Mikhail Rogov
Research fellow, Faculty of Geography and Geoinformation Technology, HSE University

Paper Title:
Evolution of Russian cities in global economic networks in 2010-2019

Keywords: cities, system of cities, globalization, ownership networks, Russia

Extended abstract

• Theoretical background
In 2014 economic restrictions were imposed on Russia by certain countries in Europe, North America and Australia. Similarly, Russia implemented restrictions in response towards these countries – these measures are known as “sanctions” and “counter-sanctions”. These sanctions and falling oil prices together were two main factors of an economic crisis in Russia that, from economic stagnation of 2012, turned into 2 years of a deep recession from 2014 to 2016 (Gurvich & Prilepskiy, 2015).
Since most of the population in Russia lives in cities (75% in 2021 – Rosstat, 2021), most investments, production of goods, and economic flows are attributable to cities. Thus, the Russian crisis of 2014-2016, accentuating the gradual decline of the economy to negative growth rates since 2012 (Klepach, 2015), principally affected the development of cities. This system of cities is the skeleton of Russian economic globalization: 80% of multinational firms are concentrated in the 120 largest Russian urban areas (source: ORBIS-UNIL, 2019). There are many studies analyzing the effects of these trade and financial restrictions on national and regional economies (i.g. Ivanter, 2016; Dreger et al., 2016; Mau, 2016), however, at the city level there is a substantial research gap.
• Research questions

In the current research we focus on the evolution of the integration of Russian system of cities in the globalization. On this macro level, we explore the dynamics of the connection and centrality of Russian cities by examining multinational firms’ ownership networks (Russian and foreign) linking Russian cities all together and with other cities in the world (Data: BvD-ORBIS-UNIL for 2010, 2013, 2016, 2019). We use these dynamic data on ownership linkages of multinational companies that will highlight how far the geo-economical events of 2014 influenced the processes on the macro level (networks of cities) and allow to define macro level adaptive cycles. In doing so we observe how these ownership linkages re-configurated before and after the international economic sanctions. Therefore, we evaluate first, the dynamics of foreign investments in and out from Russia, and second, how the whole Russian system of cities can influence each Russian city (meso level).

Thus, the principal research question is: How did the economic shocks of 2014 perturbate the national and international inter-city networks of Russian cities that were on a certain dynamic of integration before the shock?

• Methodology

Database BvD-ORBIS-UNIL (2010, 2013, 2016) is used to analyze the influence of reconfiguration of multinational firms to the development of Russian cities. The data is based on Bureau van Dijk individual firm’s information of all the direct and indirect subsidiaries of the 3,000 largest firms of the world according to their turnover at each date. The total BvD-ORBIS-UNIL selected database includes all over the world about 700,000 firms in 2010 (900,000 ownership linkages), 1,4 million firms (2,4 million linkages) in 2019. For Russia it represents about 40,000
enterprises in 2010 and 37,200 in 2019 (respectively 46,000 and 21,600 ownership linkages).

In order to shift from firms’ networks to cities’ networks, we aggregated the groups’ networks at the city level (by LUR: Large Urban Regions: following the method proposed by Rogov and Rozenblat, (2020)) based on the location of each headquarter or subsidiary.

• Results/findings
The study shows that although the Russian cities’ position in the global network shrank (with a general decrease in Russian cities’ linkages), their internationalization increased despite the economic sanctions. The decrease in connectedness mostly concerned the intranational firm linkages between Russian cities, which could explain the increasing interregional inequalities in Russia observed by numerous scholars. In addition, contrary to the main arguments of the global cities approach, among the cities that were most resistant to crises were not only the largest and most diversified cities, as we would expect during such times of uncertainty, but also some highly specialized small towns.

Bibliography