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SOUTH RUSSIA GEOPOLITICAL AND MACROECONOMIC TRANSFORMATIONS IN MODERN GLOBAL DEVELOPMENT TRENDS

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Abstract

The south of Russia is a special region that takes an important place in the country's economic space and is characterized by a challenging geopolitical situation. The increased attention to this macro-region in recent years has been related to new geopolitical acquisitions of the Russian Federation, in particular, Crimea and Sevastopol. This important geopolitical event has expanded the territory and borders of the Russian Federation and made the country more attractive from the point of using seas. It also became necessary to integrate new territories into the social and economic system of the country. The transformation of the geopolitical structure of the Russian south resulted in the changes of federal districts situated here and their place in national macroeconomic indicators and proportions. This macro-region has some peculiar features. It consists of regions that neighbor several other regions at the same time and have wide access to Black, Azov and Caspian seas. Some regions are also situated in the vicinity of self-proclaimed territories and the parts of the state border run through these regions. First of all, it refers to the pursuit of global and strategic goals, connected with access to natural resources. The macroeconomic position of the Russian south is inconsistent. On the one hand, the macro-region concentrates a significant part of the population and enterprises. On the other hand, major macroeconomic indicators of the macro-region show the lack of development in comparison to other territories of Russia.

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Keywords: Geopolitical situation, economic transformation, geopolitical transformations, the south of Russia, macro-region.



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1. Introduction

The south of Russia occupies a relevantly small area (618.2 thousand of km²) in comparison to the rest of the country. However, its value for the geopolitical and economic development of the country is quite high (Regions of Russia. Social and economic indicators, 2018). This is because the macro-region performs the barrier and transit functions.

The barrier function of the macro-region is determined by its geographical position and the vicinity to some countries of Asia and the East as well as significant border territory.

The transit function of the macro-region is connected to the fact that the region has great importance for transferring goods and people along the North-South axis. This subregion played an important role in the external relations of Russia and the USSR with the countries of Asia and the East.

The main event that significantly changed the geopolitical situation not only in the southern macro-region but the social and political structure in the whole world was the acquisition of Crimea by the Russian Federation in 2014. As a result, Russia gained a relatively small territory of 27 thousand km² (less than 0.2 % of the country's territory). However, this acquisition is very important in terms of geostrategy. The reunification of Crimea and Russia increased the sea borders of our country by 2.5 thousand km². The newly joined territories located in the center of the northern Black Sea region allow controlling a significant part of Azov and Black Seas.

It is, therefore, very important to understand the risks and threats that exist within this region due to geopolitical and geoeconomic trends of development.

2. Problem Statement

The acquisition of Crimea and Sevastopol has changed the whole architecture of the southern macro-region of Russia. Initially, these two entities were merged into an independent federal district of Crimea during the transitional stage of integration into geopolitical space and the economic system of the Russian Federation. The functioning of this district resulted from the need to make quick and effective management decisions in the environment of Crimean economy rebirth, the dissemination of the Russian Federation legislation and active involvement of local population and economic entities of newly born regions into economic, financial, credit, social, cultural, and educational systems of the Russian Federation (Shvets, 2019). Thus, the structure of the macro-region has transformed a lot in recent years. This manifested in peculiar features of its development and place within the social and economic system of the country as well as the global power structure (Zhade, 2010). This makes it necessary to study these processes and their influence on the development of the macro-region while accounting for the specificity of global development trends.

3. Research Questions

The subject of this research is the geopolitical situations and macro-economic proportions of the Russian south. The Russian south is a specific region of the country. It consists of North Caucasian and Southern federal districts. The latter has enhanced its territory after the inclusion of the Republic of

Crimea and the federal city of Sevastopol. This article will discuss the transformation of the spatial structure, the geopolitical situation, and the macro-economic proportions of the southern macro-region.

4. Purpose of the Study

The study aims to analyze both structural features of the geopolitical situation and macro-economic development of the south of Russia and the changes which happened to them in recent years. This assumes the achievement of the following tasks:

1. Characterize the spatial structure of the south of Russia as a special macro-region of the country.
2. Analyze features and current changes in the geopolitical situation in the south of Russia under the influence of global transformation processes.
3. Determine the place of the south of Russia in the social and economic system of the country and analyze key macro-economic proportions in the macro-region as well as the main risks of political and economic development.

