



Contents lists available at ScienceDirect

## Journal of Eurasian Studies

journal homepage: [www.elsevier.com/locate/euras](http://www.elsevier.com/locate/euras)

## Eurasian integration and the development of Asiatic Russia

Alexander Lukin<sup>a</sup>, Vladimir Yakunin<sup>b</sup><sup>a</sup> Department of International Relations, National Research University Higher School of Economics, Moscow, Russia<sup>b</sup> Department of Public Policy, Lomonosov Moscow State University, Moscow, Russia

## ARTICLE INFO

## Article history:

Received 18 April 2018

Accepted 15 July 2018

Available online 23 July 2018

## Keywords:

Asiatic Russia

Eurasia

Infrastructure development

Trans-Eurasian Belt Development

## ABSTRACT

This paper argues that Russia's strategic objective of developing its Asiatic regions is tied to its serious intentions in Asia as a whole. It stresses that Russia can only connect to the political, economic, and cultural life of Eurasia and the Asia-Pacific through its own Asian regions. Moreover, leaders' claims that Russia belongs to both Europe and Asia will carry little weight with their Asiatic neighbors if Russia's own Asiatic regions remain underdeveloped and subject to shrinking populations. The paper critically analyzes the results of various projects of development of Asiatic Russia beginning from late tsarist period until the 21st century and shows that Russia needs to put forward a formal strategy for developing the Eurasian infrastructure that is comparable to the SREB, Kazakhstan's NurlyZhol (Bright Path) economic stimulus plan, Mongolia's Steppe Road, and others. This strategy should reflect Russia's objectives for the economic development of its own Asiatic regions, and through them, the co-development with its neighbors of Eurasia generally. It argues that the Trans-Eurasian Belt Development, put forward by several Russia think tanks, could become Russia's contribution to the development of the Eurasian space and mesh with the Chinese, Kazakh, Mongolian, and other partner initiatives. Its implementation would help spur the economic development of Asiatic Russia, enabling that region to become part of the larger economic development of Eurasia. That would help turn Russia into a more important independent and constructive player in the Eurasian space, acting in close coordination with its partners in both the East and the West.

Copyright © 2018, Asia-Pacific Research Center, Hanyang University. Production and hosting by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Russia's strategic objective of developing its Asiatic regions is tied to its serious intentions in Asia as a whole. After all, Russia can only connect to the political, economic, and cultural life of Eurasia and the Asia-Pacific through its own Asian regions. Moreover, leaders' claims that Russia belongs to both Europe and Asia will carry little weight with their Asiatic neighbors if Russia's own Asiatic regions remain underdeveloped and subject to shrinking populations.

In fact, Asiatic Russia is less developed because the country has focused for centuries on developing its European part while relegating the Asiatic to an auxiliary or supporting role. Only after Russia recently understood that its opportunities in the West had become severely limited did this situation begin to change.

### 1. Programs for developing Asiatic Russia – A checkered history

Russia's political, economic, and cultural activity has focused on the Western part of the country for many long centuries – or at least dating from the time of Peter the

Corresponding author. Department of International Relations at National Research University Higher School of Economics, Moscow, Russia.

E-mail address: [avlukin@hse.ru](mailto:avlukin@hse.ru) (A. Lukin).

<https://doi.org/10.1016/j.euras.2018.07.003>

1879-3665/ Copyright © 2018, Asia-Pacific Research Center, Hanyang University. Production and hosting by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Great. And, despite the fact that the greater part of its territory lay in Asia, Russia's Asian policy was seen as ancillary to its European policy. This explains why Asiatic Russia remains relatively underdeveloped economically and underpopulated.

Of course, leaders during the country's tsarist, Soviet, and modern periods have made efforts to accelerate the development of the Eastern regions. However, affairs in the Western part often consumed most of their attention, leaving little time or energy for the east.

During tsarist times, the largest and most successful programs for developing Siberia and the Far East were the construction in 1891–1916 of the Trans-Siberian Railway, which was initially called “The Great Siberian Railway,” (“*Stroitel'stvo. Velikij Sibirskij put 1891–1916,*”) (along with the China Eastern Railway branch line through Northern Manchuria) linking Moscow with Vladivostok, and the resettlement policy of Prime Minister Pyotr Stolypin. Economic and political considerations played a significant role in both, including the desire to harness the wealth of Siberia and the Far East, to give the peasant population of European Russia land and an opportunity to cultivate it, and concerns that Russia might otherwise find it impossible to retain its Asiatic territories. Speaking of the Russian Far East in a speech to the State Duma in 1908, Stolypin said, “Our remote and harsh outlying regions are rich – rich in gold, rich in timber, rich in furs, rich in vast lands suitable for cultivation. And under such circumstances, gentlemen, with a densely populated neighboring state, these regions will not remain uninhabited. Foreigners will enter therein if Russians do not get there first – and this slow creep has already begun. If we sleep lethargically, those regions will become home to other peoples, and when we awaken, they might turn out to be Russian in name only” (Stolypin, 1916, pp. 132–133). The Stolypin resettlement program offered numerous benefits to those willing to move to Siberia: government-paid travel expenses, a non-repayable loan of 100–200 rubles depending on the area of resettlement, and preliminary land surveys. The government also built schools, paramedical stations, and roads in those regions. As a result, more than 3 million men (no tally was taken of women and children) moved east of the Urals between 1906 and 1914, providing a major boost to the region's socio-economic development (Belyanin, 2012).

During the initial period after the devastation caused by the civil war, the Soviet government placed its bets on attracting foreign capital to develop Asiatic Russia. Never before had those regions been linked to the world economy as they were in the first half of the 1920s. In 1923, for example, foreign capital held 57.9% of the industrial enterprises of the Far East, and those establishments produced 50% of the region's industrial output. The Soviet government began making concessions whereby it received the funds necessary to reinvigorate the economy and industry without having to make any additional investment. However, by the late 1920s, the new economic policy was halted and the concessions were canceled (Plokhikh & Kovaleva, 2002, pp. 175–176).

After adopting the policy of accelerated industrialization based on domestic resources, there could be no talk of broad interaction with neighboring states. The new policy

was formulated in the resolutions of the Central Executive Committee of the Soviet Union (CEC) and the Politburo of the Central Committee of the All-Union Communist Party (Bolsheviks) on the economic development of the Far East. It aimed to increase the rate of industrial development and create a domestic economic complex independent of outside factors that would be capable of provisioning the Soviet armed forces in the event of what was considered an inevitable armed conflict. As noted by Pavel Minakir and Olga Prokapalo – two economists specializing in the Russian Far East – from 1932 onward, “the Soviet Union began a massive redistribution of its resources toward the Far East, investing 7 billion rubles in its economy, or 6.8 times more than had been invested in the previous five years. That investment was focused not on export resource industries, but on entirely new ones – shipbuilding, chemicals, automotive repair, energy, oil refining, the fuel industry, and non-ferrous metallurgy. The transport infrastructure grew especially quickly, with investment in this area increasing by 4700% in 1928–1932. As a result, industrial production increased by 335% and heavy industry by 430%. The Far East transformed from an agrarian into a super-industrial region in which industry accounted for more than 80% of gross output (Minakir & Prokapalo, 2017, pp. 10–11).

A growth in population was achieved through forced resettlement, primarily of prisoners. During Stalin's years in power, prison labor contributed significantly to the development of Asiatic Russia, which itself was used primarily as a storehouse of mineral wealth that was mined for the needs of industries located primarily in European Russia – and as a means for covering miscellaneous budget expenses. In 1934, the State Trust for Road and Industrial Construction in the upper Kolyma (Dalstroy) – established three years earlier by decision of the Council of Labor and Defense of the Soviet Union – was handed over to the People's Commissariat of Internal Affairs (NKVD). Despite its modest moniker, Dalstroy was set up as a comprehensive organization responsible for all aspects of life in the Far East, from industry to culture. At its disposal were approximately 100 labor camps with thousands of prisoners, most of whom had been convicted for political crimes according to Article 58 of the Russian Federation Penal Code. Enjoying no rights, they constituted an enormous pool of free labor that was pressed into service to construct roads, mine gold and other minerals, and build cities and enterprises (Plokhikh & Kovaleva, 2002, pp. 181–182). Entire cities such as Taishet, Magadan, Nakhodka, and Igarka arose and developed as administrative and holding centers for the system of labor camps. Similar organizations answered for other parts of Asiatic Russia: Sibltag (Western Siberia), Bamlag (responsible for construction of the Baikal-Amur Railway), and so on (Papkov, 1996). The exploitation of unjustly convicted prisoners with the ostensible goal of helping the regions and developing their economies led to countless deaths from starvation and freezing for the sake of abstract goals and prompted predatory individuals with power to plunder those areas' riches.

During the Second World War, industries in European Russia were evacuated eastward, contributing to the industrial development of that region. After the war's end, the fishing industry became a high priority. In 1948, the Council

of Ministers of the Soviet Union adopted a resolution “On the development of the fishing industry in the Far East” that provided for increased investment in the industry, the modernization of its technical foundations, the development of active marine fisheries, and the means for staffing those efforts. By 1965, the Far East alone provided 40% of the Soviet Union’s total catch, and 90% of those fish were caught in the open seas and oceans. A major fishing fleet was also built (Plokhikh & Kovaleva, 2002, pp. 208–209).

