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## **Baltic Subjects of the Russian Federation among Border Regions of Russia**

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### **ABSTRACT**

Frontier location of the regions is an ambiguous and often-changing factor in their development. It is therefore of particular importance to undertake a comparison of the border regions with the internal - inland regions, typologize and evaluate each type. The purpose of this article is to assess the level of economic development of the border regions of the Russian Federation located in the Baltic Sea region as compared to other frontier regions of Russia. Paper identifies their place among border regions of the Russian Federation, allocates the key problems and prospects of development in relation to the benefits being used and drawbacks of their geographical location being neutralized. In the course of research, the theoretical and empirical methods for the typology of regions were used. The features and possibilities for further development of the Baltic border regions of the Russian Federation are defined in accordance with their socio-economic type, which reflects their place in the domestic and international territorial division of labor.

**Keywords:** Border Regions, Frontier Regions, Inland Regions, Hinterland, Borderland, Baltic Region, Russia

**JEL Classifications:** F5, F6, R1

### **1. INTRODUCTION**

Frontier or the border location of a region implies that a part or all of the boundaries of the subject of the country coincidence with the state border (i.e., a national frontier), which, besides the contact function, always acts as a barrier. The presence of an actual border inevitably makes it harder for the regional community to interact with the neighboring regions of foreign countries. Moreover, considering the well-known “center - periphery” concept, the border regions are always located on the periphery of the country, thus they have classical disadvantages of peripheral development and are often lagging behind, classified as depressed areas. Note that hereinafter the paper considers only the state borders of the Russian Federation.

At the same time, many border regions are not limited to a land border (or exempt of a land border) being complemented by marine border followed by either the territorial waters of other states or the water area not belonging to a particular state. It is well known that the littoral location usually has a positive effect on the development of the region. Although, of course, much depends on the quality of marine space - sea of the Arctic Ocean does not have a strong positive effect on the development of coastal areas. Most of the subjects of the Russian Federation are border regions. Terms and conditions of their development and the resulting socio-economic features of these regions vary greatly, thus determination of the prospects for their development requires a variety of approaches that shall take into account the different effect of the borderland factor.

With regard to the Russian Federation, the assessment of borderland as a factor of development of many border regions is complicated by the fact that after the collapse of the Soviet Union, many previously domestic - inland regions became borderlands. This greatly affected the former inter-regional relations, many of which have become international and even appeared broken. In such a context, the barrier function of the border has increased sharply. On the contrary, the more active than before Russia's entry into the world economy, the intensification of foreign economic relations have increased the contact function of many "old" border regions through which the international communications occur.

This article gives an attempt to assess the level of economic development of the Russian border regions located on the Baltic sea, their place among border regions of the Russian Federation, the key problems and prospects of development with regard to the use of the benefits and neutralization of the drawbacks of their geographical location.

## 2. DIFFERENCES OF BORDER AND INLAND REGIONS OF THE RUSSIAN FEDERATION

The analytical data of this paper relies upon socio-economic indicators, established in 2012, as the Federal State Statistics Service has not yet released a more recent data on gross regional product (GRP) - an important indicator used in the comparison of the Russian regions.

A common view is that the border regions of Russia, as a peripheral territory, are mostly depressed. Vardomsky (2002) notes that the interstate border in the vast majority of its length passes through the peripheral regions of Russia and the neighboring countries. Nowadays, border regions of the Russian Federation act as a kind of structural barrier to the entry of Russia into the world economy. He further cites statistical data as to confirm the depressive nature of most of the border regions: "The GRP of the 39 out of the 48 subjects of the Russian Federation are lower than the national average" (Vardomsky, 2002, p.32). He further notes that the border regions are characterized by low level of involvement in foreign trade. In 2000, the volume of foreign trade per capita exceeded the national average only in 16 border regions (Ibid).

