

Transboundary Clustering in Russia's Baltic Coastal Zones Amid Geopolitical Turbulence

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Abstract

The gravitation of the economy and population towards seacoasts is a universal trend, which is turning marine environments not only into hotbeds of environmental problems but also into arenas for active transnational economic collaborations. In this study, I address economic integration in the Baltic region—particularly, in its Russian segment—and the effect of today's geopolitical turbulence on transboundary clustering. The methodological and theoretical framework for this research spans the theories of globalisation, economic regionalism, and the 'maritime factor' in transboundary integration and clustering. In this work, I present the Baltic region as an aquatic-terrestrial international socioeconomic and environmental-economic system, the development of which was initiated by the rapid European integration in the post-Soviet period. The growing geoeconomic influence of China, India, and other countries of South and East Asia and the geopolitical divergence between Russia and the West shape the new reality of the second decade of the 21st century. I demonstrate that, in these conditions, Russia's Baltic areas (the Leningrad and Kaliningrad regions and Saint Petersburg) retain their potential for transboundary cooperation and transboundary clustering. I emphasise that a central priority is a geoeconomic diversity of emerging and mature clusters' connections. To this end, the 'maritime factor' should be used to full extent, which requires the development of seaport infrastructure.

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Introduction

Since the late 1980s, when the USSR and its military, political, and economic bloc were on the brink of dissolution, the Baltic Sea coast—including its southeastern and eastern stretches—have been involved in large-scale European integration processes. This gave rise to ‘Baltic regionalisation’—the emergence of the ‘Baltic region’ as an international macroregional whole (Mezhevich et al. 2016). The Baltic regionalisation process intensified in the mid-2000s (Hosli et al. 2009). At the time, Poland, Lithuania, Latvia, and Estonia acceded to the EU, whereas a favourable economic situation was turning Russia’s North-West—particularly, Saint Petersburg and the Leningrad and Kaliningrad region—into not only a ‘communications corridor’ but also a ‘development corridor’ incorporated into the global economy.

Although creating mostly beneficial conditions for transboundary ties in the coastal areas of Russia’s North-West (Druzhinin 2016), the Baltic region has been faced in recent years with multi-aspect external and internal challenges. Committed to common interests and even identities of constituent countries and regions (Fedorov et al. 2012) and characterised by asymmetric economic dependencies, the Baltic region format has partly collapsed and partly transformed. All this has affected the processes of economic clustering.

The Global Economic and Demographic Changes of the Early 21st Century: The Baltic Perspective

Global and Eurasian trends have most significantly affected the realm of geo-economy, which—as experts stress (Dizen 2017)—is no longer the remit of the West. Over the past decade and a half, the Eurasian continent has witnessed an eastward shift in the economic potential with China rising to become a geoeconomic pole, equal to the EU.

As the World Bank’s twenty-five-year statistics show, the contribution of both the old¹ and the new² ‘European West’ to the total Eurasian GDP reduced from 51 to 39%, whereas that of China grew from 2.5 to 23.5% (Table 1).

¹The European states that were members of NATO and the EU before 1991, as well as Austria, Andorra, Cyprus, Malta, Monaco, Lichtenstein, Finland, Switzerland, and Sweden.

²Albania, Bulgaria, the Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.

Table 1 The contribution of macroregions, associations, and states to the total Eurasian GDP (at the official conversion rate), %

	1992	2000	2013	2015
Eurasian Economic Union	2.82	1.41	5.18	3.37
of which Russia	2.57	1.25	4.52	2.83
'old European West'	49.61	44.39	38.33	36.36
'new European West'	1.66	2.06	2.89	2.74
China	2.58	5.84	19.45	23.41
Japan	21.54	22.83	9.94	8.77
India	1.64	2.30	3.77	4.46

Source Prepared by the author based on World Bank data

Amid general geopolitical changes, the global positioning of the Baltic metaregion is changing too. According to approaches found in the literature (Fedorov et al. 2012), the Baltic region includes Denmark, Latvia, Lithuania, Finland, Sweden, Estonia, and certain areas of Germany, Poland, and Russia. In 1992, these countries accounted for 12.8% of the gross world product (at the official conversion rate). In 2000, their contribution was estimated at 8.9%, in 2013, at 10.4%, and, in 2015, at 8.5%. Note that, if Russia is taken out of the calculation, the proportion of the other Baltic countries will steadily decrease from 11.0% in 1992 through 8.0% in 2000 and 7.4% in 2013, to 6.7% in 2015. The general trend is explained by the slow economic growth rates observed in Denmark, Sweden, and Finland and the economic performance of Germany—the regional behemoth that has been steadily its position as a major contributor to the gross world product since the 1990s.