After succeeding Stalin, Khrushchev dismantled the system of labor camps, and the new government put its hopes into science and education. A major Siberian branch of the Academy of Sciences of the Soviet Union, established in 1957 with its center in Novosibirsk and institutions in different Siberian cities, began tackling the most advanced goals, primarily in the natural sciences, and creating new technologies. In addition, the Far East branch of the Academy of Sciences of the Soviet Union that had existed since 1932 was placed under the auspices of the Siberian branch. Dissolved in 1930, the Far Eastern State University was re-established in 1956 and became one of the country’s leading institutions of higher learning. Major university centers arose in each of Siberia’s largest cities: Novosibirsk, Irkutsk, Tomsk, Omsk, Chita, and Ulan-Ude.

Measures were also put into place to attract settlers and consolidate the population. The Presidium of the Supreme Soviet issued a decree in 1960 “On the regulation of benefits for those working in the Far North and in areas equivalent to the Far North” according to which workers in a large part of Siberia and the Far East were entitled to earn more, for the same work, than residents of other regions. The wage premium ranged from 10% to 80%, depending on the region and the amount of work experience. In 1967, a similar set of benefits was also extended to the more southern parts of Siberia and the Far East. The size of the premiums subsequently underwent some changes, but the overall approach remained the same.

The arms race with the United States and worsening relations with China prompted a military buildup in the Far East and along the Soviet–Chinese border. By the early 1970s, the Soviet Union had built a new fleet of nuclear missile-equipped ships in the Pacific that provided strategic deterrence of the U.S. By the mid-1980s, the Pacific Fleet constituted 32% of the Soviet Navy. With 800 ships and 150,000 service personnel, its theater of operations stretched from the Pacific to the Indian Oceans. The number of troops on the border with China grew from 10,300 in 1965 to 51,300 in 1970. The number of ground troops increased from 15 divisions in the mid-1960s to more than 60 divisions in the early 1980s (Larin, 2013, p. 11). All of this required corresponding infrastructure. The arms race compelled military factories in the region to step up production. All of this, in turn, naturally led to an influx of people settling in Asiatic Russia.

Although military and strategic necessity prompted the Soviet leadership to develop southern Siberia and the Far East, officially they explained it as stemming from the desire to develop the national economy and improve the living standards of the population. These measures were formulated in two resolutions of the CPSU Central Committee and the USSR Council of Ministers. The first, No. 638 “On mea-

sures for the further development of the productive power of the Far East economic region and the Chita region,” was adopted on July 8, 1967. The second, No. 368 “On measures for the further comprehensive development of the productive power of the Far Eastern and Eastern Siberian economic regions,” was adopted on May 25, 1972. Even the name of the measure made it clear: the Chita region was grouped with the Far East for the obvious reason that it also bordered China. These documents “were intended to facilitate the development of productive power, the inflow and retention of manpower due to the commissioning of new production facilities, and the construction of buildings for residential, cultural, and community uses” (Platonova, 2009, p. 10). However, not one of those objectives was fulfilled completely.

The continued construction of the Baikal-Amur Railway (BAM) in the 1970s was probably due primarily to military concerns about the security of the Trans-Siberian Railway that ran too close to the border with China – which at that time was hostile to Russia. Although that undertaking, widely billed as the “construction project of the century,” was prompted by the need for economic development, it seemed to have very little broader economic significance. Perhaps it would have taken on such significance in the context of more systematic plans for developing the transport infrastructure of the region in the direction of, for example, Kamchatka. However, even those economic plans that did exist in connection with the BAM could not be implemented due to the crisis in, and later the collapse of, the Soviet Union. In any case, significant resources went into its construction. The rail line stretching 3145 km from Ust-Kut in the west to Komsomolsk-on-Amur in the east required the construction of 3700 culverts, 142 major bridges, and 24 km of tunnels (Plokhikh & Kovaleva, 2002, pp. 210–211). This time, however, it was not prison laborers who performed the work, but Komsomol members and military personnel recruited for this purpose.

Siberia continued to be seen largely as a storehouse of raw minerals that are increasingly used for export. For many years, the proceeds from that activity kept the sinking Soviet economy afloat and helped mitigate the deficits of a wide variety of goods. Oil and gas regions were established in the mid-1960s and gradually developed to the point where they were providing 70% of the country’s oil and more than 90% of its gas. A system of oil and, later, gas pipelines for delivering those products to Europe was also built (Slavkina, 2005). In Eastern Siberia, the mining of coal, diamonds, iron ore, gold, and other minerals was expanded.

Thus, the region developed in this rather lopsided way during the Soviet era. Largely owing to outside pressures, the systematic plans for the region’s socio-economic development became a lower priority than developing the military and military-industrial complex and the mining of minerals. Only a few non-military industries were developed, making it impossible to create the full-fledged social and economic infrastructure needed to attract people to the region. Despite the higher salaries, living conditions in most of Siberia and the Far East were difficult. Nevertheless, people did not move away and the population grew. From 1959 to 1989, the population of the Far East increased from 4.8 million to almost 8 million, and in Siberia it grew

from 18 million to more than 24 million. However, the overall population ratio remained unchanged, with the majority continuing to live in the European part of the country.

In a speech in 1986 in Vladivostok, new Soviet leader Mikhail Gorbachev linked, for perhaps the first time since the 1920s, plans for developing Asiatic Russia with expanded international cooperation. Toward this end, he proposed a number of initiatives for improving relations with Russia's neighbors, and especially China and Japan. Proclaiming "the Soviet Union is also an Asiatic and Pacific Ocean country," the Soviet leader announced not only the military, but also the economic return of the Soviet Union to the Asia-Pacific – through the development of the economy of the Far East (Gorbachev, 1987, p. 24).

However, this plan faced serious problems. Acknowledging that the economic development of the Far East lagged behind the rest of the country, Gorbachev proposed transforming the region into a highly advanced economic complex not only by using its geographic position, natural resources, fuel and energy complexes, and manufacturing infrastructure, but also by boosting its economy with expanded exports and the revitalization of its coastal and border trade, and adopting "progressive forms" of economic ties with foreign countries – including cooperative production, joint ventures, and so on (Gorbachev, 1987, p. 17). This essentially meant a partial return to the experience of the 1920s: the development of Siberia and the Far East using local resources and expanded foreign economic relations.

The principles enunciated by Mikhail Gorbachev were formulated in "The long-term state program for the comprehensive development of the productive power of the Far East economic region, the Buryat Republic and the Chita region for the period until 2000" that was adopted in 1987. It contained familiar stimuli: the creation of joint ventures, tax incentives for foreign investors, and the allocation of some customs revenues for the benefit of the region. However, due to the increasing chaos in the country and the subsequent collapse of the Soviet Union, this program was never implemented.

The need to accelerate development of Siberia and the Far East was recognized in the first decade after the Soviet collapse, but the programs that were adopted to this end were even less effective (see Table 1).

## 2. The pivot to Asia and a new stage in the development of Asiatic Russia

An analysis of the development of the Far East during the Soviet era prompted leading economists specializing in this area to conclude that "the region developed successfully either when, in addition to acting as an enclave, it was given economic and financial autonomy (as occurred in the 1920s), or when the region was integral to solving the country's geopolitical objectives, resulting in full patronage from the state, thus guaranteeing complete support in resources, market demand, and financial balance (as occurred in 1860–1916, 1930–1945, and 1965–1980)" (Minakir & Prokapalo, 2017, p. 15). The same is likely true for most other regions as well, but primarily those furthest from the European part

**Table 1**

Implementation of the investment goals of the program for the development of the Far East and Trans-Baikal from the 1930s to the present.

Documents, decisions	Fulfillment of goals, %
Resolution of the Central Executive Committee and the Central Committee of the CPSU (b), 1930	130
Resolution of the Central Committee of the CPSU and the Council of Ministers of the USSR, 1967	80
Resolution of the Central Committee of the CPSU and the Council of Ministers of the USSR, 1972	65
The State Target Program for 1986–2000 (1987)	30
Presidential program for 1996–2005 (1996)	30
Federal targeted program "Economic and Social Development of the Far East and Trans-Baikal for 1996–2005 and until 2010 (March 19, 2002)"	10
Federal targeted program "Economic and Social Development of the Far East and Trans-Baikal for 1996–2005 and until 2010 (2004)"	25.7
Federal targeted program "Economic and Social Development of the Far East and Trans-Baikal for 1996–2005 and until 2010 (2006)"	87.5
Federal targeted program "Economic and Social Development of the Far East and Trans-Baikal until 2013 (November 21, 2007)"	98.0
Federal targeted program "Economic and Social Development of the Far East and Trans-Baikal until 2013 (June 16, 2008)"	76.6
Federal targeted program "Economic and Social Development of the Far East and Trans-Baikal until 2013 (January 10, 2009)"	86.6

Source: Viktor Ishayev, *Russia in the Global World*, (Khabarovsk: 2007).

of the country where the state's main industrial facilities were concentrated.

The latter approach is hardly possible in today's Russia. This is not because Siberia and the Far East should serve no role in achieving the country's geopolitical objectives. Quite the contrary – given Russia's pivot to Asia and the shift in the center of international politics and the global economy toward the Asia-Pacific region, Russia will achieve its main geopolitical objectives of the 21st century with the help of its Asiatic regions. However, the new political and economic realities make it impossible for the federal center to concentrate massive resources on the achievement of geopolitical objectives. Moreover, such a concentration is unnecessary because a misreading of the real problems and threats can lead to the senseless squandering of enormous resources – as had happened often during the Soviet era.

The only remaining approach is economic autonomy based on the regional economy's deep involvement in Eurasian economic processes – with a significant portion of those dividends remaining in the region and facilitating its economic and social development. Not only is such an approach badly needed, but it is also, for many reasons, the only viable option.

