New Economic Geography of Russia: Results of Two Decades

What do all discussions about industrial and regional state politics usually end up with? Mostly, with a conclusion that this single coordinated policy never actually took place. Instead, there was a complex of measures taken in different branches of economy that had a short-term and non-system effect.

We can presume that this situation coupled with the effect of economic recession in 1990s and economic boom in the first decade of the twenty-first century could seriously influence the structure of industrial centers of the country.

We can objectively describe this situation with "The 250 largest industrial centers of Russia" ranking developed in 2012. This research is based on ranging cities by a yearly volume of industrial production.

To sum up data of the ranking, we could make the following main conclusions about the development of industrial framework of Russia for the past 20 years:

1. There has been no key change in the location of the industrial centers. They are still concentrated in Central Russia (27 % of the cities from the list), Volga region (24%) and Ural (16%). The outsiders of the list are North Caucasus (3 cities) and Russian Far East (7 cities).
2. We can define 5 groups of industrial centers that are unequal in size, in influence on economy and in perspectives on development of industrial groups of industrial centers. The gap in the development of the groups is the main systemic risk not only for economic but also for spatial development of the country.

Group No. 1 (the biggest one) is formed from the "old" industrial centers built back in the Soviet time which could carry out self-modernization by means of profitable market conjuncture of the past 10-12 years (primary materials and value-added materials in the first place). This group primarily consists of centers specialized in oil, gas and metal industries. The owners are mostly large Russian companies. The spatial structure of the old industrial centers includes 140 out of 250 cities presented in the ranking.

It is because of the rise of the "old" industrial centers that investment and budget drivers of Russian economy in 1999-2008 were formed. In other words, the cities of this group are the framework of modern socio-economic stability of Russia. Though this is the main risk since the industrial economy based on enterprises of old technological modes, producing mostly semi-raw materials and depending on external factors, consequently, it cannot be fully competitive already in the perspective of the nearest 10-15 years.

Group No. 2 that takes the second place by the volume of industrial production. These are industrial centers of "customer's industrialization". Spatially they are not attached to cities but to 7-8 biggest metropolitan areas of Russia dominated by Moscow metropolitan area. The fact of their development is linked back to customer's boom in the first decade of the XXI century and a number of state measures of customs regulation stimulating import substitution. As a consequence of the rise of level of customer's income, active investment processes aimed at satisfaction of demand in customer products (those same industries where underinvestment took place back in the Soviet period) were launched. The first wave of shaping those centers (by objective reasons) had foreign funding, in the second half of the first decade of the XXI century a group of successful Russian enterprises of customer's sector was formed.

Recently, development of centers of "customer's industrialization" is being positioned as an important achievement of state industrial politics. In fact, their shaping is a natural process of filling in the customer's vacuum that took place in the last 2 decades of the XX century. Their rapid development is closely connected to the rise of the level of life in the largest cities, industrial centers of Group No.1 in the first place. Establishment of a new business has not yet led to the rise of centers of

development and design of full value which minimizes their innovational effect for economics.

Group No. 3 consists of old industrial cities that could not restore their industrial potential of the Soviet time. This group may conditionally be called Centers of "Industrial Stagnation". However, cities within the group could reach a reasonable level of life due to economic transformation towards service sectors of specialization like commerce and logistics. The mentioned transformation was possible due to their geographical location: presence of a port, railway and road transportation hubs, proximity to the principal agricultural and touristic centers of the country, involvement in active migration flows. The other part of the centers of industrial stagnation has turned into the territory of consumption of federal budget subsidies since not only they could not restore their industrial potential but could not develop alternative economic specializations to the necessary extent.

These cities-customers of federal subsidies are the most problematic hubs of industrial framework of the country. They experience a constant flow of the most educated and gainfully occupied population and their infrastructure is coming more and more down.

Group No. 4 consists of cities of "industrial innovation". It is the smallest group. Those are the cities where industrial potential is based on development of branches of the fifth (currently central) technological mode. They have been formed in the last 20 years of Soviet Union and almost all of them are Closed Administrative-Territorial Entities or "Science cities" partly or fully controlled by the state. It is in these centers all industrial and technological potential of Russia and all latest and industrial innovations are concentrated. Centers of "industrial innovation" are in a different economic situation. It is caused, in the first hand, by the fact that their production is specific, thus, it complicates its export and domestic market of high-technology consumption is poorly developed. This is the reason why a number of potentially perspective industrial centers are going down and losing its young population.

Spatially the framework of the cities of "industrial innovations" represents closed administrative-territorial entities which are geographically formed following the logic of military strategic safety. The network of those centers is not linked tightly between each other and without active state politics it has a risk of losing its innovation potential.

Group No. 5 consists of federal capitals, Moscow and Saint Petersburg, which are still the major industrial centers in the country and include all enterprises from above-named groups. Their influence on industrial framework of the country bears two systemic risks. The first is associated with not enough intensiveness and quality of industrial development since still the major part of industrial potential of the capitals is based on enterprises of narrow limits. The second risk is their exaggerated development compared to the rest of the country where the spatial structure requires a more balanced framework of centers.

Therefore, **developed structure of industrial centers of Russia** demonstrates essential spatial and structural-economic misbalance of development. This is mostly due to the use of just naturally formed drivers of growth and low level of effectiveness of state measures of regulating and support for development of industrial sector in Russia.

Each of the mentioned types of centers has to work out coordinated industrial and regional state policies. A number of cities founded back in Soviet Union located in severe climate conditions (first of all, in Northern Russia) require implementation of politics of "supervised pressure". Number of regions should concentrate on developing centers of "new industrialization" based on the existing settlement system as opposed to politics of unfocused budget transfers. Otherwise, there is a risk that those cities will be moved to "depressive" group No 3. Herewith, "new industrialization" politics has to be based not only on creating infrastructure of a new type but also on creating elements of self-development of industrial cluster which is higher and secondary vocational education, scientific-research infrastructure, new power industry, effective external and internal transport.

To sum up, the general trend of industrial and regional politics should be development of urban agglomerations and megalopolises. As a result, instead of 5-6 agglomerations and metropolitan areas (Moscow metropolitan area, Saint Petersburg metropolitan area, Yekaterinburg metropolitan area, Novosibirsk metropolitan area, Rostov-on-Don metropolitan area and oil agglomeration of Khanty-Mansi Autonomous Okrug) there should be formed 12-17 megalopolises (including those of international importance) comprising up to 60% of all urban settlements of the country characterized with dominance of industrial structure of enterprises of 4-6 technological modes.

It is based on metropolitan areas and urban megalopolises that we could count on industrial and innovation boom considering that the main resource for it is educated population that is mostly concentrated in centers of this kind. Keeping the current trend of domination of natural mechanisms of transformation will lead to further dent of structural misbalance in favor of primary industrial structure of the country with the preservation of spatial segregation.