Although remaining in a privileged position within the global core/periphery system, not only the Baltic region recreates the existing cross-country and cross-region socioeconomic differences but it is also turning into one of many major geoeconomic hubs of the emerging multi-polar world economic system.

Structural changes are accompanied by demographic processes that are transforming the Baltic States into an area of not only relative (in comparison to the global dynamics) but also absolute depopulation. According to the UN data, only in 2010–2015, the annual population decline rate reached 0.2% in Germany, 0.1% in Estonia, 0.4% in Lithuania, and 0.4% in Latvia. Poland's population ceased to grow. Only the Baltic region's Nordic segment—Denmark, Finland, and Sweden—is witnessing a population increase (0.3–0.6%) that is backed by positive net migration. However, in the most socioeconomically developed coastal regions of Germany (with the exception of Mecklenburg-West Pomerania) and Poland, the population is growing despite the overall negative demographic trends (Fedorov et al. 2017). A similar situation is observed in the Russian sector of the Baltic (Druzhinin 2017a, b), which is explained by the attractiveness of the Saint Petersburg and Kaliningrad agglomerations. Nevertheless, since as early as the mid-20th century, the proportion of Europe (which includes Russia, according to the UN) in the total Eurasian population has been steadily decreasing. Its contribution fell from 27 to 14% in 1950–2015. At the same time, the demographic potential of the countries of South, East, and West Asia has been growing.

The transition to a multi-polar system is accompanied (see Strategy of economic security... 2017) by growing geopolitical instability, the unsustainable development of the world economy, and intense global competition.

Rising Tensions Between Russia and the West: The Emergence of the ‘Baltic Frontier’

The ambition to not only ‘contain’ Russia (Brzezinski 1998), as the tradition is, but also to stop China (Brune and Guichard 2012) and to prevent further undesirable changes in the global power equation is a main driver of the recent eastward and south-eastward expansion of the Euro-Atlantic structures. Throughout the past years, by ‘enlarging’ the EU and NATO and by organising ‘synergies’ and ‘partnerships’ of various types, the West has been ‘marking territory’, reformatting and readjusting national economies to its own benefit, and trying to transform local identities. Since 2007–2008, the ongoing ‘Westernisation’ of the post-Soviet space has been provoking expressions of concern from the Russian Federation. This cannot but contribute to the country’s anti-Western sentiment. All this is turning the Baltic region and, primarily, its southern and eastern periphery into a significant geopolitical frontier and an area of tension, which is drawing the attention of global and regional actors. Such a situation translates into growing economic risks for Russia and the neighbouring Baltic countries and into the primacy of geopolitics over economics.

Since spring-summer 2014, the ‘frontier’ function of the aquatic and terrestrial parts of Russia’s Baltic segments has increased amid the Ukraine and Syria crises. The West’s negative reaction to Russia’s involvement in the events led to sanctions and counteractions. Against the background of divergence between Russia and the other Baltic countries and ‘frozen’ regional cooperation, the Baltic region re-assumed the bi-structural geopolitical architecture, which it had had until the late 1980s, and re-established itself as a key fragment of the military, political, and ethnocultural barrier spanning a broad, partly ‘blurred’ arc from the Arctic to the Middle East. At the same time, the existing transboundary ties started to decay and transform. The new conditions for the functioning of coastal border regions—in particular, Russia’s Baltic exclave of Kaliningrad—became apparent.

The Potential for Transboundary Cooperation in the New Geopolitical Reality

In the new geopolitical reality, there is still potential for transboundary cooperation in Russia’s Baltic regions. There are several reasons for that.

Firstly, despite the trend-dependent diversification of Russia's economic ties, the EU member states remain the country's major partner. Today, the EU accounts for 42% of Russia's international trade. The significance of the EU as an economic partner was symptomatically emphasised in the Framework for the Foreign Policy of the Russian Federation, which was approved in November 2016. Russia's geoeconomic specialisation, which developed in the post-Soviet period, remains intact. Moreover, amid the growing cross-country (cross-bloc and cross-civilisation) competition and confrontation and turbulence in the global raw materials markets, Russian exports are not falling but, on the contrary, growing (Druzhinin 2018). The tonnage handled by the Russian Baltic seaports is increasing. The Leningrad and Kaliningrad regions Saint Petersburg are still serving as major channels for imports in the country.

Paradoxically, the 'barrier' function of Russia's northwestern coastal borderlands co-exists with the 'communicative' function in terms of geo-economy, transport, and logistics. Moreover, the latter function is becoming increasingly important, being supported by the Russian-driven Nord Stream 2 project. Caused by global processes, the geopolitical divergence does not cancel out the significance of geoeconomic neighbourhood either for Russia or for its partners in the Baltic region. Nor does it downplay the ethnocultural, sociodemographic, environmental, economic, and geopolitical challenges. Even amid cooling relations between Russia and the other countries of the Baltic region, there are beneficial conditions for transboundary clustering in the key coastal zones of Russia's North-West.