5. Research Methods

The research relies on general scientific methods such as analysis, synthesis, description, and comparison. A major part of the investigation was carried out based on structural and logical methods, system analysis, and spatial approach. They revealed and helped to analyze the spatial structure of the south of Russia, determine specific features of the geopolitical situation both within the macro-region and around it, characterize the feature of territorial entities localization and the level of their economic development. The calculation of macro-economic indicators and proportions was carried out based on the data of Federal State Statistics Service and its bodies in the entities of southern Russia (Regions of Russia. Social and economic indicators, 2018).

6. Findings

Currently, southern Russia macro-region accounts for 3.6 % of the Russian territory and 18 % of the population. The role of separate entities of the macro-region and the federal state is differentiated. The Southern federal district takes leading positions in terms of both population and territory. According to the area, the biggest entities that comprise this district are the Volgograd region (112.9 thousand of km²), the Rostov region (101 thousand of km²), Krasnodar Krai (75.5 thousand of km²) and the Republic of Kalmykia (74.7 thousand of km²). The most populated entities are Krasnodar Krai (5.6 million people), the Rostov region (4.2 million people) and the Republic of Dagestan (3.8 million people) (Regions of Russia. Social and economic indicators, 2018).

The principle features of localization in the south of Russia are that regions are located near the state border and neighbor several other regions at the same time. The near-border character of the southern Russia macro-region is manifested in the presence of the state border within its entities (fig. 1). The value of this geopolitical factor has even increased after the unification of Crimea with the Russian Federation. Nowadays, 12 out of 15 entities (except the Republics of Adygea, Kalmykia and the city of Sevastopol) of the southern macro-region have access to the Russian land boundary. Taking into account

sea borders, this number increases to 13 (including Sevastopol) (table 1). Among the entities of the south of Russia, the Republics of North Ossetia-Alania, Dagestan, and Karachay-Cherkess have the biggest number of adjacent border states. Each of these entities borders two countries.

Table 01. The near-border position of entities in the south of Russia

Countries neighboring Russia	The entities of the south of Russia that have access to the state border.
Ukraine	The Rostov region, the Republic of Crimea
Abkhazia	Krasnodar Krai
South Ossetia	The Republic of Northern Ossetia-Alania
Georgia	The Republic of Karachay–Cherkess, the Kabardino-Balkar Republic, the Republic of Northern Ossetia-Alania, the Republic of Ingushetia, the Chechen Republic, the Republic of Dagestan
Azerbaijan	Dagestan
Kazakhstan	The Astrakhan region, the Volgograd region,
The sea border of the Russian Federation	along the Black Sea and Azov sea – the Rostov region, Krasnodar Krai, the Republic of Crimea, Sevastopol along the Caspian Sea – Dagestan, the Astrakhan region

