

reichtum und die großen Agrarflächen in der Bioenergie, das gemeinsam erschlossen werden kann.

• Investitionsförderung: Der Ost-Ausschuss begrüßt das zunehmende Interesse russischer Firmen am deutschen Markt. Wenn wir von strategischer Partnerschaft sprechen, sollte es bei Handel und Investitionen keine Einbahnstraße geben. Dabei ist klar, dass Unternehmen die Spielregeln des jeweils anderen Landes berücksichtigen müssen. Das gilt für deutsche Unternehmen in Russland genauso wie für russische Unternehmen in Deutschland.

Deutschland spielt eine besonders wichtige Rolle in der ganzen Welt und hat gute Perspektive in der Zukunft.

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ECONOMIC PROSPECTS OF CRIMEA

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The following article examines the possible economic prospects for the Russian annexation of the Crimea. It estimates potential areas for further development of the Crimean economy, like projects for the production of hydrocarbons, the installation of new gas pipeline and the development of ports and tourism.

Key words: Crimea, economic prospects, resources, business, gas, oil, tourism, investments.

Crimea could become part of the region of advanced development, like the Russian Far East. The special economic zone would unite the Crimea and the Russian Black Sea coast. Annexation of the Crimea can be profitable to Russia. Potential directions for further development of the regional economy are: projects of the production of hydrocarbons, installation of the new gas pipeline and prospects for the development of ports and tourism.

“The Crimea will be an economic burden to Russia, that will require billions of dollars of investment from the Russian budget.” This statement widely circulated in the media shortly before referendum on the annexation of the Crimea to Russia.

For example, according to the newspaper "Kommersant", the transformation of the Crimea to a part of Russia will cost about \$ 30 billion by 2025. Now an annual budget deficit of the Crimea is about \$ 1 billion - critical experts note. In the original budget there is a lack of many neces-

sary expenses for the maintenance and development of infrastructure of the peninsula, which severely decayed during the years of Ukrainian authorities. We can assume that the budget of Crimea needs to be subsidized by at least two, and preferably three billion dollars annually.

However, if we make a detailed study of the economic potential of the peninsula, it can be stated, that the situation is not so deplorable. The Crimea could become not the recipient region, but the donor region in the nearest future. We will try to find the most probable economical prospects of Crimea for our country.

Small business is the basis for the economic development of the Crimea. Thus, according to a member of the Economic Council of the Russian president, rector of the Russian Academy of National Economy and Public Administration, Vladimir Mau, the economy of the Crimea is characterized by two important features: "Firstly, it is diversified, and secondly, it has a very developed system of small and medium businesses".

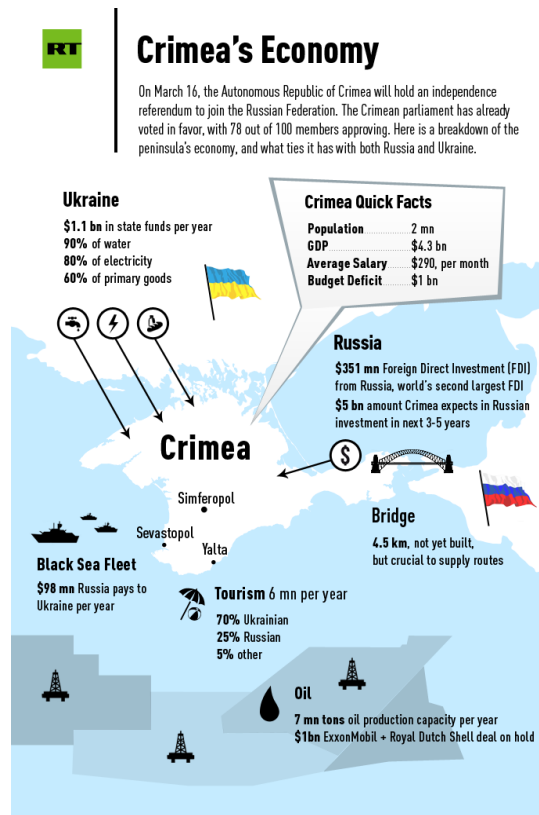
Here tourism, energy, industry, agriculture coexist, there is even the production of quite competitive light ships. As for the small and medium business, it is the living base of many inhabitants of the peninsula, but to a large extent this business is not registered and it is necessary to enter it into the legal system.

Small and medium business creates a good foundation for the development of the Crimean economy, so it is important not to take any action causing harm to it. Potential areas for further development of the regional economy are hydrocarbon extraction projects on the shelf and development prospects of port facilities, primarily in the port of Feodosia.

