Eurasian countries are endowed with a unique geography that differs from other regions in the global economy and determines the specifics of economic development and integration in the Eurasian space. The unique geography of Eurasia was mentioned by Lev Gumilyov in his last paper, *Rhythms of Eurasia*, in which he noted that many Eurasian countries were distant from oceans. ‘We should say that of all the land that there is on our planet, Eurasia is the most ‘continental’ region, a giant territory that is remote from all the oceans and seas...’ (Gumilyov, 2004). The present paper attempts to assess the significance of the “continentality” and economic geography factors, described by the “early Eurasian” school of thought, from today’s perspective – particularly in terms of their significance for economic development and integration of Eurasian countries.

**THE UNIQUENESS OF EURASIAN ECONOMIC GEOGRAPHY**

As regards the EAEU countries, the unique geography of its member countries consists not only in their inland geographic location but also in the extreme nature, to an extent, of their “continentality” and separation from ocean spaces:

- Belarus is the biggest land-locked country in Europe (with the longest land border);
- Kazakhstan is the world’s biggest land-locked country;
- Kyrgyzstan and Tajikistan share the third and fourth places among the world’s land-locked countries located at the highest average elevations above sea level (with the first/second places shared by Bhutan and Nepal);
- Armenia is the only country of Western Asia (which includes the Middle East and Transcaucasia as defined by the United Nations) without access to sizeable water space (Azerbaijan has access to the Caspian Sea);
- Russia is the world’s biggest country with the longest land border;
- Kazakhstan and other Republics of the former USSR constitute one of the world’s largest groups of land-locked countries (one of the world’s biggest ‘inaccessibility areas’ comprising individual States with no outlet to the sea): in his works, Pyotr Savitsky (1997) noted the unique combination of the region’s enormous area and remoteness from the coasts: ‘The scale of Semirechye’s (region in Central Asia) remoteness from the coasts are unheard of in the rest of the world’.
In Eurasia, four of the five EAEU countries (five of the six EDB Member States) have no access to World Ocean spaces, which necessitates the creation of transport corridors and strengthening of inter-regional ties so that the distance barriers can be overcome.

The unique degree of the continentality of Eurasian geography is illustrated, in a way, by the fact that the world’s continental ‘inaccessibility pole’, the place situated farthest from the coastline than anywhere else on the Earth, is in Eurasia. The continental ‘inaccessibility pole’ (46°17´N 86°40´E) is located in the Junngar Basin, 2645 km away from the nearest sea and 320 km from Urumqi City, Xinjiang Uighur Autonomous Region, China. Interestingly, the continental ‘inaccessibility pole’ is located near the intersection of the borders of four States: Mongolia, the Russian Federation, Kazakhstan, and China, of which two are land-locked.

GLOBAL TRENDS: WHAT CONTINENTALITY MEANS FOR TRADE

Land-locked countries account for some 20% of the total number of countries in the world (43 out of 193). According to the World Bank, their share is much higher among low-income countries: 20 out of 54 low-income countries have no access to the sea, while only three out of 35 high-income countries are land-locked.

In the context of the last few decades, the reduction of import barriers in the process of globalization resulted in rising contribution of transportation costs to the total costs of foreign economic activities. According to existing estimates, the continentality of a country’s ‘economic climate’ has considerable consequences for the dynamism of its economic development (Arvis, 2010):

- land-locked countries have on average 30% lower trade turnover than countries with access to the sea;
- continentality reduces a country’s growth rate by 1.5% as compared to coastal countries;
- continental countries have relied on IMF support for a longer time than coastal countries.

Like Savitsky did some 100 years ago, Western researchers have noted the dual negative impact on continental countries’ foreign trade, resulting from a high level of both import and export costs. In this connection, Jeffrey Sachs noted in a paper co-authored in 1998 that this ‘double disadvantage’ (as termed by Savitsky) seriously hinders continental countries in employing a re-export model of economic development.

The main negative factor for continental countries as compared to coastal regions is their higher transportation costs, as land transportation turns out to be much costlier than maritime transport. The distance factor differs for countries with and without access to the sea: as estimated by Limao and Venables (2001), with each additional 1000 km of distance a land-locked country incurs transportation costs seven times as high as those borne by coastal countries. As estimated by Hummels (2001), the change of the transportation costs per unit of distance change was 0.46 for air transport, 0.39 for rail and 0.22 for maritime transport (Behar & Venables, 2010).

After comparing country statistics of foreign trade on CIF and FOB terms, Radelet and Sachs (1998) established that land-locked countries’ transportation costs exceed those of coastal economies by 50%. Other estimates
indicate that the share of transportation costs in total imports may reach 10–20% for countries without access to a seacoast, while for developed countries and the US this figure is 4.7% and 2.2%, respectively (Arvis, 2010).

Another indicator of the importance of distance and transportation costs for trade flows is the interpretation of the distance coefficient in the gravity model of individual groups of countries. Thus, Brun et al (2002) demonstrate a more negative distance factor (-1.3) for trade among the poorest countries as compared to that for trade among the most affluent economies (-0.7). Geography may be responsible for some of this difference of coefficients, as the poorest countries include a significant number of economies without access to ocean spaces.

