

# Competitiveness Increase of the Russian Regions and the New Silk Way

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**Abstract**—This article covers economic, industrial, and the social and cultural specifics of the transport, energy, and telecommunication infrastructure systems of different directions during the construction of the global economical circle called The New Silk Way. The issues of the creation of a wide-scale industry on the new goods and services are discussed. Priorities of the Russian and Chinese cooperation in the development of the new technologies and transport infrastructure, innovation projects, and finance are considered.

**Keywords**—*innovation technologies; regional development; the New Silk Way; Trans-European and Asian Way “Razvitie”; international cooperation*

## I. INTRODUCTION

International economical connections play more and more important role in the increase of competitiveness of the regions of the Russian Federation and other countries as well as the development of innovation technologies. Thus, on the seventh summit of the BRICS countries, which took place on the 8<sup>th</sup> and 9<sup>th</sup> of July, 2015, in the town of Ufa, some important economic decisions were made:

- a new development bank has been created (the Asian International Infrastructural Bank, which has been introduced by 58 countries, including most of the Western European countries) with capitalization of \$100 bln;
- on the Russian initiative an agreement has been signed with these countries cooperation up until the year 2020, which covers cooperation increase between the states both politically and economically;
- a Ufa declaration has been signed, which orientates a transition to the national currencies trade within BRICS framework;
- strategic realization of the economic belt “Silk Way” has been considered.

A project of the economic belt “Silk Way” is a grandiose breakthrough of the economic rationalization and globalization. This project will drastically change the geopolitical and economic situation in Europe and Asia.

Chinese and the Russian leaders have been discussing these topics during their Sochi meeting in February 2014. In

their common communiqué after President Vladimir Putin’s visit to Shanghai in May 2014 it is said:

“Russia considers the Chinese initiative on the creation of the ‘Economic Belt of the Silk Way’ to be important and highly appreciates the preparedness of the Chinese part to consider the Russian interests during the development and realization of this project. The parties will continue developing their cooperation between the competent bodies of the two countries, including realization of cooperate projects on the development of the transport communication and infrastructure in the region”. [1]

Russia and China are ready to have a close relationship in the development of this initiative and have already initiated the development of the mechanism of mutual coordination of the efforts on the projects realization. China, on its part, supports Russia’s active efforts on the movement of integration processes in the European-Asian Economic Union framework (EAEU).

The parties have agreed to activate economic integration, keeping the regional peace and development, make coordinated decisions on the creation of EAEU and the Economic Belt of the Silk Way, and aim to provide constant growth in the regions.

Chinese leader Si Tsianpin suggested, “Uniting the efforts on the basis of the innovation methods of interaction to create the Great Silk Way zone and to make European-Asian connections tensor”. In his words, “a new corridor along the Silk Way differs from the traditional model of the regional cooperation by not meaning interaction by the over-national managing structure”. Besides, the new Silk Way does not have any geographic limits - starting and finishing points.

This strategy has received the complete support of the Central Asian countries, especially in Kazakhstan and Kirgizia. The project covers many of the former CIS countries, including Caucasian countries: Azerbaijan, Armenia, Georgia, as well as Abkhazia and South Ossetia. In December 2014 a Cooperation Protocol in the area of common construction of the economic belt of the Silk Way was signed between the Ministry of Commerce of China and the Ministry of Economy of the Republic of Belarus.

## II. THE NEW ECONOMIC SPACE

According to the Minister of Russian Economic Development Alexey Ulyukayev, the New Silk Way is a wide-scale project, based on the principle of mutual benefit and possesses strategic perspective. A reborn New Silk Way suggests construction of the new roads and correspondent infrastructure, using innovation technologies. The project corresponds to the world globalization tendencies and helps the development of their economic potential. It is planned to realize these opportunities through the development of transport infrastructures, like West-East and North-South, and also through the Baikal-Amur and Trans-Siberian railways. Also it is a chance to create a high-speed rail road. A project work on Moscow-Kazan rail road is being held at present, while in the future it will become part of a greater Moscow-Beijing railway.