First, Russia cannot stand on the sidelines as Eurasia undergoes powerful economic development. As far back as the 1970s and 1980s, Soviet academic circles began speaking of the need to focus at least some attention on Asia. Scholars drew leaders' attention first to Japan's rapid strides toward economic progress, then to advances by the so-called "Asian Tigers," and later to the rise of China, and proposed using these as a means for diversifying the



country's foreign economic relations. As we have seen, Mikhail Gorbachev wanted but never managed to begin a true pivot to the East. Despite all the talk in the 1990s that Russia's two-headed eagle looked toward both the West and the East, the country's Asia policy remained unchanged. It was only after Vladimir Putin came to power that the situation began to change.

The program for the development of Siberia and the Far East became increasingly effective (see Table 1). A significant investment of funds in the infrastructure of Vladivostok was made as part of preparations for the APEC Summit in 2012. The Far East Development Ministry was created in 2009. In 2012, the Presidential Envoy to the Far East Federal District was elevated to the status of deputy prime minister, making it easier to address problems and improving the coordination of government agencies. Federal laws establishing priority development areas (PDAs) were adopted in 2015–2016 that provide investors with preferential terms. Many of the PDAs are concentrated in the Far East. A law on establishing Free Port of Vladivostok zone that includes 15 municipalities of the Primorsky Krai was adopted in 2015. The specially created Far East Development Fund was charged with overseeing investment projects. New incentives were also introduced: transport subsidies, the adjustment of energy tariffs, and so on. These and other measures have had a significant impact, according to experts of the Valdai Club. In particular, they helped to attract, by September 2017, more than 2.116 trillion rubles (\$35.76 billion), 93% of which was private investment. Foreign investment also increased significantly, primarily from China (*"K Velikomuu okeanu-5. Ot Povorota na Vostok k Bol'shoj Evrazii,"* 2017, pp. 23–24).

Geopolitical motives, however, play a greater role in determining Russia's current course than perhaps even economic considerations. Leaders initially followed in the footsteps of Pyotr Stolypin, voicing concerns about the threat posed by Russia's neighbors. Speaking before a meeting on the development of the Far East and Trans-Baikal region in Blagoveshchensk in July 2000, President Vladimir Putin, acknowledging the failure of Moscow's previous efforts to accelerate regional development, said, "I don't want to dramatize the situation, but unless we make real efforts soon, then even the indigenous population will in several decades from now be speaking mainly Japanese, Chinese and Korean" (Putin, 2000).

The mood in Russian political and business circles began to change as relations with the West worsened, and especially after the U.S. responded to the Ukrainian crisis by leveling sanctions against Russia that limited its ability to cooperate with the West. That left Russian leaders no choice and made their pivot to Asia an economic and political necessity. It also made them look more seriously at the long-standing need to accelerate the development of Asiatic Russia as a means for connecting the country to the Asian economy (Lukin, 2016).

Russia's membership in several international organizations serves as a strong basis for transforming it into an important Eurasian player. Foremost among them is the Eurasian Economic Union, founded in 2015. The EAEU greatly strengthens the position of Russia and the other member states in their relations with the region's more powerful

economies. This is seen by the process, begun in the same year, of linking the EAEU with China's Silk Road Economic Belt (SREB) initiative. Russia's participation in the Shanghai Cooperation Organization enables it to coordinate various initiatives in Eurasia with Beijing, the states of Central Asia, and, because of India's accession to the SCO, with New Delhi. Russia's participation in APEC and in various formats associated with ASEAN also plays an important role.

### 3. Infrastructure and development

Russia achieves fundamental economic and political goals by simultaneously developing its Asiatic regions and participating actively in various formats of cooperation in Eurasia. At the same time, although Russian leaders have learned to work tactically, it seems odd that they have yet to put forward a formal strategy for developing the Eurasian infrastructure that is comparable to the SREB, Kazakhstan's NurlyZhol economic stimulus plan, Mongolia's Steppe Road, and others. Of course, a strategy reflecting Russia's objectives for the economic development of its own Asiatic regions, and through them, the co-development with its neighbors of Eurasia generally, would not only boost Russia's image, but also help it gain a clearer understanding of its own long-term objectives.

In Russia, individual research centers are responsible for developing projects of this type. For example, the Valdai Club developed the concept of a "Greater Eurasia," a term that became part of the official discourse concerning the formation of a "Greater Eurasian Partnership." Speaking before the plenary session of the St. Petersburg International Economic Forum on June 17, 2016, President Vladimir Putin spoke of the need to form such a partnership "involving the EAEU and countries with which we already have close partnership – China, India, Pakistan and Iran," Russia's CIS partners and other interested states and associations (Putin, 2016a, 2016b).

That idea was confirmed in the Russian–Chinese declaration that the leaders of both countries signed during the Russian president's visit to China in June 2016 (*"Sovmestnoe zayavlenie Prezidenta Rossiiskoi Federatsii i Predsedatelya Kitaiskoi Narodnoi Respubliki ob ukreplenii global'noi strategicheskoi stabil'nosti,"* 2016). During a visit to Russia by the Chinese State Council Premier Minister Li Keqiang, Russian Prime Minister Dmitry Medvedev stated that Russia was continuing to work with China on forming a comprehensive Eurasian partnership that would include the EAEU and SCO member states (*"Medvedev: Rossiya formiruet evrazijskoe partnerstvo s Kitaem,"* 2016). The specific economic substance of this partnership, however, remains somewhat unclear.

At the same time, many political leaders and forces have identified infrastructure development as a priority. Donald Trump spoke about developing infrastructure during his election campaign, and after the election created a package of 50 infrastructure projects worth \$137.5 billion (*"Administratsiya Trampa sostavila spisok iz 50 infrastrukturykh projektov stoimost'ju \$138 mlrd,"* 2017). In 2013, Chinese leader Xi Jinping launched the Silk Road Economic Belt and Maritime Silk Road initiatives. Together they are known as the "One Belt, One Road" (*"Kitajskij*

global'nyj proekt dlja Evrazii: postanovka zadachi (analiticheskij doklad)," 2016, p. 13) initiative and largely determine the substantive agenda in discussions about the development of the Euro-Asian space. National leaders are discussing major international infrastructure projects such as the Central Bi-Oceanic railway under consideration by China and Brazil ("[China and Brazil sign \\$27 billion deals](#)," 2015). In a number of his messages, the Russian President also mentions the need to develop infrastructure and make it more accessible (Putin, 2015, 2016a, 2016b).

Business also favors the development of infrastructure. In its report "Bridging global infrastructure gaps" (Woetzel, Garemo, Mischke, Hjerpe, & Palter, 2016), the McKinsey international consulting firm found that "the world needs to invest an average of \$3.3 trillion annually just to support currently expected rates of growth." This represents 3.8% of global GDP. Several international forums work to coordinate the development and promotion of infrastructure projects: the Global Infrastructure Initiative (GII), under the auspices of McKinsey, has been in operation since 2012 (GII, 2018). The GII is the largest international forum devoted entirely to the problems of and prospects for implementing major infrastructure and other capital-intensive projects. Since 2016, the World Bank has held an annual Global Infrastructure Forum ("[Global Infrastructure Forum 2016](#)," 2016) that aims to formulate an agenda for investors and national and supranational bodies working in this field ("[2017 Global Infrastructure Forum: Outcome Statement](#)," 2017).

A World Bank group refers to the goals of the UN report "Transforming our world: the 2030 Agenda for Sustainable Development" in formulating its own infrastructure development goals ("[Transforming our world: the 2030 Agenda for Sustainable Development](#)," 2015). This is very important because the report is practically the only international program in this field that has an open structure and that is discussed and approved within the framework of a universally recognized international institution. The "agenda" it sets consists of 17 goals for sustainable development, at least four of which touch on infrastructure development directly: the need to provide people with water and sanitation systems and access to the grid, and to create sustainable infrastructure that includes a comfortable urban environment (McKinsey analysts attribute only the first three to it) (Woetzel et al., 2016, p. 2). According to McKinsey analysts, achieving those goals would require three times more investment than a less proactive approach to development ("[Transforming our world: the 2030 Agenda for Sustainable Development](#)," 2015).

Thus, both national and international political agendas define the development of infrastructure. What real potential do infrastructure projects hold, and how should public policy treat them?

The interest in infrastructure projects has always stemmed from their ability to produce the "big push" effect on economic development (Rodan Rosenstein is usually credited with coining this term (Agénor, 2010, p. 933)). Considering that a host of studies has established a strong correlation between capital investment in transport infrastructure and not only GDP, but also the Human Development Index (Amador-Jimenez & Willis, 2012, p. 201)

– an important indicator of the United Nations Sustainable Development Agenda – infrastructure development clearly has social and economic consequences.

The need to determine the impact of infrastructure on the level of economic development has motivated a great deal of economic research on the subject over the past three decades. The debate over the effectiveness of infrastructure projects continues at both the macro and micro levels.

David Aschauer produced one of the first and most fundamental works of research on the correlation between investment in macro-level infrastructure and labor productivity (Aschauer, 1989a, 1989b). He identified insufficient government investment in economic infrastructure as the cause of the slowdown in the growth of U.S. labor productivity in the 1970s and 1980s. He theorized that it was possible to increase labor productivity, profitability, and economic growth by increasing public and private investment in infrastructure. Other U.S. economists such as Alicia Munnell and soon-to-be Nobel laureate Paul Krugman, Blanka Sanchez-Robles, and Dave Donaldson developed and further buttressed Aschauer's theory (Donaldson, 2010; Krugman, 1991; Munnell, 1990; Sanchez-Robles, 1998). However, empirical evidence that did not conform to Aschauer's theory gave rise to criticisms and the search for alternative explanatory models. Robert Eisner, Edward Gramlich, Paul Evans and Georgios Karras, Douglas Holtz-Eakin and Amy Schwartz, and Lars-Hendrik Röller and Leonard Waverman were the most outspoken opponents of Aschauer's theory (Eisner, 1991; Evans & Karras, 1994; Holtz-Eakin & Schwartz, 1995; Gramlich, 1994; Roller & Waverman, 2001). New approaches, while not detracting from the impact that infrastructure has on the national economy, focus more on the search for indirect and delayed effects.

Micro-theory, unlike macro-theory, concerns the level of the regional and individual projects. Detailed studies of specific cases, in turn, often produce a negative picture of the losses infrastructure projects incur: actual costs almost always exceed projected expenses, and projected revenues usually appear later and in lower volumes than anticipated (Eisenhardt, 1989; Flyvbjerg, 1998; Pickrell, 1992). The most extensive analysis of megaprojects was carried out by Bent Flyvbjerg. His study concluded that underestimates concerning the necessary investments and their effects occurred so frequently that they could not have resulted from miscalculations or statistical aberrations. In his study, Flyvbjerg theorizes that this is, in fact, a special strategic oversight that makes it easier to obtain approval for projects. In other words, by underestimating a project's cost and environmental impact while exaggerating the benefits and the boon it will provide to economic growth, quick approval is practically guaranteed. As a result of such "strategic distortions" or this so-called "Machiavellian formula," systematic overruns accumulate for substandard projects that are incapable of generating the hoped-for quantitative and qualitative economic benefits.

Flyvbjerg conducted a detailed analysis of approximately 100 Chinese transport infrastructure projects to illustrate how unprofitable micro-level infrastructure projects correlate to economic growth (Ansar, Flyvbjerg, Budzier, & Lun, 2016). The "strategic distortions" section of the report devoted to China shows that average real costs were 31% higher than

planned. It also revealed that many projects were ineffective because their benefits did not extend beyond a limited area, with the result that new infrastructure did not solve the problem of uneven employment patterns. At the same time, growth in infrastructure investment can also be a harbinger of an economic boom. However, everything has its “limits of usefulness” in terms of both time and volume. Excessive investment in infrastructure, especially if it involves expensive borrowing, is subject to the law of diminishing returns and will eventually exert a negative effect.

India provides a more positive example of how infrastructure investment correlates to growth. In their study of the subject, Indian economists Pravakar Sahoo and Ranjan Kumar Dash use the Cobb–Douglas model to analyze how the volume of infrastructure investments affect the national economy (Sahoo & Dash, 2009). The results of the study, obtained by evaluating the elasticity of the substitution of the production factors, indicates that India's growing infrastructure has made a significant positive contribution to its overall growth.

However, there are two caveats here. First, this study used a narrow understanding of infrastructure. It is based on a consolidated index of infrastructure including indicators of energy consumptions, the density of roads and railways, phone networks, and air traffic, although a broader understanding of the infrastructure network can include the social sphere, healthcare, education, and so on. Second, context must always be considered. Other national economies whose levels of infrastructure development significantly differ from that of India would not necessarily experience the same results. These and other contradictions (including those due to differing approaches to the collection and analysis of empirical data) appear in research by Chinese economist Deng Taotao, that focused on an analysis of the elasticity of the production function with respect to investment in transport infrastructure (Deng, 2013). Deng's research is yet another example of how widely estimates of elasticity can differ. When translating that from the realm of research into that of decision-making, it becomes necessary to conduct a thorough analysis of each infrastructure project.

Any decisions regarding investment, especially those involving government investments, must inevitably be made against a backdrop of spatial and sectoral asymmetries in the national economy, thus generating additional risks for implementing this or that project. It is extremely important for this reason that the government develop a consistent and sensible investment policy. All decisions should be based on superlative prognoses and accurate input–output calculations. However, state policy in this area typically falls short of such standards.

It is important in this connection to note that some studies do show a correlation between the development of infrastructure and the Human Development Index (Amador-Jimenez & Willis, 2012, p. 198). This is key – infrastructure development should lead not only to economic growth as measured by financial indicators, but also to qualitative development, including human development.

This approach makes it possible to prioritize not the physical indicators of development for this or that infrastructure, GDP growth indicators, or the profitability of the structures in question, but the socio-economic indicators that

measure how infrastructure provides for the development of populations, communities, states, and regions. It makes possible a different approach for assessing the goals of infrastructure development.

It is worth stressing in this regard that when assessing the effectiveness of a macro-economic project such as railways, for example, a so-called “restricted model” should not be used – that is, a method that measures the effectiveness of investments in terms of the construction of the project itself and, in this case, the subsequent use of the railways infrastructure.

For example, the development of railways transport serves and thereby influences the development of 19 sectors of the Russian economy (Khusainov, 2014, p. 6). The result, according to experts, is that the creation of one job in an infrastructure project leads to the creation of at least three jobs in related sectors. It also stimulates the production of new materials and heavy transport machine manufacturing and prompts people to be more socially active. It dictates the demand for developing systems of administration and security, and for high-quality human capital – that is, education and health (Korovin, 2015, p. 78).

Employing such an approach to evaluate infrastructure development of, for example, Russian Railways during the period of 2005–2012 convincingly shows that it returned 1.5–2 times more to the state budget than it received in the form of state budget subsidies to cover losses related to the regulation of rates (Filina, 2005, p. 82) – particularly for suburban and long-distance passenger routes.

#### 4. The Trans-Eurasian Belt Development (TERP) project

This “infrastructure for development” approach underpins the Trans-Eurasian Belt Development project. The idea of the project – put forward by a number of leading Russian scholars and supported by the Presidium of the Russian Academy of Sciences – is that Russia can and should become the integrator in the Eurasian continent (Osipov, Sadovnichy, & Yakunin, 2013; “RAN podderzhivaet proekt po sozdaniju Transevrozijskogo pojasa razvitiya,” 2014). This is an alternative to the situation in which Russia is a “bone of contention” – not located between Europe and Asia, but uniting those civilizations while becoming a civilizational center.

The idea of the project is clear: a glance at the map indicates that such a route is the only way to travel overland from the Pacific Ocean to the Europe without crossing any borders. Actually, it is a sort of 21st-century update of the Trans-Siberian Railway in a new, global context. And, whereas the Trans-Siberian Railway was the primary tool for maintaining control over the huge eastern territory of the Russian Empire in the late 19th and early 20th centuries, the TERP was designed as a tool for integrating the Russian economy into the global economy. Although the idea itself is very straightforward, if not obvious, it took more than 12 years to develop into its current form.

After the collapse of the Soviet Union and the end of the Cold War, Russia had only a rudimentary understanding of how the world economy actually worked. The Soviet economic system had been very self-sufficient and closed – and this had its own pros and cons.

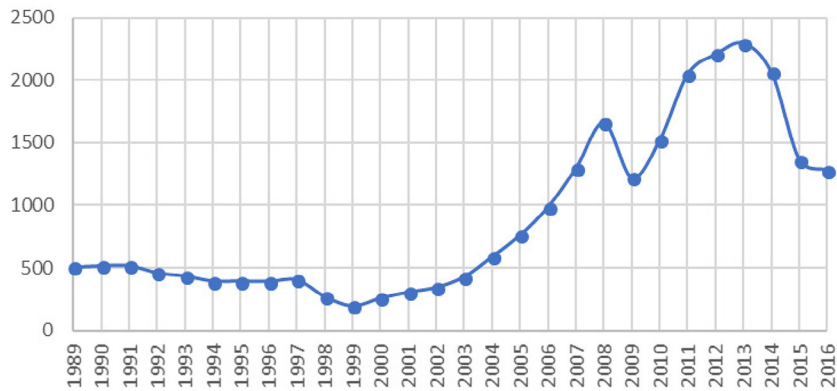


Fig. 1. Russia's GDP, 1989–2016 (in billions of U.S. dollars) (Source: World Bank).

On the one hand, the state managed every aspect of production and distribution in the Soviet command economy. That made it possible to plan the flows of all the means of production, including natural resources and labor, and to formulate highly accurate objectives for the transportation system. But when the “Iron Curtain” fell, the flows of goods, resources and capital changed dramatically, and the new government could not manage or even predict them anymore. That led to very unpleasant consequences: a decline in industrial production and

GDP (see Fig. 1), a decline in the overall population (see Fig. 2), and widespread migration from Russia's Eastern and Northern regions to its Western and Southern regions (see Fig. 3).

The decline in domestic production and Russia's integration into the global economy led to major changes in the structure of production and an increase in foreign trade, thus affecting the flow of goods and transportation. This led, on the one hand, to bottlenecks in the transportation system (especially at approaches to major seaports handling exports

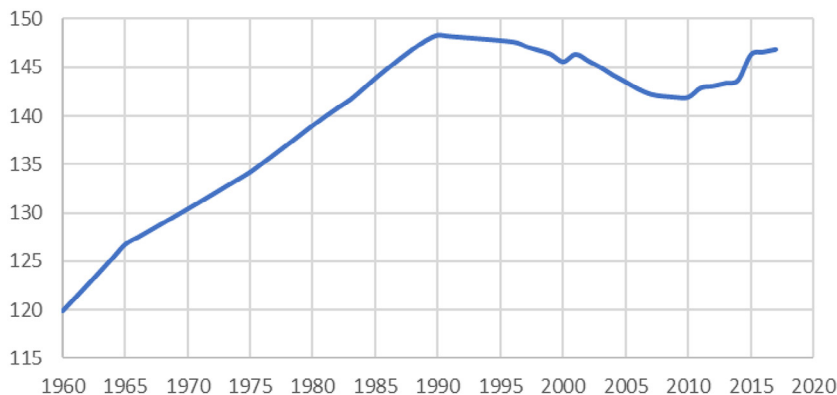


Fig. 2. The population of Russia (in millions of people) (Source: Rosstat, World Bank).