As applicable to the Eurasian countries, our calculations based on the gravity model also indicate that continentality increases the role of the distance factor with respect to trade flows. Annex to this paper contains gravity model data on Russian exports that indicate the distance factor’s high value and statistical significance in Russian exports (-1.4 and more negative values in some modifications of the model). The coefficient’s value in a comparable model for Kazakhstan turns out much higher in absolute terms, as expected for a continental country without access to an ocean space, while for countries that have sea access the coefficient is well below 1 in absolute terms (as are the existing estimates of this factor for the world economy in general).

According to estimates by Irwin and Tervio (2002), geographical factors account for 30–40% of the changes of the share of countries’ trade in their GDP. Also significant is the role of economic regulation factors, including customs regulation and development of infrastructure. Of all types of infrastructure, port capacity development gives the greatest impetus to trade growth (Nordas and Piermartini, 2004). According to Limao and Venables (2001), the improvement of transport infrastructure from the worst 25% countries’ to the best 25% ones’ eliminates more than half of the costs faced by land-locked countries. On the other hand, the deterioration of port infrastructure ratings from the best 25% countries’ to the worst 25% ones’ increases the transportation costs by 12% and is equivalent to a 60% increase of the distance to international markets (Behar & Venables, 2010).

WAYS TO OVERCOME RESTRICTIONS: INTEGRATION AND INFRASTRUCTURE DEVELOPMENT

In addition to the development of transport infrastructure, foreign economic policy, particularly regional integration, can play an important role in the neutralization of the factor of remoteness from ocean spaces. Due to the continentality of Eurasian geography, economic integration becomes an even more crucial task for Eurasian countries than for those with access to the World Ocean and with lower costs of delivering their products to the world markets. This is what the early Eurasian school of thought discussed, especially Pyotr Savitsky as he wrote that ‘those countries and regions that can predominantly use maritime transport due to their location are much less dependent on distance in their international and inter-regional exchange processes than countries focused mainly on continental transportation in their economic life’ (Savitsky, 1997).

According to Savitsky, the solution is to create continental land spaces representing a complex of complementary economic systems that fill the continental space with mutual trade flows: ‘But doesn’t there open an opportunity for ‘continental areas’ to eliminate, at least partially, the adverse implications of ‘continentality’ – while
avoiding the isolation of a subsistence economy? The method for eliminating them … lies in building economic complementarity among the separate but spatially adjacent areas of the continental world, in their development resulting from their interconnection.” Nearly 100 years ago (in a paper written back in 1921) Savitsky was already pointing to regional co-operation and integration as factors of overcoming geographic limitations. Among the main positive factors of regional integration in overcoming continental isolation, one can mention the following:

- lowering the inter-country customs and other barriers for each country’s access to the major ports and world markets;
- standardization and simplification of transport regulation with a view to reducing the transportation costs of delivering goods to coastal regions;
- pooling resources for building and funding joint transport corridors to coastal regions;
- the strengthening of integration in the Eurasian land space, particularly in the EAEU, improves inland Eurasian countries’/regions’ ability to integrate into global logistical chains and mega-regional blocs like the Silk Road, that connect the inland regions with the coastal regions of Europe and Asia;
- Creation of conditions promoting co-operation among sub-regions (including border areas) (microregionalism).

As regards the evolution of the Eurasian Economic Union, one of the key dividends of integration for all its member States is exactly the possibility to surmount of the spatial and inter-country barriers for purposes of reducing the costs of continental isolation and entering the world markets through access to coastal regions. This agenda is especially relevant for Central Asian countries, given the region’s remoteness from all ocean spaces. Broadening access to the world commodity markets requires both the creation of new continental links and access to ocean spaces. For the EAEU countries, such access to the ‘World Ocean’ can be provided by either the Russian Far East as part of the EAEU itself or by the PRC’s Silk Road logistical chain that gives the continental countries access to East Asian and West European markets.

Finally, as regards the macroeconomic policy being pursued, intense development of the continental space by means of infrastructure development requires a stable environment for attracting investment. Such a system of economic policy rules (both monetary and budgetary) should lay to be the foundation of longer-term planning horizons and for funding long-term investment projects, that are especially important for the Eurasian countries.

Also in view of the geography factors, greater co-ordination of the economic policies among countries of the land-locked region becomes essential. Behar and Venables (2010) stress a high degree of interdependence between neighbouring land-locked countries and note that the transport costs and trade flows are quite sensitive to swings in neighbouring States’ economic policies (Behar and Venables, 2010). Such co-ordination can be considerably enhanced by both regional integration processes and efforts undertaken by international organisations’.

Thus, in 2002 the UN General Assembly decided to convene in 2003 an International Ministerial Meeting of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development
Institutions on Transit Transport Cooperation. The first International Ministerial Conference of Landlocked and Transit Developing Countries (Almaty, Kazakhstan, 28–29 August 2003) adopted the Almaty Programme of Action that determined the main lines of those developing countries’ co-operation in overcoming the limitations and obstacles in the areas of transit, trade, and logistics.

References:


