

МЕЖДУНАРОДНОЕ ПРЕДПРИНИМАТЕЛЬСТВО В ФОКУСЕ ПЕРЕМЕН / INTERNATIONAL ENTREPRENEURSHIP IN TIMES OF CHANGES

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THE IMPACT OF INTERNALIZATION OF BUSINESS PROCESSES ON THE DEVELOPMENT OF THE LABOR MARKET IN THE SOUTHERN REGIONS OF RUSSIA

Abstract:

The internationalization of business processes has a significant impact on the development of the labor market in southern regions of Russia. This topic is crucial for understanding the dynamics of the labor market in these regions, which are characterized by a unique set of economic, social, and cultural factors. The study will include a chain of examination of specific companies and industries in the southern regions of Russia in order to identify best practices and problems, also analysis of labor market indicators, such as unemployment rates, labor productivity, and wages, to identify trends and patterns.

Keywords:

Labor market transformation, southern regions of Russia, promising segments of development, internationalization of business processes.

The southern regions of our country are inextricably linked with the development of all aspects of the economy of the foreign region of the South Caucasus. The area of the states of the Caucasus mountain range includes in 2024 a fairly large number of extra-regional players, the development of the economy of the territories of the south of Russia is

no longer possible to imagine. One of the main factors influencing the development of the labor market is migration processes. Many residents of the South Caucasus and neighboring regions work abroad or in the southern regions of Russia, which affects the supply and demand of labor. Also, business processes in the field of trade, agriculture, tourism, construction and other sectors of the economy of the South Caucasus can affect the level of employment and wages in the Russian Caucasus and in the Krasnodar Territory. In addition, investments and business initiatives carried out in the South Caucasus can attract labor from neighboring regions, which can also affect the dynamics of the labor market. Thus, business processes in the South Caucasus play an important role in the formation and development of the labor market in the Russian Caucasus and Krasnodar region, to a lesser extent in Crimea and new regions of Russia. International business processes in the South Caucasus cover various aspects of trade, investment, economic cooperation and development. Trade, in which we naturally include export and import, since the countries of the South Caucasus participate in trade with both neighboring regions and more distant countries. The main export goods are agricultural products, mineral resources and textiles. But in the 21st century, renewable energy options, IT projects and so on are also in circulation. This region includes three main countries: Armenia, Azerbaijan and Georgia, each of which has its own characteristics and opportunities for business. It is worth considering the main aspects of international business processes:

- Trade agreements: Countries enter into bilateral and multilateral agreements to facilitate trade, for example with the EU and the CIS.
- Investment: The region attracts foreign capital, countries are seeking to attract foreign investment wherever possible by offering tax incentives and special economic zones.
- Infrastructure projects: development of transport and energy infrastructure (e.g. trans-Caspian transport route and Southern Gas Corridor).
- Economic cooperation: Regional organizations: Participation in organizations such as OPEC (for energy), GUAM (Georgia, Ukraine, Azerbaijan and Moldova) to strengthen cooperation.
- Partnerships: development of joint entrepreneurial initiatives and start-ups.
- Problems and challenges: diplomatic conflicts, such as the Armenian-Azerbaijani one, can hinder economic cooperation; the contradictions between Georgia and Abkhazia and South Ossetia are no exception.
- Economic instability: Sanctions, economic crisis and changes in the global economy may impact the business environment.
- Tech startups: growing interest in IT and startups in Georgia and Armenia, renewable energy in Azerbaijan.