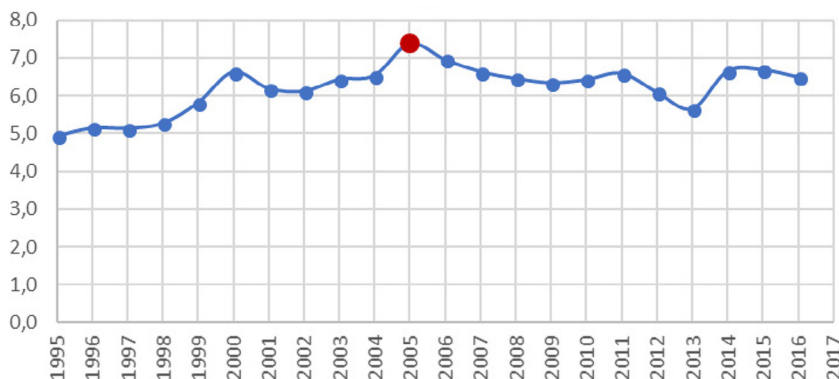


Fig. 3. The ratio of GRP per capita between the 10 richest and 10 poorest regions of Russia (Source: Rosstat).



**Table 2**

Russia's population growth and decline, by region (in percent, between 1991 and 2017).

Rating	Territorial entity	Change between 1991 and 2017	Rating	Territorial entity	Change between 1991 and 2017
1	Republic of Dagestan	64.1%	69	Republic of Karelia	–21.4%
2	Moscow (city)	38.9%	70	Kirov Oblast	–22.1%
3	Khanty-Mansy Autonomous Okrug	23.9%	71	Tver Oblast	–22.3%
4	Krasnodar Krai	19.1%	72	Kurgan Oblast	–23.0%
5	Tyumen Oblast	15.3%	73	Pskov Oblast	–23.9%
6	Stavropol Krai	13.5%	74	Amur Oblast	–24.8%
7	Republic of Kabardino-Balkaria	12.0%	75	Jewish Autonomous Oblast	–24.8%
8	Moscow Oblast	11.3%	76	Arkhangelsk Oblast	–26.1%
9	Kaliningrad Oblast	11.2%	77	Sakhalin Oblast	–32.2%
10	Belgorod Oblast	11.0%	78	Komi Republic	–32.2%
11	Altai Republic	1.7%	79	Kamchatka Krai	–34.2%
12	Republic of North Ossetia-Alania	9.7%	80	Murmansk Oblast	–35.7%
13	Karachay-Cherkessia Republic	9.6%	81	Magadan Oblast	–62.2%
14	Chechen Republic	8.7%	82	Republic of Ingushetia	–63.1%
15	Leningrad Oblast	7.8%	83	Chukotka Autonomous Okrug	–68.8%

Source: Russian Federal State Statistics Service (without data from the Republic of Crimea and the city of Sevastopol).

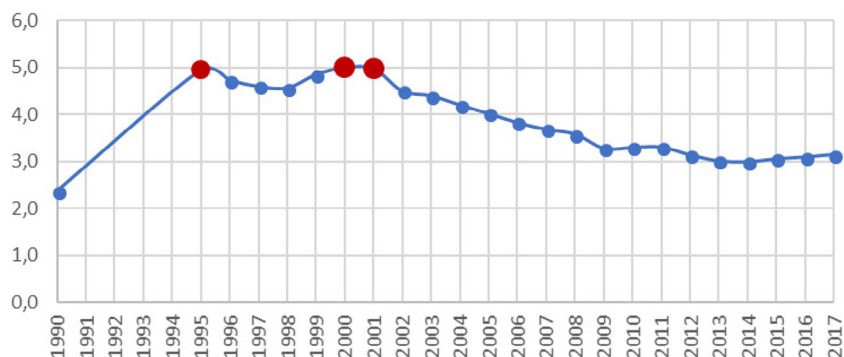
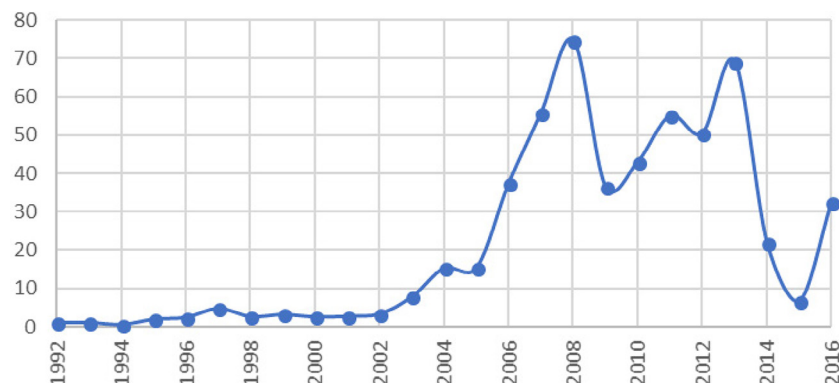
and imports), and on the other hand, to the disuse of a large number of railway lines (Table 2).

This pushed entire regions into decline, leading to economic inequalities between regions that are illustrated clearly by both the ratio of Gross Regional Product (GRP) per capita (see Fig. 3) and the ratio of average wages (see Fig. 4) between the richest and poorest regions.

The country's economy, however, was still unable to benefit from its participation in the globalization process because the level of foreign direct investment remained low

for more than 10 years (see Fig. 5) and both GDP and per capita GDP declined (see Fig. 6) – especially when measured by region.

The country's transportation system played a role in this: whereas the globalization process led to a two-fold decrease in sea transport costs and a six-fold decrease in air transport costs between 1930 and 2000 (Gao, 2000), Russian rail transport – the country's main freight and passenger system – could not achieve such savings and this prevented Russia from integrating deeply into international

**Fig. 4.** The ratio of average salaries in the 10 richest and 10 poorest regions of Russia. (Source: Rosstat).**Fig. 5.** Foreign direct investment in the Russian economy (in billions of U.S. dollars) (Source: World Bank).

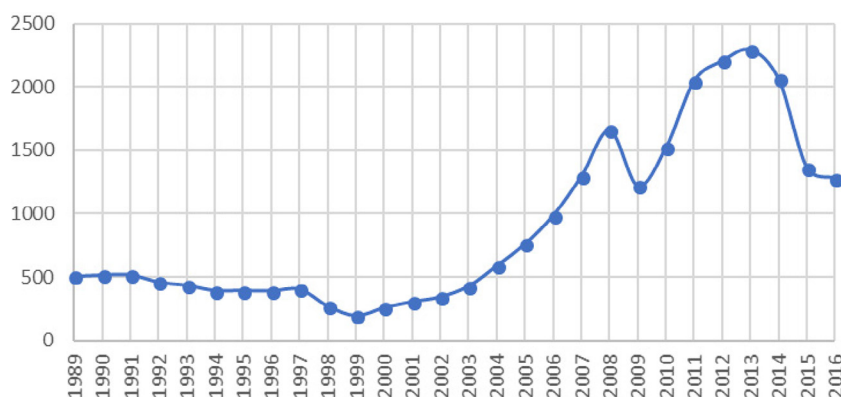


Fig. 6. The GDP of the Soviet Union/Russia (in billions of U.S. dollars) (Source: World Bank).

economic relations. The data confirmed this: in 2005, Russia placed 51st among 140 countries in the Global Connectedness Index, whereas more developed countries that were integrated deeply into the world economy in a diversity of ways generally placed in the Top 30.

Russia also faced problems in terms of institutional development: in 2006, the country placed 97th in the Doing Business rating (Obzor, 2007), demonstrating clearly that its institutions were poorly suited to an effective market economy and that they were not open to attracting foreign investment.

These factors gave rise to the need for a new type of global infrastructure project that would contribute to Russia's development, and to the realization of the following main objectives:

- upgrading infrastructure to take advantage of the technological and economic benefits of globalization;
- attracting foreign capital and trans-national companies to implement the project and to improve regulatory and institutional efficiency;
- assisting in the development of related sectors (mechanical engineering, communications, transport and logistics services, development of new mineral deposits);
- combining positive effects at both federal and regional levels, promoting the integration of Russia's regions, and slowing negative migration trends.

These objectives were fully consistent with the economic and political situation in the early 2000s. The country was experiencing strong economic growth that made it possible to reduce the national debt significantly (paying down most of it by 2007), and later to establish state reserves for investment projects – called the Stabilization Fund after 2004 and the National Wealth Fund since 2008. Opportunities arose to upgrade railway infrastructure and rolling stock: talks began for the construction of high-speed railways. Russia first purchased then began the localized production of German railway rolling stock. Later, Chinese companies began actively proposing cooperation.

Even though there had been discussion in Russia since the early 2000s of individual infrastructure projects, primarily in the field of transport (toll roads, high-speed

railways), these projects did not lead in any way to the creation of an ambitious or systematic program for the development of Russian infrastructure overall. The first document establishing an attempt to do so was the Transport Strategy of the Russian Federation until 2030, which was approved by the government in 2008 (*"Transportnaja strategija RF na period do 2030 goda,"* 2014). That document reflected the actual state of the Russian economy and described both conservative and innovative options for developing the transport system through 2030, including the development of a so-called "tube transport" system. The conservative scenario called for an increase in the export capacity of the transport system and the provision of transport support for mineral deposits in Asiatic Russia, with the prospect of shipping supplies to Asia, including China. Particular importance was attached to transit potential and to integrating the transport systems of Belarus and Kazakhstan. The innovative scenario was largely the same, but with high-level value added freight occupying a larger share of all transport freight.

