influenced by businesses' availability to the innovative processes [3].

In Belorussia in 2007 the innovative businesses in the real sector constituted 17%. In Russia the share of the enterprises that had at least one innovative activity is of 8% out of all industrial businesses. In Ukraine this figure is more than 11%. This indicator is 25-70% in the countries of European Union.

In the Republic of Moldova referring to the expanding and development of innovation infrastructure in 2008 there were created two centers of innovation: Scientific-technological Park "Academica" which has 30 members/residents and the innovation incubator "Inovatorul" which has 4 members. During the given year innovative products in the amount of three million euro have been produced as the result of innovation projects and biological transfer.

A huge importance has the collaboration among the ex-soviet republics in this field. They use bilateral programs of projects. Thus, according to the agreement of collaboration between the Scientific Academy of Moldova and Fundamental Research Fond of Russia there were selected for financing and supported 83 projects. Similar agreements have been already signed with Ukraine and Belorussia.

Under these circumstances the catalyser of innovative developments becomes an advanced technological sector in this region.

The most important factors that impede the innovative activity are: lack of own capital resources (from economic forces), low innovative potential of the enterprise (from production factors), and low development of the market of technologies (from other factors).

Innovative activity of the industrial enterprises is characterized by the use of advanced technologies. It is necessary to understand the use of the advanced industrial technologies in manufacturing and marketing operations. Use of new methods of manufacturing can be carried out on the basis of essentially new technologies or new combinations of existing technologies, or on the basis of new knowledge. Thus technologies can be put in the new or advanced machines, the equipment, software, and new knowledge can be the result of researches, obtaining or using special qualifications or skills. The expenses for development and implementation of technological innovations include expenses for payment of the researches and development, patenting of inventions, other patent-license services, preparation and practical training of the personnel, building works, and marketing research.

Hence, in modern conditions at the basis of economic development of national economy is the state policy of innovative development which consists in maintenance of economic and social development of the republic on the basis of an effective use of intellectual resources of the society. Increase of efficiency of innovative policy of the republic assumes the need of improving its legislative basis and the formation of effective mechanisms financial support of the innovative activity.

One of the major problems which should be solved during the implementation of national innovative policy is the adoption of the legislation on innovative activity. An optimum variant is the adoption of the innovative code in the country within the limits of which it is necessary to concentrate all key norms of the legislation, concerning innovative activity. In particular, the code should give interpretation from the legislative point of view to the basic concepts concerned with the innovative activity (innovations, innovative activity, innovative policy, innovative process, innovative project, innovative potential); to define the possibilities of drawing foreign investments for innovations in Belorussia; to include the basic

criteria of the innovative projects in the legislature which have a huge value for the country and in case of following them it can offer the possibility of government financing for their implementation; to provide on equal terms of investments for the stimulation of the investments for innovations; to adopt in legislation the criteria of managing the innovatively active businesses and to list of measures of stimulation of these enterprises.

To develop proposals for improving the financing of innovative processes, it seems appropriate to emphasize that in practice the major role in modern conditions is given to the own resources of the enterprises. In this case the innovative policy of the Republic of Moldova should be objectively focused on increasing the amount of own resources which play the role of financial maintenance of implementation of the innovations. It can be achieved by the means of proper tax stimulation of innovative activity.

These republics have not yet established such institutions of modern financing of innovative activity, as venture capital funds, funds of direct investments. However, an important prerequisite for addressing the financing of innovative projects is the growth in the economy long-term domestic savings by establishing pension's funds, insurance funds, which are developed for the internal accumulation and their effective use on the purpose formation institutes of accumulation and mobilization of long-term investment resources necessary to provide financings of innovative activity. They will promote efficient control the long-term investment resources defining priorities which support the creation and introduction of innovations at the enterprises of the country. As such institutes are capable to act: trust funds of long-term investment resources (including insurance and investment funds); venture capital funds; banks, specially authorized to provide support for the implementation of regional innovative activity (innovative banks).

It is necessary to create such conditions at which the enterprise of republics for the achievement of the best opportunities of managing sought to be innovatively active. It can be, for example, tax privileges to the enterprises which are engaged in the implementation and the use of innovative technologies, manufacturing and marketing the innovative production. In its turn, it is important to be sure that the noted tax privileges correspond to the extent of innovative activity and the revolutionary dimensions of progressive innovations used by economic entities. It assumes a differentiated approach by the state to innovatively active enterprises.

## CONCLUSIONS

As a conclusion it should be mentioned that the process of improving the innovative activity in the post-soviet area indicates the need to optimize the possibilities of national economies to be sensitive to the global process of innovation. This leads to the formation of world competitive priorities and the enlargement of the European Union. The creation and maintenance of the innovative policy becomes the main factor in the modernization of national economies according to the requirements of the “new economies”.

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