

MAIN FEATURE
СТАТЬЯ НОМЕРА

UDC 339.924 (476)

DOI: 10.18413/2409-1634-2015-1-4-3-7

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FORMATION OF THE EURASIAN ECONOMIC UNION ON THE LEVEL OF MAJOR CITIES AND METROPOLISES (ON THE EXAMPLE OF THE CITY OF MINSK): PECULIARITIES AND MECHANISM OF INTEGRATION

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Abstract: The author demonstrates the role of major cities and metropolises as the leading participants in the formation of integration at the regional level. The state of social and economic development of Minsk is analyzed; the problems and the competitive advantages of the metropolitan economy are identified. The characteristic tendencies of the socio-economic development of the big cities and metropolises and the most common reasons for their high activity in foreign trade relations are determined. The features of the development of integration ties of metropolises, including those in the framework of the regional economic groups, are revealed. The basic approaches to the development of a mechanism to integrate the economy of a mega city (on the example of the city of Minsk) in the Eurasian economic space are suggested.

Keywords: urban economy; the Eurasian Economic Union; competition; competitiveness; major city; metropolis; mechanism of integration

Вертинская Т.С.

ФОРМИРОВАНИЕ ЕВРАЗИЙСКОГО ЭКОНОМИЧЕСКОГО СОЮЗА НА УРОВНЕ КРУПНЫХ ГОРОДОВ И МЕГАПОЛИСОВ (НА ПРИМЕРЕ Г. МИНСКА): ОСОБЕННОСТИ И МЕХАНИЗМ ИНТЕГРАЦИИ

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Аннотация: Показана роль крупных городов и мегаполисов как ведущих участников формирования интеграционных отношений на региональном уровне. Проанализировано состояние социально-экономического развития г. Минска, выявлены проблемы и конкурентные преимущества столичной экономики. Определены характерные тенденции социально-экономического развития крупных городов и мегаполисов и наиболее общие причины их наибольшей активности во внешнеэкономических связях. Раскрыты особенности развития интеграционных связей мегаполисов, в том числе в рамках региональных экономических объединений. Предложены основные подходы к развитию механизма интеграции экономики мегаполиса (на примере г. Минска) в евразийское экономическое пространство.

Ключевые слова: городская экономика, Евразийский экономический союз, конкуренция, конкурентоспособность, крупный город, мегаполис, механизм интеграции.

Introduction. Analysis of economic integration process at the regional level for member countries of the Euroasian Economic Union (EEU) shows a pronounced tendency of their concentration on large agglomerations level, as well as on territories adjoining large cities. As a result, the EEU formation

spatial cut gives a picture of fragmentary, focal distribution of foreign trade communications. For example, in Belarusian-Russian economic relations about 40% of foreign trade are the share of Moscow, St. Petersburg and corresponding areas [8].

In general, the competition and rivalry process of the cities, in particular the large cities and mother countries, on achieving advantages in relation to competitors in the global market and the increase of their role in regional economic associations formation become the tendencies of the world economy development [4, 5].

Globalization processes, active inclusion of Belarus in integration processes, including the Euroasian Economic Union once can become a challenge for economy development of Belarusian large cities and its capital. It brings up a scientific problem of megalopolises economy inclusion features research in integration communications and development of specific EEU formation mechanisms at the level of these external economic relations subjects. Especially since there is a number of obstacles: lack of the international action experience of the cities in the sphere of economy and politics; insufficient activity of local community and weakness of the corresponding sociocultural environment; discrepancy of municipal government to new requirements of the international format; limited technological capabilities of integration and in the long term association of the cities in the networks connected with backwardness of infrastructure networks (buildings, communications), including information and communication infrastructure.

Work purpose: to suggest some directions of developing an economic integration mechanism at the level of city economy, including the Euroasian integration policy, on the basis of determining the competitive advantages of the city of Minsk and identification of the general causes of stirring foreign economic activity, as well as the characteristics of integration of large cities and metropolises.