Most importantly, Russia is able to implement strategic control over the entire Black Sea region, which is caused by the southern Crimea's location near the center of the Azov-Black Sea basin. Sharply increase Russia's ability to control sea. Russia gets full unlimited control over the Black Sea Fleet base in Sevastopol, and also receives all ports and military bases in the Crimea. Besides that Russia does not have to pay rent for the Ukraine Black Sea Fleet base in Sevastopol any longer and does not have to pay the fee for delivery to the base. Rental price was about \$ 100 million a year, a few tens of millions of dollars were spent on duty. Moreover there is an opportunity to abandon the Kharkiv agreements on the discount on gas in exchange for the agreement on the prolongation of the Black Sea Fleet base in Sevastopol and return to the European gas prices for Ukraine. Agreements signed in 2010 provides for the reduction of Russian gas prices for Ukraine by 30%, but maximum for \$ 100 per thousand cubic meters. Russia's refusal to save on gas prices given in December 2013 means that the price of gas for Ukraine will again be the same as for most other European countries. Cancellation of both discounts can theoretically give Russia 4-6 billion per year, which will allow to offset completely any economic integration costs of the Crimea to Russia for several years. In practice, however, Ukraine in its current state will probably not be able to pay European prices for gas and pricing certainly will again become the subject of political bargaining.

The opportunity to lay a gas pipeline through the Crimea is an alternative route for South Stream significantly reducing the cost of the project. Now the largest transit pipeline "South Stream" is supposed to be laid along the deep central part of the Black Sea in international waters. Now the pipeline could be carried out on the Crimea or on the Crimean shelf or through the relatively shallow northern part of the Black Sea. This would reduce the project cost for nearly \$ 20 billion. It will not work with the first line of the pipeline, as to change the we have to postpone the deadline for entry of the project significantly, in addition we have to re-negotiate with partners and abandon agreements with Turkey, which was on the side of Russia in the Crimean crisis. But the next line of South Stream has a great chance to use a cheaper route. The pipeline is created to cover all the needs of Southern Europe in the supply of gas and allow Russia to abandon almost all transit through Ukraine. Russia takes about 3/4 of the exclusive economic zone of Ukraine in the Black and Azov seas, including oil and gas resources. Gas development on the Crimean shelf is currently operated by a registered company in Simferopol - Chernomorneftegaz. Proven oil reserves are relatively small (up to several million tons), but gas reserves (billions of cubic meters near Kazantip) are more significant. Also, there are some not yet developed and not fully explored oil and gas

fields. The exclusive economic zone also contains the right to fish in these waters. Currently it is not a significant resource due to the depletion of fish stocks and the worsening ecological situation in the Black Sea.



Pic. 1. Crimea's Economy

Integration with Russia will boost tourism in the region, one of the main economic sectors. This integration will give a powerful impetus to the development of resorts. South coast of Crimea is a unique tourist destination, which is located at the latitude of the Cote d'Azur in France and Italy, but the duration of the holiday season there may be longer than in the most southern areas of the Mediterranean. The secret lies in the Crimean Mountains that rise to the level of a half thousand meters above the coast, covering it from the north and north-westerly winds.

Although the southern coast of the Crimea is located close to the sea, the humidity here is very low. Warm winds from the mountains, with humidity below 5% carry the fragrance of pine forests growing on the slopes above. This air is very salutary for people suffering from diseases of the respiratory system, and for relief of their ailments they go here almost two hundred years.

It is too early to assess real prospects of creation the advanced development zone on the territory of the Crimea. Russian clusters concerning this question have not been developed yet. In addition, it is necessary to solve infrastructure issues. Moreover there is also a danger that Ukraine will take a tough stance, and the peninsula will experience problems with key economic resources: energy and fresh water. To solve these problems will not be easy, because infrastructure investments are the most expensive. And to talk about the organic development within the new region is difficult not only because of the infrastructure

risks, but also because of political ones. But most experts that the advanced development of the territory in the Crimea will be the main tool for enhancing the region's economy. They cite the example of the "Asian tiger economies ", Singapore, Hong Kong and Taiwan, which became advanced countries in Asia within a few decades.

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HOW CAN CHINA AVOID THE MIDDLE-INCOM TRAP

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Goal: Analyze the current economy situation in mainland China and find workable methods to the middle-income trap.

The President of the People's Republic of China Xi Jinping pointed out at the 21st Century Council Beijing Conference that China will persevere in reform and open policy and is going to make several reform plans. Xi also emphasized that China will not be trapped by the middle-income trap.

The middle income trap is a theorized economic development situation, where a country which attains a certain income (due to given advantages) will get stuck at that level. Based on the dynamics that most of the countries in the middle income trap have lost their competitive edge in the exportation of manufactured goods due to their rising-tend wages. They are unable to keep up with economically more developed economies in the high-value-added market. As a result, newly industrialised economies such as South Africa and Brazil have not, for decades, left what the World Bank defines as the 'middle-income range' since their per capita gross national product has remained between \$1,000 to \$12,000 at constant (2011) prices. They suffer from low investment, slow growth in the secondary industry, limited industrial diversification and poor labor market conditions.

Meanwhile, the recent deceleration in People's Republic of China's economic growth is of concern, and not just because it raises questions over whether internal and external demand is needed to keep the economy growing. It also raises a flag as to whether China is