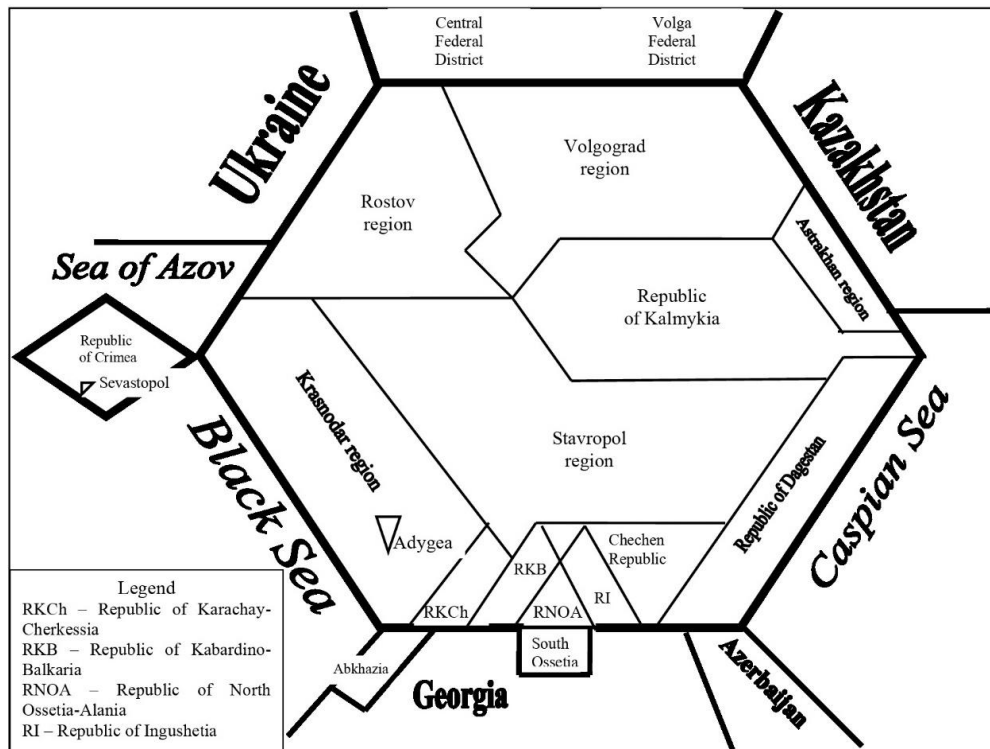


Figure 01. The model of the geopolitical situation in the south of Russia

The neighborhood character of the entities in the south of Russia has changed a lot in recent years due to the transformation of the geopolitical situation at the global level and in the Eurasian space. At the turn of XX–XXI centuries, the biggest concern was the safety of the Caucasian part of the state border. This was directly related to the military action in the Chechen republic, Dagestan, Islamic fundamentalism and terrorism in the Kabardino-Balkar Republic, Ingushetia and North Ossetia, military conflict of Georgia, Abkhazia and South Ossetia. However, in recent years the biggest concern shifted to

the state border between the Russian Federation and Ukraine (Avksentev & Tarasova, 2016; Goryushina, 2016). The severity of the situation here is connected to the military action involving the Ukrainian army and the militia of the Donetsk and Luhansk regions who declared the establishment of the Donetsk and Luhansk People's Republics in the April of 2014 (Di Rienzo, 2014; Mironova, 2019).

The appearance of self-proclaimed states along the borders of the Russian Federation has become the reality of recent years (Sizov, 2017). They include Abkhazia and South Ossetia, that proclaimed their independence from Georgia at the beginning of the 90s and received political recognition from the Russian Federation in August of 2008 after another escalation of aggression by Georgia (Yurchenko, 2016). Both republics have not become full subjects of international law without recognition of their standings as sovereign states from the majority of countries. It is possible that the Donetsk and Luhansk People's Republics will use the same model of political existence after declaring their independence from Ukraine in 2014 (Svarin, 2016).

The most geopolitically stable is the segment of the border between Russia and Kazakhstan located in the Volgograd and Astrakhan regions (fig. 1). Both countries are members of the Collective Security Treaty Organization (CSTO) – a military and political union of the CIS countries. The close political, trade, and economic integration of Belarus, Kazakhstan, and Russia is reflected in the creation of the initial customs union of these three states which since January 2, 2015, has developed into the Eurasian Economic Union (EEU) with Kyrgyzstan and Armenia joining the three initial states to form the integrative group of a higher rank. EEU aims at creating a single economic space of participating countries, a visa-free regime for citizens, the abolition of customs duty and limitations of economic character in the mutual trade between states (Gnjato et al., 2018).

The south of Russia gains broad access to the Black and Azov Seas in the west and the Caspian Sea in the east (fig. 1). The Azov Sea belongs to the inland waters of Russia and Ukraine. Its use is regulated by the bilateral treaty of 2004 (Sukhinin, 2015). However, after Crimea has become a part of Russia the area of the marine basin belonging to Ukraine has significantly reduced which will require the review of this document in the future (Gontar, 2019). The status of the Caspian Sea was settled by the Convention signed by all Caspian states in August of 2018. According to this document, the Caspian Sea is recognized as a sea in terms of water surface and its area of the marine basin is commonly used by all Caspian states while the seabed and subsoil are divided by adjacent states into segments according to the treaties between them and international law.

Another important factor of the current geopolitical situation in the south of Russia is its localization with respect to interstate political and military unions and organizations, which has been developing dynamically for the last ten years (Medvedev, 2015). The majority of adjacent countries are the CIS members. Russia actively pursues its strategic interests aimed at even closer integration with the CIS countries. In the last decade, this resulted in signing a series of bilateral treaties and reinforcement of mutual collaboration with adjacent countries of the post-Soviet space. This greater integration supposes the creation of integration groupings of even higher rank based on interstate relationships within CIS. This kind of grouping is represented by the EEU, uniting 5 countries of CIS (Andreeva et al., 2014). The south of Russia directly borders on Kazakhstan and has territorial proximity to Armenia, establishing active trans-border connections with this EEU member-states.