Main Part. Analysis of Minsk competitive advantages

The city of Minsk in comparison with other cities and regions of Belarus is the most active participant of external economic relations. More than 40% of all foreign trade volume in goods and more than 59% of all foreign trade in services are the share of the capital. The level of goods export per 1 inhabitant in Minsk exceeds the national average by 95.1%.

During 2006-2013, businesses export in Minsk saw some negative changes in their commodity structure: the share of mineral products has increased considerably, considering that this type of production is neither made nor stored in Minsk, there are only commercial transactions made by capital trading companies. The specific weight of cars and equipment has decreased and, as a result, the production share with the low level of added value has increased in the commodity export structure.

Table 1

Distribution of foreign trade of goods by economic activity in 2013, mln USD

Таблица 1

Распределение объемов внешней торговли товарами по видам экономической деятельности в 2013 г., млн. долл. США

Types of economic activity	2013 y.		
	export	import	balances
Foreign trade in goods – all	14,669.9	17,745.3	-3,075.4
processing industry	5,012.4	3,444.8	1,567.6
construction	29.2	145.4	-116.2
trade; car repairs, household products and goods for personal use	8,820.2	11,887.4	-3,067.2
transport and communication	84.8	812.1	-727.3
financial activities	3,1	111,1	-108,0
operations with fast estate, rent and rendering of services to consumers	137.2	577.8	-440.6

According to Belstat [7].

The foreign economic activity of enterprises based in Minsk is characterized by a considerable import component which is used generally for making export products (energy resources, raw materials, materials, components, semi-finished products). Besides, on the territory of Minsk the organizations importing goods for the city needs, as well as all republic are located.

Minsk is the region, attractive to investors. The share of Minsk in the total amount of investments into

fixed capital of the Republic of Belarus in 2008-2013 was over 22%. A sustainable trend of the foreign capital inflow into Minsk economy has been seen since 2005. In 2013, the volumes of foreign investments increased to the level of 2006 more than 4 times, and direct foreign investments – almost 73 times. In 2013, 3,950 businesses with foreign investments – 55.1% of all similar businesses in the Republic of Belarus – carried out their activities in Minsk.

Interest of foreign investors finds its practical realization mainly in the non-productive sphere. Since 2006 in structure of foreign investments receipt on

forms of ownership the share of trade and transport and communication strongly grew, the specific weight of the industry was considerably reduced.

Meanwhile, Minsk is one of the most industrially developed regions of the country, wins first place in the number of the industry employees, the second – in structure of industrial output production and the cost of the fixed production assets.

About half of industrial output of the city are produced by the mechanical engineering enterprises. Material-intensive productions, such as production of cars and equipment have the leading value, production of vehicles and insignificant share in comparison with the capitals of developed countries are occupied by modern hi-tech release productions: electronic, computer and other types of knowledge-intensive production.

Considerable specific weight of mechanical engineering in structure of the Minsk industry caused concentration of the large enterprises production in the city. Serious problem of Minsk industrial enterprises is a low labor productivity (on added value) (on this indicator in processing industry Minsk almost by 4 times lags behind ES-28 that reflects the low level of production competitiveness in the world markets).

The arrangement of the Belarusian capital on strategic ways crossing from the west to the east and from the north to the south caused Minsk development as largest transport communication knot. About 30% railway in the country, 20% of automobile cargo transportation on import and 40% on export fall to the share of the city.

Minsk is distinguished from the republic regions with the greatest informatization extent, represents large knot of international and national telecommunication networks, the formation and distribution mass information center, a home to the largest telecom operators.

In the capital modern market infrastructure including commercial banks with representations of foreign banks, Belarusian Currency and Stock Exchange, investment funds, finance, leasing, trust and insurance companies are created. The Minsk role in the banking sector of the country is highest (if not excessive). Parent organizations of all banks registered in Republic of Belarus are in Minsk, in other regions only their branches work.

In Minsk 33.5% of all small enterprises and more than 25.0% of all individual entrepreneurs of Belarus are registered. On small enterprises 28.3% of total workers in the capital are occupied. On them about 30% of total amount of the city industrial production are made.

The resource most important strategically determining the capital level of competitiveness is human potential.