The southern regions of Krasnodar, Kabardino-Balkaria, Karachaevo-Cherkessia, and North Ossetia are strategically located in the North Caucasus Federal District of Russia – they are drivers of economical growth this case. These regions have been experiencing significant economic growth and development in recent years, driven by their rich natural resources, favorable climate, and government initiatives. The labor market in these regions has also undergone significant transformations, with a focus on diversification, modernization, and increasing competitiveness. Key Trends and Developments:

- Diversification of the Economy: The regions have been diversifying their economies, moving away from traditional industries such as agriculture and manufacturing, and towards services, tourism, and innovation-driven sectors.
- Investment in Infrastructure: The government has invested heavily in infrastructure development, including transportation networks, energy systems, and telecommunications, creating new job opportunities and improving the business environment.
- Growth of Small and Medium-Sized Enterprises (SMEs): SMEs have been growing rapidly in the regions, driven by government support, access to credit, and a favorable business climate.
- Human Capital Development: The regions have been investing in education and training programs, aimed at developing the skills and competencies of the workforce, particularly in areas such as IT, engineering, and healthcare.
- Regional Cooperation and Integration: The regions have been strengthening their economic ties, through regional cooperation and integration initiatives, such as the North Caucasus Federal District, aimed at promoting economic growth and development.

Challenges and Opportunities:

- Unemployment: Despite the growth of the labor market, unemployment remains a significant challenge, particularly among young people and in rural areas.
- Skills Mismatch: There is a mismatch between the skills and qualifications of the workforce and the needs of the labor market, particularly in areas such as IT and innovation.
- Regional Disparities: There are significant regional disparities in terms of economic development, infrastructure, and access to services, which need to be addressed through targeted policies and investments.

The labor market in the southern regions, especially, of Krasnodar, Kabardino-Balkaria, Karachaevo-Cherkessia, and North Ossetia has undergone significant transformations in recent years, driven by diversification, modernization, and increasing competitiveness. While there are challenges to be addressed, the regions have significant opportunities for growth and development, driven by their rich natural resources, favorable climate, and government initiatives. The South Caucasus is a dynamic and promising region for international business. However, business models must take into account

local conditions, cultural characteristics and political situation to operate successfully. It is worth starting with the largest segment of foreign investors (if we do not take Russia into account first) in the South Caucasus, namely, Chinese business in the South Caucasus is actively developing due to China's growing interest in this region as a strategically important geopolitical zone [1]. Regions, investments in them from large countries and players in the global economy play a huge role for the South Caucasus, Russian regions benefit from this in terms of the influx of labor, the development of services and value-added products. Here are some key aspects and directions to consider: "One Belt, One Road" - China's initiative to create economic corridors, including the South Caucasus. This includes the construction of transport and logistics infrastructure, as an example, we can see the development of the Kvesheti-Kobi highway, which greatly facilitates the mountain trade route, as well as projects to improve transport accessibility between Asia and Europe, here we see the construction of the Georgian port of Anaklia. Chinese companies are actively involved in the development of energy resources in the South Caucasus, including gas pipelines and oil fields. Investments in renewable energy sources, which is becoming increasingly important in light of global climate change. Import and export - increasing trade between China and the South Caucasus countries. China is becoming an important trading partner for Georgia, Armenia and Azerbaijan. Humanitarian aid and cultural exchanges: programs aimed at developing mutual understanding and cooperation through educational and cultural initiatives. Chinese companies invest in technology startups and projects aimed at digitalization and modernization. Digital infrastructure: Development of digital technologies and platforms such as e-commerce, which opens up new opportunities for trade. Conflicts in the region may pose risks to Chinese investment. Competition with local companies and difficulties in adapting to cultural specifics. Chinese business in the South Caucasus is an important factor in the economic development of the region. However, it is necessary to consider both the opportunities and challenges associated with this activity. Developing cooperation can lead to significant benefits for both sides if ways are found to resolve existing problems. India has a significant influence on business in the South Caucasus, and this influence is manifested in several aspects: India is actively developing trade and economic relations with the South Caucasus states, such as Armenia, Azerbaijan and Georgia. Indian companies invest in various sectors, including information technology, agriculture, energy projects and manufacturing. Indian investments in the region are increasing, which contributes to the creation of new jobs and the development of the local economy. For example, Indian enterprises can invest in infrastructure projects that help improve the transport and energy infrastructure of the region. Cultural ties between India and the South Caucasus countries also contribute to strengthening business relations.