According to this plan, new high-speed rail roads will be made, as well as automobile roads, energy resources networks, fiber networks. Cities and ports will grow economically on this foundation. As the result of the construction, the new way will unite three continents: Asia, Europe, and Africa. An infrastructural network project will create the largest economic corridor with the industrial volume of \$21 trln and with a population of 1 bln.

According to the leader of the Center of Scientific Justification and Realization of the Project "An Integral European and Asian Transportation System" of the Russian Academy of Sciences Vladimir Yakounin, the Trans-Eurasian Project "Razvitie" ("Development") suggests creation on the territory of Siberia and the Far East important components of the new technological, industrial, social and cultural lifestyle. The basic elements of this lifestyle will be an integral infrastructure system (multi-infrastructure). It will unite transport, energy, telecommunications, water transportation, oil and gas transportation, and will provide the creation of new industries and the new scientific, engineering and technological towns along the Baikal-Amur and the Trans-Siberian Rail Roads.

Geo-economic innovation of the Razvitie belt includes the creation of a new pole of national wealth generation, which will be obvious to the leading world economies background. Geo-political aspect suggests creation of a new form of international cooperation in the united strategic planning and the new industrial colonization of the new territories. Geo-cultural aspect suggests the creation of a European-Asian mentality, based on the identity and the civilization dialogue principles between different mentality representatives.

In Mr. Yakounin's opinion, an important step towards the creation of the infrastructure is a creation of a flexible union of transport, energy and telecommunication infrastructural systems (including space and satellites), this in order to launch a new wide-scale industrialization on the basis of the Soviet and world experience. The Russian social and cultural approach to the Razvitie idea is different from the English "development" or the Chinese "fazhan". It

includes the complete development principle, coming from the specifically Russian factors:

- Russian science: the creation of the innovational technologies on the basis of the new physical principles and the effects of the fundamental science, creation of new industries and clusters, new leading technological and industrial as well as social and cultural lifestyle;
- Russian infrastructure: creation of multi-infrastructure on the territories, uniting multi-agent intellectual energy, smart transport, pro-active telecommunication networks;
- Russian Gardarics: creation of scientific and technological towns, creating the social and cultural development environment, creating new knowledge, technologies and the new perspective lifestyle, repopulating the country;
- Russian finance: long-term investments into infrastructure development, clusters, settlements on the basis of the fiat-currencies basket;
- creation of the specific national-oriented international network class Razvitie, capable of self-organization on the basis of the vertical development values and the development management trans-continental schemes creation.

The Razvitie belt is considered to be a new intellectual and managerial platform, finding common features in different continents. For the European Union, Russia, China, Japan, India, Korea, Kazakhstan and Ukraine, Belarus and CIS it can be Trans-European and Asian belts. For Brazil, Columbia, Chile, Peru, Argentina it can be Trans-Latin-American belt. For South Africa, Angola and other countries it can be Trans-African belt. Even for European-Asian-American, suggesting uniting Alaska with Chukotka. The Razvitie platform allows to provide common movement of Trans-Continental projects.

Some experts express concern that the creation of such a global transport belt may turn into relapse of the Chinese hegemony.

This immense infrastructural project, initiated by China, will lead towards a greater acceleration and cost reduction of the Chinese goods provision to Europe via Central Asia and the Caucasus. For its realization Beijing has established the Great Silk Way Foundation with capitalization of \$40 bln and the Asian Bank of Infrastructural Investments with capitalization of \$100 bln, beginning its work in June of this year.

All the funds of the Great Silk Way Foundation and ABII are compared to the Asian Bank of Development (acting in the interests of Japan); they compose two and half times less capital than WWF (following the US policy).

It is obvious that the Asian Bank of Infrastructural Investments is capable to make significant changes in the world economy. Russia has become not only a potential introducer together with 57 other participants, but it also has

a privileged status. Such a status is provided only for those participants, which represent Asia, but yet in this capacity Russia will take part in ABII (while EBRR which already cooperates with ABII and also takes part in the project New Silk Way, Russia represents Europe). Russia is the third largest economy among the ABII members after China and India, which is why it may demand a particular part of the voices among the key positions in the management of this organization.