Minsk is characterized by high level of research and educational potential concentration. So, 84% of researchers are concentrated in the capital region. According to 2012/2013 data over 55% of higher education institutions were in Minsk, in them 52.26% of the country students total number were trained [7].

It is considered as the potential of the intellectual services sphere growth. However real quality of education, on one hand, but not demand of "high competences" labor market, on the other, has led to the great number of certified specialists in Minsk being occupied on workplaces with no need of qualification they received.

Minsk is most stable from demographic point of view and manpower security being situated in the Belarus region where positive dynamics of population change is observed. Average annual population of the capital in 2013 made 1,911.4 thousand people and in comparison with January 1, 2006 the population of Minsk increased by 144.2 thousand people, or by 8.2%. Here 23.8% of all the republic employment capacity is concentrated. Besides, in Minsk the level the population employment is the highest in republic, and unemployment level is the lowest – 0.2%.

The city of Minsk is traditionally in the lead one level of monetary incomes per capita and in size of the nominal added salary. In 2013 on these indicators the capital advanced national average level almost by 30% and 45% respectively.

Formation of capital agglomeration became an important economic trend for Minsk. Establishment of close production, social, labor connections of the capital with adjacent urban areas confirms it. According to population census for 2009 about 63 thousand residents of the Minsk region came for work to Minsk daily. In particular, in Zaslavle town every fourth worker had work in Minsk, in Fanipole – about 43%.

The important role of Minsk in national economy is caused not only by powerful production concentration in it, as well as scientific and technical, infrastructure, intellectual potential, but also by the city performance of capital functions. Establishments which realize capital functions, act as the peculiar animators causing growth of the spheres of action serving and supplementing them, forming a specific capital public and territorial complex.

Thus, the main competitive advantages of Minsk are:

- 1) advantageous geopolitical position on crossing of the major thoroughfares from the EU to the countries of Euroasian integration;
- 2) diversified structure of industry, existence of scientific centers, the highest export potential among all regions of Belarus Republic;

3) high educational and professional level of the population, existence of strong base for education, science, culture;

4) developed system of transport infrastructure, telecommunications and communications;

5) existence of successful implementation experience of investment projects with the foreign capital participation;

6) location of the created institutes on attraction of foreign investments into republic economy: Advisory board on foreign investments, National agency of investments and privatization, etc.;

7) rather capacious consumer market, existence of the large exhibition centers, extensive network of marketing and trade objects.

Considering results of the carried-out analysis and synthesis of other countries experience it is possible to define characteristic tendencies of the large cities and megalopolises development and the most general reasons of their greatest activity in external economic relations. These are:

1) the high number of able-bodied population and prevalence of the studying youth in the population structure as more creative social group;

2) the increased and various demand for goods and services from the population and subjects of managing;

3) existence of the different types of infrastructure reducing exit costs of managing subjects for the world markets;

4) high concentration of scientific and technical potential and susceptibility to innovations that creates conditions for release of highly competitive production;

5) concentration of the financial capital and financial infrastructure, including credit banking institutions;

6) developed sector of business services playing the independent role in development of international backgrounds and serving in relation to foreign trade, foreign investment, etc.;

7) enterprise activity as a result of more favorable conditions for economic activity;

8) diversified structure of economy and essential influence of megalopolises on adjacent territories;

9) closer connection of megalopolises with prospects of post-industrial economy development stage in relation to urban environment: 24-hour activity (business life, trade, entertainments); new standards of material resources consumption; new forms of consumer culture – visual consumption, merging of entertainments with other forms of activity, raised housing quality standards, introduction of the "green economy" principles, "the clever city", development of communication services, increase in level of remote workplaces, "clever logistics", etc. [1].

What features of integration communications development are common for megalopolises?

First, practically all forms of the international economic relations (IER), and not just foreign trade as it is common in general for the international regional economic cooperation are developed.

Secondly, hi-tech export of the country goods and services is, as a rule, provided in a bigger extent with the capital.

Thirdly, in implementation of manpower migratory streams between the countries as one of the IER forms the leading role belongs to megalopolises and the capitals.