Another important factor and incentive for stronger transboundary ties relates to the crisis and stagnation of the Russian economy. In terms of the GDP generated by the economy, Russia has been thrown back to the 2007 levels (at the official conversion rate). This is contributing to a growing economic and social gradient between Russia's coastal and border regions, on the one hand, and their counterparts in the neighbouring Baltic countries. For instance, as of the beginning of 2014, the average gross nominal salary in the Kaliningrad region was equivalent to USD 800. A year later, it did not exceed USD 450, which translated in a significant gap between the incomes of the residents of Kaliningrad and the neighbouring Polish voivodeships. As of 2017, the average gross nominal salary in the Warmian-Masurian voivodeship was USD 940 (Statistical Office 2016). These circumstances contribute to the traditional spatial transboundary socioeconomic gradients. Their growing tangibility is supported by the elements of the so-called fourth industrial revolution. Characterised by a fusion of robotics, virtual economy, the Internet of Things, 3D-printing, and artificial intelligence, it devaluates the existing infrastructure and human capital, destroys economic clusters, and creates incentives for new cluster initiatives that turn vast areas into peripheries. Therefore, despite the withdrawal of the UK from the EU, there are reasons to believe that the European integration is far from complete and that the EU is still perceived as (and probably is) the most mature and successful integration association.

Thirdly, it is necessary to take into account the Chinese factor—which is growing in importance even in the Baltic area—and the infrastructure, transport, production, and logistics projects with Chinese participation. In this context,

Russia's northern and southwestern transport and communications corridors, which have been modernised over the past two decades, will remain major thoroughfares under almost any geostrategic scenario. Moreover, these corridors will stimulate and support the development of transboundary clustering in Russia's coastal areas. The prevalence of the EU—China geoeconomic dyad, the role of seas and coastal infrastructure in carrying the traffic between them, and probable externalities associated with the localisation of Chinese interests in the Baltic region constitute another strategically significant factor of rapid clustering in the Saint Petersburg coastal area and the exclave Kaliningrad region.

Transboundary Clustering Priorities in Russia's Coastal Zones in the Baltic

The reliance on the growing potential of the Big Eurasian Partnership is the basic but not the only aspect of the transboundary clustering in Russia's Baltic coastal zones. This being said, the Big Eurasia project should be perceived as the only feasible option for Russia (Dizen 2017). Amid the growing geopolitical and geoeconomic turbulence and associated economic risks, it is strategically important to treat the *stability* of clusters and their resistance to both expected and spontaneous changes in cross-country relations as a priority when developing approaches and measures to support transboundary clustering. (Expected changes are caused by fluctuations in the world and the partners and interests altering with the economic situation, whereas spontaneous ones are politically motivated.)

Treating stability as a basic priority requires, in particular, that clusters develop diversified economic ties. In such a case, significant deterioration of relations with a neighbouring state or a group of countries will not lead to a catastrophe. For coastal zones, it is vital that a cluster's diversified ties engage port facilities and maritime logistics, i.e. take advantage of the maritime factor and the port infrastructure. It is strategically important not to overlook the coastalisation component of transboundary clusters. In most cases, clusters emerge either within maritime industries (shipbuilding, coastal and maritime tourism) or 'in collaboration' with port facilities.

The stability of transboundary clusters should rest on the potential orientation of the 'Russian segments' to both the domestic market and the markets of neighbouring states, as well as of those accessible by sea. Another source of stability is the marketing flexibility of cluster participants. However, a situation when a transboundary cluster's core or 'profit centre' is beyond Russian jurisdiction is considered the last expedient. Such a cluster will require a transformation into a double- or multiple-core *Russia-centred* structure that will generate a sufficient socioeconomic and innovative effect for Russian coastal territories.

Conclusion

The ‘natural way’, the components of transboundary cluster localise within the major ‘development corridors’ of the leading and most dynamic coastal agglomerations that are attractive for businesses, investment, and migrants. This is well in line with the logic of the post-Soviet, market, and capitalist spatial organisation of society. However, there is a pressing need to expand and diversify the clustering area by involving semi-periphery and periphery territories, using regional policy tools. In today’s geopolitical situation, an equally important factor is public support for cluster initiatives in coastal and border regions with special economic conditions. In Russia’s Baltic segment, such a case is the Kaliningrad region—the second largest arena for cooperation between Russia and the Baltic region, after Saint Petersburg. Being absolutely necessary, such cooperation has significant potential and attractive prospects.

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