The exchange of cultural experiences can contribute to a better understanding of the needs and preferences of the markets. India and the South Caucasus countries are actively developing trade relations, which allows diversifying export markets and making them less dependent on traditional partners, the main example is the trade in precious metals between India and Armenia, as well as the supply of weapons from India to Armenia. Indian goods and services are increasingly in demand in the region. Indian companies, especially in the IT and hi-tech sectors, have the opportunity to offer their solutions to improve business processes and enhance the competitiveness of local enterprises. Indian educational institutions and companies can offer education and training programs, which helps to improve the skills of the local workforce and improve the business climate. In general, India helps strengthen the economic position of the South Caucasus countries by providing new opportunities. In addition, India is actively involved in the implementation of projects aimed at the sustainable development of the region. This includes initiatives in the field of green technologies and renewable energy sources, which meets modern requirements for environmental protection and reducing the carbon footprint. Indian companies are introducing the latest technologies, which contributes not only to environmental sustainability but also to economic efficiency. One of the important aspects of Indian influence is the development of tourism. Indian tourists are increasingly choosing the South Caucasus as an attractive holiday destination, which contributes to increasing income and developing hotel infrastructure in the countries of the region. Cultural and tourist exchanges strengthen ties and create new space for business. Finally, increased dialogue at the level of government institutions and business associations contributes to the creation of a pluralistic business climate. Cooperation between the governments of India and the South Caucasus opens new horizons for mutually beneficial agreements and trade initiatives, which in turn strengthens the positions of these countries in the international arena [2]. Turkey's influence on business processes in the South Caucasus is multifaceted and includes economic, political and cultural aspects. Here are some key points: Turkey is the main trading partner for Georgia and the second for Azerbaijan. Turkish companies are actively involved in the import and export of goods, which contributes to the growth of local economies. Turkish investments in infrastructure, energy and industry play an important role. For example, the construction of transport corridors and energy projects (such as TANAP) strengthens the economic integration of the region. Turkey actively supports its strategic interests in the region, which is reflected in business processes. Political stability and security provided by Turkish influence can attract foreign investment. The common history and cultural ties between Turkey and the South Caucasus countries contribute to the development of business relations. Turkish companies often enter the market more easily, having an understanding of the local culture and needs. Turkey's increasing influence may cause competition with other regions such as Russia and Iran, which may change the business landscape and strategies of local companies, as the Turkish Republic wants to get all possible types of preferences, it will do everything for this, binding contracts and so on. Turkey is an important transport hub, which facilitates logistics and trade between Europe and Asia. This creates new opportunities for business in the region. Iran is also an important player in the context of business development in the southern regions. The Islamic Republic of Iran is an important trading partner for the countries of the South Caucasus, such as Armenia and Azerbaijan in particular. Goods and resources are transported through Iranian territories - a wide range of goods. Iran is actively investing in infrastructure projects (for example, roads and bridges),

