

# Profitable for business and beneficial to Motherland

Russia occupies a unique geographical position between Europe and ‘Big Asia’ (the countries that are part of South-East Asia and those that belong to the Asia-Pacific region). The obvious economic and political benefits of this position have probably been used since the XVII century – sending merchants to the Celestial Empire. The Russian side traded first of all, furs, from China and the ‘Big Asia’ – tea and spices. Despite the risks of a long voyage, traders were attracted by enormous commercial rewards delivered by trading outlandish products. Besides tax revenues to the treasury, the state was more interested in fortifying and expansion of the surrounding domains – as the basis for secure borders and a source of new goods and novel economic opportunities.

One cannot help remembering this, trying to think over the situation that is unraveling now in the economic cooperation between Russia and the countries of ‘Big Asia’. It appears that a conglobulation of arising connections and problems becomes clearly visible in the case of energy resources – mostly hydrocarbons that are supplied in ever greater volumes to this global macroregion.

On the one hand, one cannot underestimate the ‘turn to the East’ in trading Russian energy resources as this helps diversify sales, hedge price risks, as well as develop export infrastructure within the confines of the so-called ‘Eastern test range’ (the part of the Far East that is directly connected to exporting hydrocarbons and coal). The last circumstance is significant for resource export opportunities but even more in terms of developing other sectors of the domestic economy (something, which is not yet adequately appreciated).

These and other issues are amply represented on the pages of the currently topical issue of ECO. Our colleagues from the Center of energy research of the Institute of World

Economy and International Relations of the Russian Academy of Sciences aptly note that ‘shifts observed in the geographical structure of the Russian oil export naturally follow shifts in the spatial structure of the global economic growth’ (the paper by I.A. Kopytin). The situation is in many ways similar for the market of LNG (the paper by A. O. Maslennikov).

Still, the processes of Russia’s inclusion into the energy flow of the ‘Big Asia’ countries involve significant risks – both of short-term and long-term nature. The first embrace price volatility as well as rising demands to disclose the carbon footprint of the whole production cycle. The second (and this is very serious for Russia) entail the time frame of stable positions at those markets. The energy requirements of the countries in question are quite diverse in quality. Some, like Japan, are steadily decreasing their demand for imported energy resources. Others, preeminently China, increase imports but do it as part of the long-term policy of restructuring the energy sector and active promotion of automobilization (the paper by M. V. Sinitsyn). The third ones (India and countries of ‘low and medium level of development’) are dynamically stepping up their demand for energy resources as an important requisite of economic growth within the industrialization model (the paper by S. V. Zhukov and O. B. Reznikova).

The principal risk for the Russian economy lies in the conservation of the industrial raw material structure of its economy. Amidst new geopolitical challenges and low-carbon trends, the priorities for Russia and its Eastern regions are not the quantitative growth of output and export of energy resources but building a new system of interactions “Fuel and Energy Complex – the country’s economy” for the purpose of developing new high-tech focus areas and creating thereby high-tech workplaces.

The modern economy is greatly dependent on the Fuel and Energy Complex concerning structural transformation in the country’s economy and its regions as well as the priorities of sustainable socio-economic and low-carbon development within

the framework of the contemporary value system. An example of failure to keep up with those trends is the fact that in our country "... no provisions are made to stimulate the demand for electric cars"<sup>1</sup> (something that is quite contrary to measures taken by China – see the paper by M. V. Sinitsyn).

It is a sad fact that the above-mentioned aspects of Fuel and Energy Complex development are mostly neglected. The main thrust focuses on the infrastructure for 'sending' raw materials and products of primary processing to Asian markets – this concerns oil, gas, and coal. As our colleagues from the Institute of economic research of FEB RAS put it "in 2000–2005 ... it was expected to combine the infrastructural function of the Far East with the task of setting up "a new industrial base" in the form of clusters with high-tech enterprises and services in the southern part of the region. Achieving this target as well as the implementation of the new industrialization concept was projected in the shape of industrial-service arcs in the south of the Far East. ...However, by the end of the first decade of the XXI century, the situation had cardinally changed. The idea of building 'interceptive border-straddling arcs' is being implemented in the north-eastern provinces of China bordering on the Russian Far East where a special program of modernizing the old industrial base is underway<sup>2</sup> [P. 95].

It seems that implementing the concept of building 'industrial-service arcs' in the Fuel and Energy Complex of the Far East and the country as a whole is still awaiting its time. The answers to the question about its necessity lie both on the theoretical plane – defining ways of shaping and developing institutional systems in FEC (with consideration of historic traditions, created assets, the state and peculiar interaction of main economic agents), and in the area of practical energy policy (not only from the point of view of strategic documents

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<sup>1</sup> *Nikitina O., Smertina P.* Citizens won't be paid for electric cars. The government has not found funds to subsidize the market// 'Kommersant' daily. № 141. 11.08.2021.

<sup>2</sup> *The Russian Far East on the way to the future / Edited by P. A. Minakir; Institute of economic research of FEB RAS. Khabarovsk: IER FEB RAS, 2017. 395 p.*

but also in the determination of the role and place for various levels of the public regulatory hierarchy).

The theoretical foundations for resolving the above-mentioned problems have a general character while the key role is played by the basic provisions of the system approach and closely related generalizations of the modern institutional theory. At the same time, a practical application of those provisions and approaches must take into account specific features of existing productive economic systems. The last is relevant not only to ensure consistency of approach but mostly in terms of due consideration of starting conditions for the transit of the domestic FEC into its new capacity that stays in line with the contemporary values of development<sup>3</sup>..

Editor in chief of 'ECO'



V.A. KRYUKOV

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<sup>3</sup> *Kryukov B. A.* The institutional structure of the oil and gas sector. Problems and directions of transformation. Novosibirsk: IEIE SB RAS Publishers. 1998. 276 p.