The following states have also entered ABII: Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The USA and Japan have ignored ABII, unlike their allies, which made up their minds to join ABII: Australia, South Korea, Israel and the UK.

This project represents an alternative to the dominant principles of the global economic dynamics, which resulted in a global financial and economic crisis and is aimed towards cooperation of different participants for mutual economic benefit and common responsibility.

It is confirmed by the fact that more and more countries are willing to join the New Silk Way. Thus, the South Korean offer to include its railway system into the common transcontinental system. And inclusion of a sea route, covering Malaysia and other ocean countries allows us to suggest that other Asian-Pacific countries see the real potential of having access to the global integration project, which could connect South-East Asia together. Korean peninsula, China, Russia, India, Pakistan, Central Asia, the Caucasus and the European Union can be united on the basis of common economic interests.

Certainly, there will be competition, and not only with the leading world powers, but also among partners. But since the New Silk Way together with the new economy brings a civilizational mission, a regulated cooperation and economic arguments solution procedure on the basis of the world experience, we may hope that a compromise will be more important than the breaking of the mutually beneficial connections.

The New Silk Way allows unprecedented projects to be developed. One of them is the Trans-Polar railway. It considerably shortens the way from central Russia to the Far East, as the Northern frontier is much shorter than the Southern. The railway will help the development of the Northern Sea Way and may become an intercontinental channel, connecting Great Britain, Europe and the USA (also probably China, South Korea, etc.) and by terra, if a tunnel is built under the Bering channel.

Many experts are prone to oppose the New Silk Way to the economic policy of the USA and the dollar to the Yuan. One may discuss it as much as possible, but in the world history an initiator of the economic or a military confrontation often itself became a victim. The time of the empires has passed away and it is wiser to look for the cooperation reasons rather than international institute's perfection. One such reason for the economic participation in the economic belt - the New Silk Way - for the USA may

become an underwater tunnel construction under the Bering Channel.

For Russia, participation in the New Silk Way is first of all a solution of a wide-scale national objective of the rise of Eastern Siberia and the Far East. Russia stands for an active cooperation and voluntary competition on servicing the trade currents from the Pacific Asia to Europe, considering having objective competitive advantages in this issue.

In this connection, the Minister of the Development Affairs of Eastern Siberia and the Far East, A. Galushka, considers it to be economically rational to re-born the Silk Way by the Pacific Asian countries of the Russian projects in the transport sphere. First of all it is the Trans-Siberian and the Baikal-Amur rail road's reconstruction and the construction of its duplicates. Besides, it is the construction of the Trans-Korean rail road with the following joining to the Trans-Siberian rail road, new bridges over the Amur River introduction as well as new ports and pipelines.

According to the Vice Principal of the Far East Institute of the Russian Sciences Academy, A. Ostrovsky, Russia will gain a direct economic benefit from its participation in the New Silk Way as an economic development zone.

### III. CONCLUSION

The New Silk Way global project has already been started. Considering the instability in the Middle East and the Caucasus the transport artery on the Russian territory require the first importance. It is not only the Russian part of the Beijing-planned main container road, starting at the Ljanunghan port on the Eastern Chinese coast, continuing in the central provinces and Sintsan, via Kazakhstan, joining in the Urals and the Southern rail roads and following the new Kerch bridge to the deep-water port in the Crimea. From the Crimea the ships will carry containers to the Mediterranean Sea all over Europe, to the Middle East and to Africa. The duplicators will be modernized Trans-Siberian and Baikal-Amur rail roads, through which there are already containers coming from China. The Northern Sea Route has already aroused Chinese interest. The new highways from Western China to Western Europe also won't avoid Russia. It is already partly built and is being finished through the territory of Kazakhstan.

On the background of this gigantic construction of important and necessary roads an idea of the creation of the special air corridor of the New Silk Way becomes obvious. Air transport yet remains one of the most expensive due to a number of economic circumstances. But, for instance, the USA has already about 80% of all its transportation fulfilled by air. The BRICS countries will have to consider the future of the air transportation, able to increase competition of the regions and promote an active implementation of innovation technologies.

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