However, such calculations do not enable to draw the objective conclusions. The fact is that by a number of economic indicators some of the subjects of the Russian Federation fall strongly ahead of other regions, and the arithmetic mean divides a set of regions into unequal parts: there are less regions with the above-average performance than the regions with the above average rates.

The development (i.e., habitation) of the territory of the border regions of Russia are lower than inland regions. Only five inner regions of the Russian Federation have a density of population below the national average, whereas among the border regions of the Russian Federation as many as 19 subjects have the population density below the national average. However, assessment of the level of economic development based on the production of GRP per capita gives a different picture. Many of the poorly developed and less populated border regions have large natural resource deposits and taking into account the largely raw material orientation of the current Russian economy, the border regions in many cases have higher rates of GRP per capita (Table 1). For example, only three of the internal regions exceed the national average by 10%, yet there are 11 border regions. However, the lowest level of GRP per capita (20-40% of the national average) has only one internal region and seven border regions (i.e., those border regions, which do not have large deposits of mineral resources). Thus, it is inappropriate to categorically assert that border regions are depressive.

Hereinafter, the coastal (i.e., littoral) border regions include St. Petersburg, which has access to the sea, but has formally no external border that would coincide with the state border of the Russian Federation, as well as the Saratov oblast, which does have access to the state border of the Russian Federation with Kazakhstan at a single point, taking into account that Bolshechernigovsk district has the status of the border area (Samara Oblast, 2015).

Features of the dynamics of economic development of the border regions in the period of 2005-2012 are comparable with the inland regions (Table 2). The decrease in production had 10 out of 48 border regions (21%) and the percentage is nearly equal for the inland regions - 6 out of 32 (19%) regions had a decrease in the production volume. Whereas, the highest growth rates were shown by two of the border regions.

**Table 1: The distribution of border and inland subjects of the Russian Federation based on the level of GDP per capita as a percentage of the national average, 2012**

GRP per capita as a percentage of the national average, 2012	Subjects of the Russian Federation, number					Total
	Border				Inland	
	Land and marine border	Land border	Marine border	Total		
150.0-1101.9	0	2	4	6	3	9
110.0-149.9	1	0	4	5	0	5
90.0-109.9	2	1	0	3	5	8
65.0-89.9	4	9	1	14	11	25
40.0-64.9	2	11	0	13	15	28
20.0-39.9	1	5	1	7	1	8
Total	10	28	10	48	35	83

Authors' calculations based on the data (Regions of Russia, 2014), Note: Arkhangelsk oblast and Tyumen oblast are considered without autonomous districts, GDP: Gross domestic product, GRP: Gross regional product

Equally controversial is the assessment of the role of the border regions compared with the inland regions in the Russia's foreign trade. Table 3 shows the distribution of border and inland subjects of the Russian Federation in respect of their foreign trade to the GRP. Indeed, most of the border regions have lower rates as compared to the inland regions. Nevertheless, five out of seven regions that demonstrate the highest rates are the border type of regions.

For a more objective comparison of the border and inland regions, the ranking on the average points for both types of regions is being calculated (Table 4). This requires to assign the region with the highest ratios of foreign trade turnover to GRP with the rank one (i.e., one point), with the following group of regions marked in descending order (i.e. a region that occupies a second place on this indicator ranks two, etc.). Regions with the lowest rank get six points (i.e., regions rank as last). The calculation results of the weighted average value of the set of border regions on the

one hand and the inland regions (i.e., hinterland) on the other, enabled to obtain the following results: the border regions - 4.52, inland regions - 4.43. The difference of ranks is only 0.09, which is indicative of the absence of significant differences between the averages values of the ratio of foreign trade turnover to GRP of the border and inland regions.

### 3. THE BALTIC BORDERLAND AMONG BORDER REGIONS OF THE RUSSIAN FEDERATION

Among the Russian border regions, members of the transnational Baltic macro-region<sup>1</sup>, authors assign only those having access to the Baltic Sea - St. Petersburg, Leningrad and Kaliningrad regions.

1 On the composition and characteristics of the Baltic Sea region see: (Fedorov et al., 2008; Fedorov, 2013).

**Table 2: The distribution of border and inland subjects of the Russian Federation by the level GRP change to the National average for the period of 2005-2012, in percentage**

Increase or decrease of the GRP of the subject of the RF to the National average, in %	Subjects of the Russian Federation, number				Inland	Total border
	Border					
	Land and marine border	Land border	Marine border	Total		
50.0 to 189.9	-	-	2	2	-	2
10.0 to 49.9	4	4	3	11	7	18
0.0 to 9.9	4	17	4	25	19	44
-10.0 to 0.1	-	2	1	3	3	6
-30.0 to -10.1	2	4	-	6	1	7
-100.0 to 30.1	-	-	-	-	2	2
-190.0 to -100.1	1	-	-	1	-	1
Total	11	27	9	48	32	80

Authors' calculations based on the data (Regions of Russia, 2014), Note: Arkhangelsk oblast and Tyumen oblast are considered with autonomous districts, GRP: Gross regional product

**Table 3: The distribution of border and inland subjects of the Russian Federation, depending on the ratio of foreign trade to the GRP, in percentage**

The ratio of foreign-trade turnover in GRP, in %	Subjects of the Russian Federation, number				Inland	Total
	Border					
	Land and marine border	Land border	Marine border	Total		
100.0-164.9	1	1	0	2	1	3
75.0-99.9	1	0	2	3	1	4
50.0-74.9	0	1	0	1	5	6
25.0-49.9	5	7	3	15	9	24
10.0-24.9	2	10	4	16	13	29
0.0-9.9	1	9	1	11	6	17
Total	10	28	10	48	35	83

Authors' calculations based on the data (Regions of Russia, 2014), Note: Arkhangelsk oblast and Tyumen oblast are considered with autonomous districts, GRP: Gross regional product

**Table 4: The weighted average value of the ratio of foreign trade turnover to GRP shown by the border and inland regions**

The ratio of foreign trade turnover to the GRP, %	Rank of the group of subjects	Number of border regions	Number of inland regions	Sum of ranks of border regions	Sum of ranks of inland regions
100.0-164.9	1	2	1	2	1
75.0-99.9	2	3	1	6	2
50.0-74.9	3	1	5	3	15
25.0-49.9	4	15	9	60	36
10.0-24.9	5	16	13	80	65
0.0-9.9	6	11	6	66	36
Sum of ranks	-	48	35	217	155
Average rank				4.52	4.43

Authors' calculations based on the data (Regions of Russia, 2014), GRP: Gross regional product, GDP: Gross domestic product

**Table 5: Socio-economic indicators of subjects related to the Western borderlands of the Russian Federation, 2012**

administrative-territorial entities	Type, subtype	L - land border, M - marine border	Population density	GDP	Share of urban population, %	Share of extractive industries in the GVA, %	Ratio of foreign trade turnover to the GRP, %
Referential: National average	-	LM	8.5	348.6	74.2	12.8	52.4
North European borderland							
Arkhangelsk oblast without autonomous districts	1.1.A	M	2.8	262	76.5	1.7	16.8
Republic of Karelia	1.1.B	LM	3.5	254	79.2	13.5	29.3
Murmansk oblast	1.1.B	LM	5.3	358	92.7	16.5	27.2
Baltic borderland							
St. Petersburg+Leningrad oblast		LM	80.8	430	90.8	0.4	85
St. Petersburg	1.2.A	L	3711.0	359	100	0.1	81
Leningrad oblast	1.2.A	LM	21.2	387	64.9	1.5	98.7
Kaliningrad oblast	1.2.B	LM	64.1	278	77.6	4.8	164.4
Central European borderland							
Pskov oblast	1.3.A	L	11.8	163	70.2	0.1	38.9
Smolensk oblast	1.3.A	L	19.4	206	72.1	0.5	51.3
Bryansk oblast	1.3.A	L	35.4	167	69.5	0.1	33.5
Belgorod oblast	1.3.B	L	57.1	355	66.8	21.8	44.1
Kursk oblast	1.3.C	L	37.3	227	66.5	18	17
Voronezh oblast	1.3.C	L	44.6	244	66.7	0.4	15.6
Black Sea borderland							
Rostov oblast	1.4	LM	42.0	197	67.8	1	39.5
Krasnodar Krai	1.4	LM	72.2	271	53.9	0.6	31.9

Authors' calculations based on the data (Regions of Russia, 2014), GVA: Gross value added, GRP: Gross regional product, GDP: Gross domestic product

**Table 6: Socio-economic indicators of subjects related to the Southern borderland of the Russian Federation, 2012**

administrative-territorial entities	Type, subtype	L - land border M - marine border	Population density	GDP	Share of urban population, %	Share of extractive industries in the GVA, %	Ratio of foreign trade turnover to the GRP, %
Referential: National average	-	LM	8.5	348.6	74.2	12.8	52.4
Caucasus borderland							
Kabardino-Balkar Republic	2	L	69.0	123	52.3	0.1	2.6
Karachay-Cherkess Republic	2	L	32.9	126	42.7	2	28.8
Republic of North Ossetia - Alania	2	L	88.3	141	64	0.1	3.6
Republic of Ingushetia	2	L	127.9	84	40.4	10.3	1.5
Chechen Republic	2	L	87.6	79	34.8	10.1	0.9
Republic of Dagestan	2	LM	59.5	129	45.1	0.6	5.3
Republic of Kalmykia	2	M	3.8	119	44.9	2.2	5.8
Kazakhstan borderland	3						
Astrakhan oblast	3.1	LM	20.8	208	66.7	19.2	15.3
Volgograd oblast	3.2	L	22.7	222	76.4	6.8	32.4
Saratov oblast	3.2	L	24.6	190	75	4	22.4
Samara oblast	3.2	L	60.0	293	80.3	10.8	42.4
Chelyabinsk oblast	3.2	L	39.5	242	82.4	0.9	35.2
Orenburg oblast	3.3	L	16.2	312	59.8	37	22.2
Kurgan oblast	3.3	L	12.2	163	61.1	0.5	13.6
Novosibirsk oblast	3.3	L	15.5	244	78.2	3.1	18.6
Omsk oblast	3.3	L	14.0	253	71.9	0.5	8.9
Altai Krai	3.3	L	14.2	154	55.8	0.2	11.4
Tyumen region without autonomous districts	3.4	L	8.9	539	64.3	42.1	98.6

Authors' calculations based on the data (Regions of Russia, 2014), GVA: Gross value added, GRP: Gross regional product, GDP: Gross domestic product

They form a special group of Russian border regions, the Baltic borderland, along with the other groups represented in Tables 5-7. Perhaps it would make sense to include the Pskov oblast and/or the Republic of Karelia in the Baltic borderland, which many researchers (including us) are considering as part of the Baltic transnational area. However, in this study we felt that the criterion

of having access to the Baltic Sea and, therefore, the presence of the sea border is the most essential, fundamental, as it largely determines the specialization of regions and their role in foreign economic relations, not only of their own, but also of many other parts of the country. Therefore, the Baltic borderland includes only three subjects of the Russian Federation mentioned above.

**Table 7: Socio-economic indicators of subjects related to the Northern and Eastern borderland of the Russian Federation, 2012**

administrative-territorial entities	Type, subtype	L - land border M - marine border	Population density	GDP	Share of urban population, %	Share of extractive industries in the GVA, %	Ratio of foreign trade turnover to the GRP, %
Referencial: National average	-	LM	8.5	348.6	74.2	12.8	52.4
Eastern borderland							
Republic of Altai	4.1	L	2.3	141	29	0.9	4.3
Republic of Tyva	4.1	L	1.9	122	54	5.1	1.3
Republic of Buryatia	4.1	L	2.8	172	58.8	4.5	27.9
Transbaikal Krai	4.1	L	2.5	206	67.1	7.6	11.5
Amur Oblast	4.1	L	2.2	286	67.1	5.3	12.9
Jewish Autonomous Oblast	4.1	L	4.6	245	67.9	0.5	7.7
Khabarovsk Krai	4.2	LM	1.7	323	81.7	6.6	18.7
Primorsky Krai	4.3	LM	11.7	285	76.7	1.2	48.6
Ocean borderland							
Sakhalin oblast	5.1	M	5.6	1280	81.2	61.6	85.9
Magadan oblast	5.2	M	0.3	501	95.3	18.6	15.5
Kamchatka Krai	5.2	M	0.7	396	77.4	4.4	19.7
Chukotka Autonomous Okrug	5.2	M	0.1	960	67.5	35.2	13.3
Republic of Sakha (Yakutia)	5.2	M	0.3	566	65.2	42.9	27.8
Krasnoyarsk Krai	5.2	M	1.2	420	76.4	15.2	26.8
Yamalo-Nenets Autonomous Okrug	5.2	M	0.7	2212	83.9	52	9.1
Nenets Autonomous Okrug	5.2	M	0.3	3841	70.8	71	26.5

Authors' calculations based on the data (Regions of Russia, 2014), GVA: Gross value added, GRP: Gross regional product, GDP: Gross domestic product

Table 5 shows the Western borderlands: The North-European, Baltic, Central European and the Black Sea; Table 6 reflects the Southern borderlands: Caucasus and Kazakhstan, and Table 7 Eastern and Northern borderlands: Eastern and Oceanic. The North-European borderland being included in the Western borderlands is the old frontier, formed in the Soviet period, while the new frontier is the Central Europe and the Black Sea, resulting from the collapse of the USSR. Baltic borderland includes sites of the old - border of the Leningrad oblast with Finland, and Kaliningrad oblast with Poland, and the new - border of the Leningrad oblast with Estonia, Kaliningrad oblast with Poland, frontiers. The entire Southern borderlands are new, all the Eastern borderlands - old.

North European borderland includes sparsely populated highly urbanized regions with medium or high level of development, with the trade links being developed below average. Arkhangelsk oblast has only a maritime border, as opposed to the Republic of Karelia and the Murmansk oblast, it is also, in contrast, does not have such a developed mining industry, thus placed in a separate subgroup 1.1.A. (with the first digit of "1" indicating that it belongs to the Western borderlands, the second digit of "1" - to the North-European borderlands, the letter "A" - a subgroup within the North-European borderland).

The Baltic borderland is characterized by high development and urbanization, low share of extractive industries in the economy<sup>2</sup>. It stands out among all border regions of the Russian Federation to

<sup>2</sup> Note that the city of St. Petersburg and the Leningrad oblast form a single economic ecosystem with St. Petersburg being the administrative center of the Leningrad oblast hosting all the bodies of the regional government. That is why the table characterizes not only one of the two subjects of the Russian Federation alone, but also reflects their aggregate potential.

ensure the role of foreign economic relations of the country with the ratio of foreign trade to GRP being the highest.

Central European borderland is entirely overland. The boundary is set with the countries that emerged after the collapse of the Soviet Union: Estonia, Latvia, Belarus and Ukraine. The border regions of Russia located here have a similar level of urbanization (i.e., below average), but vary greatly in socio-economic characteristics. The most prominent is Belgorod oblast, which is due to the presence of the largest iron ore deposits has a high level of production of GRP per capita. The Kursk and Voronezh regions that border with Ukraine are indicative of the low level of foreign trade, correlated with the GRP.

Black Sea land-marine borderland is well mastered. It has reduced level of urbanization due to the developed agricultural sector and has particularly no extractive industries. Despite the benefits of the coastal geographical position, the ratio of foreign trade turnover to the GRP is lower than the national average level.

Southern borderland includes mostly the densely populated (except for Kalmykia) regions with a predominance of land borders. One part of it is the Caucasian borderland represented by the national republics, weakly urbanized (with an exception of North Ossetia - Alania), with low GRP per capita. Only the Republic of Ingushetia and the Chechen Republic have significant extractive industries. Foreign economic relations are insignificant, except for Karachay-Cherkess Republic, which obtains a significant number of completing parts for car assembly from China.

Kazakhstan borderland has a foreign neighbor with which the economic ties are developing much more successfully compared to the republics of the Caucasus, whose borderland coincides with the countries of the Transcaucasus. Some of these linkages

(e.g. supply of raw materials from Kazakhstan) remained from the Soviet Union. The border regions with Kazakhstan vary greatly in terms of the development, urbanization, and the role of the extractive industries. The most prominent is the Tyumen oblast, which has the highest rates of GRP per capita, the share of extractive industries, and participation in foreign trade activities.

Highly differentiated is the Eastern borderland (border with China, Mongolia and North Korea), although these regions have a number of common features: The level of GRP production per capita is below the average for the Russian Federation, the role of the extractive industries is low. In a typically low population density, the Primorsky Krai is more populated, which plays a prominent role in foreign economic relations of the country.

Ocean borderland only has marine border, which coincides with the state border of the Russian Federation. It is very sparsely populated territory with raw specialization, medium and high proportion of urban population. For all of the subjects, except for the Sakhalin oblast, the indicators of foreign economic activity is below the national average; high figure of Sakhalin is due to the oil exports, which is being extracted on its shelf. However, it should be borne in mind that the natural gas being extracted in the Yamalo-Nenets Autonomous District is being exported to a large extent, however, the exports are reflected mainly in the other regions.

#### 4. THE SPECIFICS OF THE BALTIC BORDERLAND

Subjects of the Russian Federation relating to the Baltic macro-region have a number of common features that distinguish them from the average performance indicators of the Northwestern Federal District of the Russian Federation and from the characteristics of the other border regions. First of all, they are the most actively engaged in foreign trade of the Russian Federation (Table 5). This includes the external relations services provided to other regions, and ensuring linkages of local businesses on the import of raw materials, semi-finished products, equipment, and the export of finished goods, and supply of consumer goods to the population. The structure of the economy is generally characterized by an increased role of the manufacturing industries, construction and real estate operations, rent and services. The share of education and health is also higher than national average (Table 8).

Nevertheless, there are also significant differences among them. These differences are due to both historical and natural, economic and geographical factors. St. Petersburg and the Leningrad oblast are Russia's long-time "window to Europe" and the Kaliningrad oblast is an exclave being the most advanced located of all the Russian regions to the west. All of its land communications with other Russian regions pass through the territory of foreign states.

The increased share of agriculture in the economic structure of the Kaliningrad oblast is associated with more favorable natural conditions. The relatively high proportion of fishing and fish farming is due to the fact that in Soviet times there was created a large base of the oceanic fishing fleet, whose value after the

privatization of the fleet has sharply decreased, yet remains quite perceptible. The Kaliningrad oblast has crude oil and amber deposits, which explains the higher value of mining as compared to the economy of the Leningrad oblast, although being less than in the Russian Federation and the Northwestern Federal District. A certain degree of surprise might cause a relatively low share of trade in the Kaliningrad oblast. Experts attribute this to, firstly, the well-developed small and private business in the region, including the trade sector, with a significant role of the shadow economy (i.e., legal production of goods and services without providing reliable information to the tax authorities of their volumes); secondly, the lower incomes of the population compared with the national average; and thirdly, the purchase of goods and services in the neighboring regions of Lithuania and especially Poland (in particular covering the border regions which a part of the visa-free "local border traffic regime").