At the turn of the century, some countries in the post-Soviet space have been influenced by other international organizations, especially, EU and NATO. The European Union is actively seeking integration with the CIS countries within the framework of the Eastern Partnership project. It implies some mechanisms of influence on reforms carried out in these states in return to the liberalization of visa and trade regimes (Sodikov & Mekhdiiev, 2016).

Besides the European Union, NATO also carries out an active policy aimed at expanding its influence on the south of Russia and adjacent countries. With respect to the CIS countries, NATO is implementing the “Partnership for Peace” program that implies giving military advice and carrying out joint military manoeuvres near or on the territory of member-states (Soilen, 2012). In fact, NATO has been pursuing an aggressive policy, breaking the parity built over years and moving its bases almost to the borders of our country and breaching the zones of traditional Russian geopolitical interests. This disrupts the geopolitical situation in the south of Russia and creates excessive tension in the collaboration of member-states. That’s why the macro-region plays the role of a barrier for the whole territory of Russia. On the other hand, the barrier capabilities of the macro-region imply that nowadays it’s worth trying to reach a compromise between NATO and Russia. NATO seizes activities in regions bordering with Russia (Georgia, Armenia, Azerbaijan, Turkey) while Russia renounces to treat the region as the influence zone, which de facto happened, and abandons the concept of “Russian world” as the basis for new geopolitical transformations. This increases the variety of communications with the outside world which is a necessary condition for the stability of the national economy to external shocks in the modern world.

The increase in territory and population of the southern macro-region of Russia has affected the improvement of its positions in the economic system of the country. There are more than 474 thousand enterprises and organizations in the entities of the south of Russia which accounts for 1/10 of all economic entities (average for 2010–2017), registered in the Russian Federation. The majority of enterprises (74 %) are concentrated in Krasnodar Krai (30 %), the Rostov region (20 %), the Volgograd region and Stavropol Krai (12 % each).

Despite the high spatial concentration of enterprises and organizations of this macro-region, its economic activity is not so sufficient and in general doesn’t meet the development potential (Kolesnikov, 2014). In general, the organizations registered and acting in the south of Russia account for just 7 % of turnover in the Russian Federation in 2017. At the same time, 88.5 % of the annual turnover of manufactured products concentrate on the same four entities leading the development. Insufficient manufacturing activity also impacts the GRP as an integral characteristic of the economic activities in the region. The total GRP of the south of Russia is 669 billion rubles (9.7 % of all-Russian value). According to the GRP per capita, the region significantly lags behind other federal districts. In this case, the outsiders are the republics of the Russian south that take the last places among the Russian entities in respect of key macro-economic indicators (Regions of Russia. Social and economic indicators, 2018).

It is necessary to note the main risks of the region that determine its competitiveness and the potential for strategic macroeconomic positioning. These include relatively low competitiveness of industrial enterprises in the south of Russia, the unbalanced sectoral composition of the macro-region economy, high investment risks due to the proximity of Ukraine as the most unstable territory in this geographical region, undercapitalization of the major production factors, low level of innovative products.

It's worth noting the continuous deindustrialization of the macro-region economy and the problem of the aging of capital funds.

Social threats in the south of Russia include the low level of wage in comparison to the national level, a high proportion of poor people (especially in Northern Caucasus republics), slow improvement of ratio between average income per capita and subsistence minimum, high level of unemployment and informal employment. As a result, the integral index of the life quality in the south of Russia accounts for 0.88 while, for example, in the Central federal district it is 1.17.

7. Conclusion

Thus, the south of Russia as the macro-region of the Russian Federation has a complex spatial structure and is characterized by the variety of features and inconsistency of factors impacting its development. The dynamic changes of the geopolitical situation in the south of Russia manifested themselves in the expansion of territories as a result of Crimea and Sevastopol acquisition. This has changed both land and sea borders and increased the area of the marine basin. This improved the place of the macro-region in the social and economic system of the country despite the insufficient level of economic development of some entities. This region acquires a special value in performing its transit and barrier functions.

The main features of geopolitical situations in the south of Russia are a big number of adjacent countries, the near-border position of entities, the broad access to the Black, Azov, and Caspian Seas. These advantages enhance the transit potential of the region and stimulate the active development of foreign-policy and trade relationships. The macro-region territory draws the attention of many states and interstate organizations. This is manifested in their active influence on the development of the situation in the macro-region while the entities of the south of Russia get involved in integration processes with foreign states and regions.

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