Fourthly, service trade, including scientific and technological and innovative interaction, is more demanded in the large cities and megalopolises for integration communications in comparison with other types of administrative and territorial units.

Fifthly, the megalopolis most often is rather independent player in the world market and is little dependent on other territories of the country. In many respects it is explained by distinctive feature of megalopolises: this production, accumulation and distribution of information, optimization of information streams, providing mass communication of all economic subjects of various levels, and also high intellectual potential. At the level of large cities new information society institutes (communication networks and virtual economy infrastructure) are formed [2]. It allows megalopolises to set new vectors in integration policy.

Conclusion. The main approaches to development of the Minsk economy integration mechanism into the Euroasian economic space which contain the following directions are formulated.

First, realization of measures set on further increase of the large cities and megalopolises economy competitiveness in a form of global economy, providing conditions for their inclusion in the international competitive fight for resources and, respectively, inflow of foreign investments, activation of goods and services export is necessary to consider a strategic objective of integration policy at the large cities level.

In this context strengthening the international specialization of the cities in certain directions is the most important position of the megalopolis competitive strategy. So, megalopolises can carry out specific integrating functions, first of all, within integration association owing to features of economy structure, for example, rendering services of business tourism, development of so-called service economy in service of foreign economic activity (bank and credit organizations, investment funds, etc.) [5].

Second, at the level of the large cities economy sectoral approach to integration has to be replaced with integrated approach. In practice it means, first,

need of interindustry strategy development for city economy as components of both regional policy, and the external economic strategy of the country. Secondly, taking into account formation of the capital economy agglomerative type the platform for network interaction of managing subjects and their exit to foreign markets is formed. The cluster mechanism of interregional cooperation which more and more actively takes root recently into system of territorial administration in member countries of EEU is connected with these aspects and has positive practical experience at the large cities level.

Third, concentration of highly skilled manpower, educational and research structures, existence of expert community and high availability of resources to carrying out researches and development provide megalopolises with a role of the center not only for innovative activity, but for scientific and technological cooperation of the partner countries on regional bloc as well. It assumes a contribution of the large cities to creating the technological and administrative innovative environment, territorial diffusion of technological innovations, introduction of new economic activity types based on innovations including social and administrative innovations.

In realization of EEU integration policy it means development of strategy and practical measures gradual integration of national and regional innovative systems / subsystems into the coordinated system of innovative activity at the level of Euroasian Economic Union.

Fourth, as we know, infrastructure arrangement of urban economics is a key factor of the cities integration into world economy. On the coordinated development basis of those types of infrastructure which carry out connecting and communication functions (transport, innovative infrastructure, ICT, etc.) megalopolises can become the main knots, the centers of infrastructure framework, the cities gate in integration policy of EEU. Therefore implementation of infrastructure projects is one of key elements of the integration mechanism at the large cities level and for regions in general.

Fifth, closely connected with the aspects of integration stated above is creating a network of the EEU member countries cities that is directed on forming the environment promoting solution of city development burning issues on a joint basis, and to establishing closer contacts between all the regional process players. The capitals have to carry out a locomotive role in the mechanism of network interaction. And it is important to note that the mechanism of network interaction is connected with active inclusion not only for the managing subject of the industry and service trade based on various forms

of ownership, but for local community, institutes of public sector, local government bodies as well. Unlike other types of administrative and territorial units megalopolises, possessing diversified economy, can form the so-called synergism gateway knots forming new competitive advantages of megalopolises economy [3, 5].

Sixth, strengthening of regional problems (ecology, transport over-saturation, housing problems) and at the same time rather developed sector of municipal economy is created by prerequisites for inclusion in integration communications of housing and communal services objects, nature protection infrastructure, municipal transport economy, implementation of joint projects in sustainable development of the cities which are especially located in the interfaced territories of the block partner countries.

Seventh, the leading information and communication role of megalopolises, concentration here of the countries population most creative part, performance of capital functions create base for emergence of new ideas connected with the mechanism of this kind urban economics integration into world economy, practical approbation of innovations in the field of the regional integration mechanism.

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