The reduced share of transport and communications in comparison not only with Saint-Petersburg and Leningrad oblast, but also with the performance of the Russian Federation and the Northwestern Federal District, shows that often declared capabilities of Kaliningrad oblast in ensuring the Russia's foreign economic relations have not yet been realized. The obstacle of increasing the transportation capacity are the high shipping rates (via the territory of Lithuania) in comparison with the national average, as well as lengthy and complex procedures of cargo clearance. Due to these difficulties, the turnover of the seaport of Kaliningrad for the 2003 - 2012 has not changed, and in 2012 was only 2.2% of the total turnover of Russian seaports (Table 9). At the same time, the turnover of all the sea ports of the Baltic Sea has increased by 2.7 times (in Russia - by 1.9 times), especially due to the new ports constructed in the Leningrad oblast, which in 2012 accounted for 23.8% turnover of Russian seaports; 10.1% is done within St. Petersburg. In general, the Baltic Sea includes all three ports being located on the Baltic Sea of the Russian Federation subjects, concentrating 36.1% of all cargo turnover of Russian seaports.

Russian Baltic regions differ from other border regions by greater development of cross-border relations with the regions of neighboring countries, especially of St. Petersburg and the Leningrad oblast with the regions of Finland and the Kaliningrad oblast with the regions of Poland. An important role in the development of these relations plays active policy of the European Union on the establishment and expansion of relations with the border regions of neighboring countries. However, it would be impossible to establish such cooperation without a mutual interest in the border regions of the EU and the Russian Federation. Bodies of the state and municipal authorities of the Baltic regions of Russia actively support such cooperation. Although it is being mainly developed in the social sector, the contacts are being establish, which contribute to the development of economic cooperation. In addition, an increasing numbers of infrastructure projects are being realized, primarily aimed at improving the working conditions of border crossings and tourism development. Thus, creating conditions for the development of industrial cooperation.

Unfortunately, the last decade does not mark a great advancement in the development of relations between Russia and the EU, although there are certain achievements in the cross-border

**Table 8: The sectoral structure of the GVA, 2012, in %**

Type of economic activity	Russian Federation	Northwestern Federal District	St. Petersburg	Leningrad oblast	St. Petersburg+ Leningrad oblast	Kaliningrad oblast
Agriculture, hunting and forestry	4.2	2.1	0.0	5.5	1.4	4.6
Fishing, fish farming	0.2	0.6	0.0	0.1	0.0	1.3
Mining and quarrying	11.2	7.0	0.1	1.5	0.5	4.8
Processing industries (manufacturing)	17.3	21.4	23.2	22.8	23.1	22.2
Production and distribution of electricity, gas and water	3.8	4.0	3.6	6.1	4.2	3.3
Construction	7.1	9.1	5.4	20.6	9.3	7.3
Wholesale and retail trade; repair of motor vehicles, motorcycles, household goods and personal items	18.2	14.3	19.7	11.2	17.5	13.2
Hotels and restaurants	1.0	1.1	1.4	0.7	1.2	0.9
Transport and communications	10.4	11.5	11.3	14.0	12.0	7.7
Financial activities	0.6	0.5	0.7	0.2	0.6	0.4
Real estate operations, rent and services	11.9	13.0	19.4	8.0	16.4	17.2
Public administration and defense; compulsory social security	5.6	5.7	4.1	3.6	4.0	8.0
Education	3.1	3.3	3.8	1.8	3.3	3.2
Health care and social services	4.0	4.9	5.2	3.1	4.7	4.6
Other community, social and personal services	1.4	1.5	2.1	0.8	1.8	1.3

Authors' calculations based on the data (Regions of Russia, 2014), GVA: Gross value added

**Table 9: Maritime transport distributed by the subjects of the Russian Federation and marine basins, 2012**

Territory	Number of seaports	Freight turnover, mln.t.		2012 to 2003, in %	Share in the cargo turnover of Russian seaports, 2012, in %
		2003	2012		
Russian Federation	62	301.6	574.4	190	100
<i>Baltic basin</i>	6	76.4	207.2	271	36.1
St. Petersburg	1	42.0	57.8	138	10.1
Leningrad oblast	4	21.6	136.7	632	23.8
Kaliningrad oblast	1	12.7	12.7	100	2.2