which helps improve ties between the countries of the region, it is worth noting the construction of the North-South highway by Iran in Armenia. Iran plays an important role in the transportation of goods through the Caspian Sea, which improves access to the markets of Russia and Central Asia, and at the same time the ports of Azerbaijan and Dagestan are being developed. The development of trans-Caspian corridors, in which Iran is involved, creates new opportunities for business growth and trade with the countries of Southeast Asia, the Persian Gulf and India. Political stability and elections in Iran can directly affect the business environment in neighboring countries, but slight tensions in relations between Iran and Azerbaijan can have a negative impact on the business climate, in particular, scaring away Arabian and Israeli investors. Common historical and cultural ties between Iran and the peoples of the South Caucasus can contribute to closer economic cooperation, Iran is an important destination for tourists from the South Caucasus countries and vice versa, which opens up new business opportunities in the service sector. Iran and the South Caucasus states can cooperate in the energy sector, including the development of gas and oil fields. Iran can influence the energy sector of the region, which is important for economic stability [3]. Russia's influence on business processes in the South Caucasus is multifaceted and historically complex. Russia is an important trading partner for all three countries. It exports various goods to the South Caucasus, including energy, machinery and food, and imports manufactured goods and raw materials. Energy projects, such as gas and oil supplies, are of particular importance. Tensions between Armenia and Azerbaijan, as well as the problems with the independence of South Ossetia and Abkhazia in Georgia, create risks for business. Investors may be cautious in the face of uncertainty; the development of the North-South transport corridor in the original plans, on paper, looked very stable and predictable, but reality shows that despite the historical and economic proximity of the states, it is not possible to immediately establish a large scale of transportation and trade. Russia also influences small and medium-sized businesses in the South Caucasus through migration flows and labor emigration. Many workers move to Russia in search of better working conditions, which can have both positive and negative consequences for the economies of their home countries. Overall, Russia has significant influence on business processes in the South Caucasus, but this influence is often accompanied by political challenges and economic instability, which states are trying to resolve [4].

Previous data have played a positive role in the following aspects of the economic development of Russian regions: in 2023 the republic of Crimea is considered one of the highly investment-attractive destinations in Russian federation due to its strategic geographical location which is highly enriched by the natural resources, accessibility of skilled labour and well developed infrastructure. According to the study conducted by the Stiftung Wissenschaft und Politik it concludes that over 49,000 new enterprises were in the Donetsk People's Republic, 37,000 in Luhansk People's Republic, and 7,000 in the Kherson region and 14,000 in the Zaporozhye region which is equivalent to the total sum of 107,000 new businesses in new regions [5]. Since 2015 regions of Sevastopol and Crimea have become the major areas of free economic zones which enhances the economic activity in all over Crimean peninsula and offers the incredible number of opportunities for attracting foreign direct investments. Custom free zones were established between the Russia, Belarus and Kazakhstan which emphasizes that the imported goods used within the territory of free economic zones are custom free with zero duties and taxes imposed on them and are also exempted from VAT as other non tariff. Industrial sector of republic of Crimea contributes 18% of the regional GDP and sectors include chemical, food, mechanical engineering, distribution of energy resources (water, gas and power) and shipbuilding. The organization specialized in managing engineering and human resource potential to reach full production capabilities making one of the key element in defense industries of Russian federation. During the merger of new territories in 2022 Russia offer economic assistance to Luhansk peoples republic for maintaining the infrastructure but later in 2023 they formulate a "comprehensive program" for the development of Donetsk peoples republic, Zaporozhye and Kherson regions exclusively for socio-economic development and assigned time period for the completion of infrastructure projects and the estimated finances were allocated is equivalent to 1 trillion rubles or €10,76 billions. It is evident that the labor market is an effective barometer for measurement of both economic progress and social takeaway [6]. For this research, the Rostov region of Russia is studied together with other geographic territories comprising the newly integrated into Russia, Kherson, Zaporizhnia, Luhansk, Donbass and Donetsk which have been affected by the past political events. The goal of this research is to analyze the labor market trends in these regions taking into account the integration process into Russia. Following the unification of Kherson, Zaporizhnia, Luhansk, Donbass and Donetsk, new labor market opportunities arose for businesses in the Russian Federation. These territories were previously plagued with violence, and insecurity, all that is left is the process of reconstruction of the economies and labor markets of the regions. The major factor influencing the labor market in Rostov region is economic sanctions were imposed on Russian federation since 2022 which slower down the economy. This not only results the affected the demand of skilled workers and decrease in population mobility [7].

In conclusion, geopolitical changes of recent years have brought about great socio-economic transformation affecting the labor markets in many parts of the Crimea, Rostov region as new Russian regions. To craft meaningful labor policies, we must capture the specific challenges and opportunities faced by each area. By making targeted investments and adopting an appropriate strategy, these areas can create better conditions in labor markets, positively affecting the stability of the national economy as a whole.

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