Unfortunately, this document was adopted during a very unfavorable period – the global financial crisis of 2008. The anti-crisis measures employed forced the significant postponement of long-term plans.

However, the crisis was followed by a fairly rapid recovery, such that by the start of a new presidential term in 2012, the need again arose for a systematic long-term plan for developing infrastructure.

It was under these circumstances that the TERP project was born. It set ambitious goals that went beyond simply developing the transport complex and called for the active use of state investment resources (National Wealth Fund) as well as private Russian and foreign investment.

In order to work out a scheme for financing the project, European specialists were called in and efforts were made to form a broad coalition of Russian talent, including members of the academic and expert communities.

The Presidium of the Russian Academy of Sciences reviewed and approved the project in 2014 (Yakunin, 2014). As it developed, it ceased to be only a Russian project and took on a certain "Euro-Asian" character due to its focus on attracting foreign capital, creating cooperative scientific-industrial ties with the EU, Japan, China, Korea, EAEU countries, and Mongolia, and creating a model by which

BRICS countries could carry out megaprojects (Yakunin, 2014, p. 683). This project was the first to introduce the idea of a “development belt,” a 200–300 km-wide zone flanking the infrastructure corridor that includes transport arteries, power lines, and fiber-optic cables and in which industries and services develop. As it is used here, the idea of a “belt” differed from that of a “corridor”: a “corridor” does not facilitate the development of the territory through which it transports goods, while a “belt” uses infrastructure to develop related activities and sectors and to improve the socio-economic conditions in the region. According to estimates, the implementation of such a megaproject would contribute to the development of 10–15 related industries (Yakunin, 2014, p. 682).

Thus, the TERP project emerged as the result of the search for answers to challenges that both Russia and the world community now face: staking the economy on a “post-industrial” development paradigm with its resultant deindustrialization, and giving priority to quantitative and exclusively financial indices of GDP growth over qualitative indices of development that reflect a wider spectrum of socio-economic phenomena.

Deindustrialization became a problem for Europe and the U.S. beginning in the 1990s. Soon after the collapse of the Soviet Union, the share of industrial production in the structure of national GDP and global industrial production began a steady decline. In 1990, Europe and North America accounted for 40.7% and 23%, respectively, of the structure of value added produced by industry, as compared to 27.8% for the Asia-Pacific region. Those figures, however, had changed by 2014 to 27.5% and 20.9% for Europe and North America, respectively, and 44.6% for the APR (according to UNIDO data). Although it is possible to quibble about the methods used for calculating those numbers, the result is obvious – Western countries are facing large-scale deindustrialization. In Great Britain, for example, the share of the real sector in GDP has shrunk from 41% in the 1960s to 27.9% today – that is, by almost 30%. Nobody has calculated the exact costs to society of this transition to a post-industrial economy, with its attendant loss of jobs and the appearance of “depressed areas.” However, we do know that the people who lost the most to deindustrialization voted for the Euro-skeptics and Donald Trump.

In this regard, Russia and the former Soviet republics ended up “in the same boat” with Western countries, whereas China and the countries of Southeast Asia are in another. This creates a certain dichotomy in the thrust for development preferred by each group of countries, one that should not be ignored, especially when linking the Chinese and Russian initiatives in Eurasia. If Russia chooses to serve simply as a “bridge” between Europe and China, it risks becoming nothing more than an observer to the development taking place in those regions without gaining any impetus toward its own modernization.

Global politics are also creating new challenges, including globalization and the emergence of new economic macro-regions, economic leaders, and political groupings and structures.

There is a particular need to integrate Russia and the Eurasian space in the world economy, taking into account the geopolitical and geo-economic characteristics of the region,

situated as it is at the junction of the European and Asia-Pacific macro-regions – both of which have high growth rates. Trade between those two regions is constantly growing, creating the potential for overland transit carriage. For example, whereas container transport on Russian railways grew by 10.2% in 2016 year-on-year – reaching 3.27million TEU – transit carriage during the same period grew by 36.1%, reaching 205,400 TEU (*“Perevozka kontejnerov po seti RZhD v, 2017, g. vyrosła na 10%, do 3,3 mln TEU,” 2017*). In the first eight months of 2017, transit carriage grew by another 78% year-on-year, reaching 113,000 TEU for the period. Shipping volumes on the Trans-Siberian Railway also grew in 2016 to a record of 517,000 TEU, and, during the first eight months of 2017, by another 150% year-on-year, to 482,000 TEU (*“RZhD ozhidajut rosta gruzovyh perevozok po Transsibu mezhu Kitaem i Evropoj v blizhajshie gody,” 2017*).

E-commerce is driving this growth. Globally, e-commerce grew from \$1.51 trillion in 2012 to \$2.05 trillion in 2016, with some estimates projecting a near doubling of that total to \$3.5 trillion by 2019 (Sedykh, 2016). A significant part of that trade occurs between Europe and the countries of Asia. This opens the possibility for express shipments, including high-speed rail that would deliver goods to consumers within 3–5 days and at prices acceptable to suppliers.

Russian Railways is currently developing the idea of introducing high-speed freight transport as one component of the TERP project (Vedeneyeva, 2016). Under particular consideration are the possibility of high-speed rail connections between China and Russia, and even between Berlin and Beijing (*“OAO “RZhD” i Kitajskie zheleznye dorogi budut obmenivat'sja jelektronnyimi dannymi pri perevozke gruzov,” 2017; “OAO «RZhD» i «Kitajskie zheleznye dorogi» dogovorilis' o strategicheskom sotrudnichestve,” 2016*). These would include the high-speed transport of goods to meet the needs of e-commerce. Such transport would use rolling stock based on comparable passenger wagons, but with wagons that would be filled as much as possible with special containers (similar to those used in airplanes) and secured in such a way to ensure safe transport and easy mechanical loading and unloading at hubs equipped with special “platform technology” (*“RZhD razrabatyvajut vysokoskorostnoj gruzovoj poezd,” 2016*). Such trains would have carrying loads of up to 600 tons – significantly higher than commercial aircraft and even the Boeing 747 Dreamliner's 113-ton capacity – and reach speeds of up to 300 km/h. Designs for such rail lines can employ groundbreaking technologies such as magnetic levitation and vacuum levitation transport systems. The latter, for example, could be employed where trains pass through long tunnels in the mountains – and propel them at 1000–1100 km/h. Such an approach would be possible, for example, in the line running from the Chinese city of Urumqi to the intersection with the Chinese–Russian border in Western Altai and its ultimate connection to the Trans-Siberian Railway. However, it is worth noting that these projects are still in the early stages of development and often come under criticism for, among other things, their high capital investment costs.

Several versions of a Berlin–Beijing railway are currently in development (see Table 3).

**Table 3**

Versions of Berlin–Beijing Railway.

Route	EU	Belarus	Russia	Kazakhstan	Mongolia	China	Total	Russia's share
Through Kazakhstan (Dostyk)	750	597	2200	2250	–	4070	9867	22%
Through Naushki and Mongolia	750	597	5988	–	1000	860	9195	65%
Through the Kyzyl-Kuragino and Mongolia	750	597	5185	–	1755	860	9147	57%
Through Zabaykalsk and Harbin	750	597	6750	–	–	1900	9997	68%

The objective is for Russia to become not simply a “bridge” or “transport corridor” between centers of development, but to gain new impetus for its own development, to preserve its geopolitical standing, and to engage in equitable and mutually beneficial cooperation with its partners.

The TERP project began as a transport or transport and logistics corridor, but was later refined to include the idea of a “development belt.” Transport and communication infrastructure should serve as the technological basis of that belt. It would include the following:

- high-speed railway lines (with 47,000 km of track)
- a system of highways (totaling 120,000 km of road)
- telecommunications lines (with 23,000 km of fiber-optic cable).

This transport and communications infrastructure would connect the Russian Far East with Western Europe and provide a north–south transport connection with Iran. It could also be extended across the Bering Strait to link with the transport infrastructure of North America.

An integrated transport system would involve the coordination of all modes of transport, not only rail and road, but also air, river, and sea, and would require the creation of infrastructure for corresponding transport and logistics centers.

The TERP project assigns particular importance to developing the Northern Sea Route. Along that route, it would be possible to create several multimodal transport and transshipment terminals/logistic centers that would provide for the handling and delivery of goods by lateral water route in Siberia and the Far East. Separate approaches would be used for hard-to-reach areas, employing a network of prefabricated landing strips for small aircraft, as well as innovative cargo aircraft with load capacities of 60 tons or more and flight ranges of up to 5000 km. Such a comprehensive system could serve the entire territory of Russia and Eurasia with a “transportation grid” consisting of the Northern Sea Route and rail and road infrastructure all running in an east–west direction, and river, rail, and aviation infrastructure moving along north–south routes.

One of the infrastructure development priorities of this project is to provide transport accessibility to Russia's mineral deposits and passage to economic zones with innovative industrial production. As a result, the “belt” resembles a band of settlements and industries located 200–300 km to either side of the transport and energy corridor stretching across all of Eurasia. It can serve as a model for other countries and regions. For this reason, it will enjoy such benefits of development as the creation of new jobs, new settlements with a new way of life, the development

of new territories, managed and large-scale migration within the Russia and the territory of Eurasian Economic Union.

The last aspect is especially important. Russia and its Central Asian neighbors have different demographic dynamics. The population in Russia and Western countries, as we know, stagnates or declines as birth rates drop. Migration compensates for this shortage. China for many years pursued a birth control policy. The countries of Central Asia have a fundamentally different dynamic: their populations have grown by 30%, or by 15.5 million people, from 1992 to 2016. Obviously, it is necessary to consider these trends when developing integration and infrastructure projects.