Authors' calculations based on the data (Unified state system, 2015)

cooperation in the Baltic Sea. The most significant of these, in our view, include the following:

- Ongoing implementation of cross-border cooperation within the EU Interreg IVB program with Russian participation. Russia co-financed projects on the program “Kolarctic,” “Karelia,” “South-East Finland/Russia,” “Estonia/Latvia/Russia,” “Poland/Lithuania/Russia”; a total of 60 projects, including 7 major infrastructure projects, with a total budget of 135 million euros (Ministry, 2012);
- The agreement between Russia and Poland on local border traffic between Kaliningrad and the neighboring Polish territories;
- Participation, although not very active, in the activities of the Council of Baltic Sea States (CBSS) and spatial planning program of the Baltic Sea region states “Vision and Strategy around the Baltic Sea”;
- Participation of the Kaliningrad oblast as well as its municipalities in the activities of five Euroregions, which include the territory of several countries of the Baltic region.

The relatively developed cross-border cooperation in the Northwest Russia is partly taken into account while drafting the strategic planning documents by the border regions and respective municipalities. Although, there are no examples of joint projects being elaborated by Russia and the EU combined, or even of taking into account a territorial planning documents developed

by the regions of neighboring countries. The formal obstacle in Russia is the absence of the law “On cross-border cooperation,” a discussion of which has been ongoing for many years.

Scientists from Russia, Poland, Finland, and the Baltic States prepared various proposals for the development of cross-border cooperation in the development of both national and international projects. Among them is the formation of the South Baltic and East Baltic growth triangles (Kivikari, 2001; Kivikari et al., 1998), the creation of the bipolar system of territorial Tricity (Gdansk - Gdynia - Sopot) - Kaliningrad (Palmovski, 2004) and tripolar system linking Klaipeda as well with the development of productive functions of Euroregions (Korneevets and Fedorov, 2008), the development of cross-border clusters on both sides of the border between Russia and the EU countries (Mikhaylov and Mikhaylova, 2014; 2015), the joint use of the resources of the Vistula and the Curonian Lagoon and its coast of Russia, Poland and Lithuania (Kropinova, 2013), and generally improving the forms of cross-border cooperation (Fedorov, 2013; Klemeshev and Fedorov, 2005; 2013; Mezhevich, 2010; Sergunin, 2013; Vardomsky, 2008; Zaucha et al., 2008).

## 5. CONCLUSION

Russian border regions still poorly serve the function of inclusion of the country into the global economy. Their external linkages are

often underdeveloped, and borders in most of the regions possess increasingly barrier rather than contact functions.

Regions of Russia located in the Baltic - St. Petersburg, Leningrad and Kaliningrad regions differ from the majority of subjects of the Russian Federation by greater integration into the world economic space. They are largely “development corridors.” Friedmann (1967) who allocated this type of regions was referring to such regions, as being located between the core regions, providing communication between them and getting developed through these communications, as well as acquiring innovations from the core regions. However, St. Petersburg, the Leningrad oblast and Kaliningrad oblast are a special kind of such regions - international core regions.

Baltic border regions of Russia are developing various forms of mutually beneficial relations with the neighboring regions of foreign countries. This helps to overcome the alienation between the regions separated by a state border and to develop not only the social and cultural cooperation, but also the industrial collaboration, which yet remains undeveloped, showing good prospects. Moreover, there are preconditions for the formation of cross-border inter-industry clusters around the Gulf of Finland (St. Petersburg and the Leningrad oblast with the neighboring regions of Finland and Estonia) and South-Eastern Baltic (Kaliningrad oblast with the adjacent regions of Poland and Lithuania). Their formation will facilitate the creation of transnational urban areas, the centers of economic growth of the countries participating in the cooperation.

It is advisable to develop and use the experience gained in the border regions of the Baltic in other border regions of Russia and their foreign neighbors, while considering their specific context.

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