Demographic and socio-economic imbalances (primarily in wages) have created major migration flows among CIS countries, and primarily into Russia. As a result, labor migrant wages accounted for 30% of GDP in Kyrgyzstan and as much as 45% of GDP in Tajikistan. Beginning in 2015, and largely due to the economic crisis in Russia, those figures fell to 26% and 29%, respectively. Needless to say, it has had a negative impact on the socio-economic situation and could lead to other problems, including an increase in extremist activities and terrorism in those countries.

Sociological studies indicate that people in the former Soviet republics identify such straightforward things as healthcare, education, and affordable housing as development priorities – and consider them as more important than simply developing infrastructure in, for example, the field of transport. These priorities should be part of the infrastructure of all “development belts.”

The TERP project underscores the fact that “mega-projects” are fully consistent with the Russian state's mobilization form of development and with the value system of the Russian people – that focuses on large-scale projects that transform the life of humanity.

It posits “development” as a political and economic value and as a basis for a level of cooperation that will make possible fundamentally new opportunities for individuals, communities, states, and humanity as a whole. The instrument for achieving such development could be an integrated infrastructure system – a flexible linking of transport, energy, and telecommunications infrastructure systems (including satellite and other space infrastructure). That would not only facilitate trade between different countries and regions of the world by reducing delivery times and simplifying customs procedures, but would also give rise to new industrialization and provide new impetus to the development of Russia's regions.

Implementation of this extremely large-scale project will occur in three phases by 2035. It will require an estimated \$320 billion of investment, \$280 billion of which would fund



the construction of the high-speed rail complex. Estimates indicate that it will recoup costs in 12–15 years and create up to 20 million new jobs, including up to 7 million jobs for the construction of the high-speed rail complex and the development belt around it.

This project will require the mobilization of enormous investment resources. Toward this end, we propose building a new architecture of international financial relations with our key partners, including with BRICS member states. Given the Western sanctions against Russia, this issue is crucial to the implementation of the project.

When it was first announced in 2014, the TERP project faced unfavorable conditions both at home and abroad. The West imposed sanctions against Russia that put into question its ability to attract foreign investment not only from EU countries, but also from Japan, South Korea, and China. This forced Russia to postpone consideration of the project until 2016.

Despite the Western sanctions, Russia has actively discussed the TERP project with Chinese experts since 2015. From the start, those talks have been held not in the spirit of competition, but of cooperation (Xin, 2015).

The TERP project has generated significant interest among both public and government agencies in Russia. A special meeting of the Integration Club under the Chairman of the Federation Council reviewed and discussed the project (“O zasedanii Integracionnogo kluba pri Predsedatele Soveta Federacii na temu «Strategicheskie infrastrukturyne proekty kak lokomotivy jekonomicheskogo rosta na evrazijskom prostranstve»,” 2016), as did the St. Petersburg International Economic Forum in June 2017 (“Budushhee, rozhdamoe segodnja: integracionnye i infrastrukturyne proekty Evrazii,” 2017).

In August 2016, the Russian Security Council submitted a letter to Deputy Prime Minister Arkady Dvorkovich with the recommendation to consider a proposal that Moscow State University, Moscow School of Economics Director and Russian Academy of Sciences member Alexander Nekipelov drew up based on the TERP project. That proposal calls for “the creation of spatial transport and logistics corridors” that would link the European Union and the Asia-Pacific region “taking Russia’s interests and security into account.” It involves the formation of a “United Eurasia” with the goal of creating conditions that would “elevate the country [Russia] to a new socio-economic level through the extensive development of Siberia, the Far East, and the Arctic.” It also calls to involve China, the U.S. and the countries of Europe in the project. It suggests that the Western states could, in return, lift anti-Russian sanctions. The authors of an article in *Kommersant* newspaper consider the project “the safest from the geopolitical standpoint” and argue that a new and mutually beneficial partnership with the EU and USA “would have a more solid foundation.” The project’s developers believe that the scale of the project and its payback period of 15–20 years would interest the Russian business community and contribute to “the repatriation of Russian capital from offshore accounts” (Kuznetsova & Skorobogatko, 2016).

Only time will tell if these proposals are overly optimistic and whether the Russian leadership will adopt them in their entirety or only partially, as is already the case con-

cerning high-speed freight transport. It is important to note that the global situation has changed dramatically during the period in which this project has been under consideration. Whereas in 2014 it was possible to count on investment by the Russian government and foreign sources – including international financial institutions – to implement the project, that is not the case now. In addition, China is making active progress on its One Belt, One Road initiative: in 2015, Chinese and Russian leaders agreed to link it with the EAEU. This opens up new prospects for the TERP: it could become Russia’s contribution to the development of the Eurasian space and mesh with the Chinese, Kazakh, Mongolian, and other partner initiatives. Its implementation would help spur the economic development of Asiatic Russia, enabling that region to become part of the larger economic development of Eurasia. That would help turn Russia into a more important independent and constructive player in the Eurasian space, acting in close coordination with its partners in both the East and the West.

## Acknowledgements

The article has been supported by a grant of the Russian Science Foundation. Project no. 17-18-01577 «Creation of Greater Eurasia and the Development of Strategy for Bilateral Cooperation between Russia and Regional Countries».

## Conflict of interest

None.

## References

- 2017 Global Infrastructure Forum: Outcome Statement. (2017). Retrieved from [https://library.pppknowledgehub.org/documents/4707?ref\\_site=kl&keys=Outcome%20Statement%2C%20The%202017%20Global%20Infrastructure%20Forum&restrict\\_pages=1&site\\_source%5B%5D=Knowledge%20Lab](https://library.pppknowledgehub.org/documents/4707?ref_site=kl&keys=Outcome%20Statement%2C%20The%202017%20Global%20Infrastructure%20Forum&restrict_pages=1&site_source%5B%5D=Knowledge%20Lab). Accessed 18 July 2018.
- Administracija Trampa sastavila spisak iz 50 infrastrukturyh proektov stoimost'ju \$138 mlrd. (2017).
- Agénor, P.-R. (2010). A theory of infrastructure-led development. *Journal of Economic Dynamics and Control*, 34.
- Amador-Jimenez, L., & Willis, C. J. (2012). Demonstrating a correlation between infrastructure and national development. *International Journal of Sustainable Development and World Ecology*, 19(3).
- Ansar, A., Flyvbjerg, B., Budzier, A., & Lun, D. (2016). Does infrastructure investment lead to economic growth or economic fragility? Evidence from China. *Oxford Review of Economic Policy*, 32(3), 360–390.
- Aschauer, D. (1989a). Does public capital crowd out private capital? *Journal of Monetary Economics*, 24(2), 171–188.
- Aschauer, D. (1989b). Is public expenditure productive? *Journal of Monetary Economics*, 23(2), 177–200.
- Belyanin, D. N. (2012). Stolypinskaja agrarnaja reforma v Sibiri. [Stolypin's Agrarian Reforms in Siberia]. *Vestnik Tomskogo universiteta*, 1(17).
- Budushhee, rozhdamoe segodnja: Integracionnye i infrastrukturyne proekty Evrazii. (2017). Retrieved from <http://tass.ru/pmef-2017/articles/4311200>. Accessed 18 July 2018.
- China and Brazil sign \$27 billion deals. (2015). Retrieved from <https://gbtimes.com/china-and-brazil-sign-27-billion-deals>. Accessed 18 July 2018.
- Deng, T. (2013). Impacts of transport infrastructure on productivity and economic growth: Recent advances and research challenge. *Transport Reviews*, 33(6), 686–699.
- Donaldson, D. (2010). Railroads of the Raj: Estimating the Impact of Transportation Infrastructure. Working Paper 41. Retrieved from <http://eprints.lse.ac.uk/38368/1/ARCWP41-Donaldson.pdf>. Accessed 18 July 2018.

- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *The Academy of Management Review*, 14(1), 57–74.
- Eisner, R. (1991). Infrastructure and regional economic performance: Comment. *New England Economic Review*, 47–58.
- Evans, P., & Karras, G. (1994). Is government capital productive? Evidence from a panel of seven countries. *Journal of Macroeconomics*, 16(2), 271–279.
- Filina, V. N. (2005). Transportnaja strategija Rossii: Osnovnye principy i prioritetye napravlenija razvitiya infrastruktury [Russia's transport strategy: The main principles and priorities in the area of infrastructure development]. *Problemy prognozirovanija*, (2).
- Flyvbjerg, B. (1998). *Rationality and power: Democracy in practice*. Chicago, Ill.: University of Chicago Press.
- Gao, S. (2000). Economic globalization: Trends, risks and risk prevention. Economic & Social Affairs. Retrieved from [http://www.un.org/en/development/desa/policy/cdp/cdp\\_background\\_papers/bp2000\\_1.pdf](http://www.un.org/en/development/desa/policy/cdp/cdp_background_papers/bp2000_1.pdf). Accessed 18 July 2018.
- GII (2018). Retrieved from <https://www.globalinfrastructureinitiative.com/summit>. Accessed 18 July 2018.
- Global Infrastructure Forum 2016. (2016). Retrieved from <https://pppknowledge.org/2016gforum>. Accessed 18 July 2018.
- Gorbachev, M. S. (1987). *Izbrannye rechi i stat'i*. Moscow: Izdatel'stvo politicheskoy literatury.
- Gramlich, E. M. (1994). Infrastructure investment: A review essay. *Journal of Economic Literature*, 32(3), 1176–1196.
- Holtz-Eakin, D., & Schwartz, A. (1995). Infrastructure in a structural model of economic growth. *Regional Science and Urban Economics*, 25(2), 131–151.
- K Velikomu okeanu-5. Ot Povorota na Vostok k Bol'shoj Evrazii (2017). Retrieved from Moscow.
- Khusainov, F. I. (2014). Reforma zhelezнодорожной отрасли. Problemy nezavershennoj liberalizacii. Retrieved from Moscow.
- Kitajskij global'nyj proekt dlja Evrazii: Postanovka zadachi (analiticheskij doklad). (2016). Retrieved from <https://center.ru/wp-content/uploads/2016/11/111-avtor-logo-CHINA2-01.pdf>. Accessed 18 July 2018.
- Korovin, M. Y. (2015). Analiz mezhdunarodnogo opyta finansirovanija infrastrukturyh proektov. *Transport Business Russia*, (2).
- Krugman, P. (1991). Increasing returns and economic geography. *The Journal of Political Economy*, 99(3), 483–499.
- Kuznetsova, Y., & Skorobogatko, D. (2016). Dirizhabli podnimut \$200 mlrd. Sovet bezopasnosti vydvynul novyj megaproekt. Retrieved from <https://www.kommersant.ru/doc/3060944>. Accessed 18 July 2018.
- Larin, V. L. (2013). Vneshnjaja ugroza kak dvizhushhaja sila osvoenija Tihookeanskoj Rossii. Moscow: The Moscow Carnegie Center.
- Lukin, A. V. (2016). Russia's pivot to Asia: Myth or reality? *Strategic Analysis*, 40(6), 573–589.
- Medvedev: Rossija formiruet evrazijskoe partnerstvo s Kitaem. (2016). Retrieved from <https://ria.ru/east/20161116/1481497327.html>. Accessed 18 July 2018.
- Minakir, P. A., & Prokapalo, O. M. (2017). Rossijskij Dal'nij Vostok: Ekonomicheskie fobii i geopoliticheskie ambicii [The Russian Far East: economic phobias and geopolitical ambitions]. EKO, 4.
- Munnell, A. (1990). How does public infrastructure affect regional economic performance? *New England Economic Review*, 11–33.
- O zasedanii Integracionnogo kluba pri Predsedatele Soveta Federacii na temu «Strategicheskie infrastrukturye proekty kak lokomotivy jekonomicheskogo rosta na evrazijskom prostranstve». (2016). Retrieved from <http://council.gov.ru/media/files/QSiTjvd9Fpc9vKKA4tE3zZD8IRNefLRg.pdf>. Accessed 18 July 2018.
- OAo «RZhD» i «Kitajskie zheleznye dorogi» dogovorilis' o strategicheskome sotrudnichestve. (2016). Retrieved from <http://www.gudok.ru/news/?ID=1341632>. Accessed 18 July 2018.
- OAo «RZhD» i Kitajskie zheleznye dorogi budut obmenivat'sja jelektronnymi dannymi pri perevozke gruzov. (2017). Retrieved from [http://press.rzd.ru/news/public/ru?STRUCTURE\\_ID=654&layer\\_id=4069&refererLayerId=3307&id=90027](http://press.rzd.ru/news/public/ru?STRUCTURE_ID=654&layer_id=4069&refererLayerId=3307&id=90027). Accessed 18 July 2018.
- Obzor. (2007). Doing Business. Retrieved from <http://russian.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/Overview/DB07-Overview-Russian.pdf>. Accessed 18 July 2018.
- Osipov, G. V., Sadovnichy, V. A., & Yakunin, V. I. (2013). An Integrated System of Eurasian Infrastructural Development as a National Priority. Moscow: ISPR RAS.
- Papkov, S. A. (1996) Stalinskij terror v Sibiri. 1928–1941. Retrieved from <http://www.memorial.krsk.ru/Articles/1997Papkov/03c.htm>. Accessed 18 July 2018.
- Perevozka kontejnerov po seti RZhD v 2016 g. vyroslo na 10%, do 3,3 mln TEU. (2017). Retrieved from <http://tass.ru/transport/3927746>. Accessed 18 July 2018.
- Pickrell, D. H. (1992). A desire named streetcar: Fantasy and fact in rail transit planning. *Journal of the American Planning Association*, 58(2), 158–176.
- Platonova, N. M. (2009). Rossijskij Dal'nij Vostok v 1965–1985 gody: Specifika promyshlennogo razvitiya regiona [The Russian Far East in 1965–1985: The characteristics of the region's industrial development]. *Izvestija Rossijskogo gosudarstvennogo pedagogicheskogo universiteta im. A.I. Gercena*, 119(10).
- Plokhikh, S. V., & Kovaleva, Z. A. (2002). Istorija Dal'nego Vostoka Rossii. Vladivostok: TIDOT DVGU.
- Putin, V. V. (2000). Introductory Remarks at a Meeting on the Prospects of the Development of the Far East and the Trans-Baikal Region. Retrieved from <http://en.kremlin.ru/events/president/transcripts/21494>. Accessed 18 July 2018.
- Putin, V. V. (2015). Presidential Address to the Federal Assembly. Retrieved from <http://en.kremlin.ru/events/president/news/50864>. Accessed 18 July 2018.
- Putin, V. V. (2016a). Presidential Address to the Federal Assembly. Retrieved from <http://en.kremlin.ru/events/president/news/53379>. Accessed 18 July 2018.
- Putin, V. V. (2016b). Plenary session of St Petersburg International Economic Forum. Retrieved from <http://en.kremlin.ru/events/president/news/52178>. Accessed 18 July 2018.
- RAN podderzhivaet proekt po sozdaniyu Transevrozijskogo pojas razvitiya. (2014). Retrieved from <https://ria.ru/science/20140311/998998921.html>. Accessed 18 July 2018.
- Roller, L.-H., & Waverman, L. (2001). Telecommunications infrastructure and economic development: A simultaneous approach. *The American Economic Review*, 91(4), 909–923.
- RZhD ozhidajut rosta gruzovyh perevozok po Transsibu mezhdru Kitaem i Evropoj v blizhajshie gody. (2017). Retrieved from <https://rns.online/transport/RZHD-ozhdayut-rosta-gruzovyh-perevozok-po-Transsibu-mezhdru-Kitaem-i-Evropei-v-blizhajshie-godi-2017-09-20/>. Accessed 18 July 2018.
- RZhD razrabatyvajut vysokoskorostnoj gruzovoj poezd. (2016). Retrieved from <http://24ri.ru/down/open/rzhd-razrabatyvajut-vysokoskorostnoj-gruzovoj-poezd.html>. Accessed 18 July 2018.
- Sahoo, P., & Dash, R. K. (2009). Infrastructure development and economic growth in India. *Journal of the Asia Pacific Economy*, 14(4), 351–365.
- Sanchez-Robles, B. (1998). Infrastructure investment and growth: Some empirical evidence. *Contemporary Economic Policy*, 16(1), 98–108.
- Sedykh, I. A. (2016). Rynok Internet-torgovli v RF. Retrieved from <https://dcenter.hse.ru/data/2017/03/10/1169536647/%D0%A0%D1%8B%D0%BD%D0%BE%D0%BA%20%D0%98%D0%BD%D1%82%D0%B5%D1%80%D0%BD%D0%B5%D1%82-%D1%82%D0%BE%D1%80%D0%B3%D0%BE%D0%B2%D0%BB%D0%B8%20%D0%B2%20%D0%A0%D0%A4%202016.pdf>. Accessed 18 July 2018.
- Slavkina, M. V. (2005). Istorija prinjatija reshenija o promyshlennom osvoenii Zapadnoj Sibiri [The history of the decision to carry out the industrial development of Western Siberia]. *Ekonomicheskaja istorija. Obozrenie*, 10, 146–158.
- Sovmestnoe zayavlenie Prezidenta Rossijskoi Federatsii i Predsedatelya Kitajskoi Narodnoi Respubliki ob ukreplenii global'noi strategicheskoi stabil'nosti. (2016). Retrieved from <http://kremlin.ru/supplement/5098>. Accessed 18 July 2018.
- Stolypin, P. A. (1916). *Rechi v Gosudarstvennoj Dume 1906–1911*. Petrograd: Tipografija ministerstva vnutrennih del.
- Stroitel'stvo. Velikij Sibirskij put 1891–1916. Retrieved from <http://www.ids55.ru/ais/articles/stroitelstvo/277--1891-1916-.html>. Accessed 18 July 2018.
- Transforming our world: The 2030 Agenda for Sustainable Development. (2015). Retrieved from <https://sustainabledevelopment.un.org/post2015/transformingourworld>. Accessed 18 July 2018.
- Transportnaja strategija RF na period do 2030 goda. (2014). Retrieved from <http://rosavtodor.ru/docs/transportnaya-strategiya-rf-na-period-do-2030-goda>. Accessed 18 July 2018.
- Vedeneyeva, A. (2016). OAo RZhD razgonjaet tonny. Retrieved from <https://www.kommersant.ru/doc/3175011>. Accessed 18 July 2018.
- Woetzel, J., Garemo, N., Mischke, J., Hjerpe, M., & Palter, R. (2016). Bridging global infrastructure gaps. Retrieved from <https://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/bridging-global-infrastructure-gaps>. Accessed 18 July 2018.
- Xin, L. (2015). Li Sin': Konkurencija mezhdru Velikim Shelkovym putem i Transevrozijskim pojasom razvitiya uzhe snjata. Retrieved from <http://www.gudok.ru/transport/zd/?ID=1278551>. Accessed 18 July 2018.
- Yakunin, V. I. (2014). Integral'nyj proekt solidarnogo razvitiya na evroazijskom kontinente [Integrated project of solidary development on the Eurasian continent]. *Vestnik Rossijskoy akademii nauk*, 84(8), 675–693.