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Abstract The prospective scenarios of spatial development of Primorsky region have been investigated, the core area of the Russian Far East. The study examines two assumptions regarding economic and spatial development of the region. One is a free-market approach, which spontaneously concentrates business activities within a territory, and another is a model of "retention" of the whole territory when the governments should represent incentives for a region sustainable economic development due to the geopolitical factors. Forecast of economic, investment and migration processes in the region may imply several scenarios of

long-term spatial emergency with different outcomes. Assuming advanced economic growth in Primorsky region, considering implementation of all announced investment projects and government's programs, considering the natural and migration growth, adjusted population in the region may exceed 2025 million people in 2030. It implies extension of traditional and new settlements in the central, southern economic development zones, at the border zone, and in the eastern coastal zone of the Primorsky region. It is probable a polarized polycentric model scenario, which focuses at achieving the strategic objectives of spatial development, that require strengthening and development of the spot and linear elements of a spatial framework at the highest hierarchical level. However, in the same time, there are unpredictable consequences of depopulation of the peripheral areas of the region. Evenly hierarchical model focuses at retention of the territory and aims at overcoming the territorial gaps in development of the economy and quality of life. A networking cluster model may create a new spatial structure, cementing the economic space of the region and integrating sectors of "new" and "traditional" economy. The process may stipulate a "compression" of population and industries by concentration it around the centers of economic growth, which include major cities. The scenario of a polarized growth assumes that formation of a new frame structure of the spatial organization of Primorsky region is based on identification and support of economic zones—"growth locomotives."

Keywords

Primorsky region - Agglomeration structure - A network cluster model - Hierarchical model - Polarized polycentric model - Growth pole

Chapter 90

The Impact of Economic Growth on Spatial Development of a Region



V. A. Andreev, T. V. Varculevich and M. N. Arnaut

Abstract The prospective scenarios of spatial development of Primorsky region have been investigated, the core area of the Russian Far East. The study examines two assumptions regarding economic and spatial development of the region. One is a free-market approach, which spontaneously concentrates business activities within a territory, and another is a model of “retention” of the whole territory when the governments should represent incentives for a region sustainable economic development due to the geopolitical factors. Forecast of economic, investment and migration processes in the region may imply several scenarios of long-term spatial emergency with different outcomes. Assuming advanced economic growth in Primorsky region, considering implementation of all announced investment projects and government’s programs, considering the natural and migration growth, adjusted population in the region may exceed 2025 million people in 2030. It implies extension of traditional and new settlements in the central, southern economic development zones, at the border zone, and in the eastern coastal zone of the Primorsky region. It is probable a polarized polycentric model scenario, which focuses at achieving the strategic objectives of spatial development, that require strengthening and development of the spot and linear elements of a spatial framework at the highest hierarchical level. However, in the same time, there are unpredictable consequences of depopulation of the peripheral areas of the region. Evenly hierarchical model focuses at retention of the territory and aims at overcoming the territorial gaps in development of the economy and quality of life. A networking cluster model may create a new spatial structure, cementing the economic space of the region and integrating sectors of “new” and “traditional” economy. The process may stipulate a “compression” of population

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 25 include major cities. The scenario of a polarized growth assumes that formation of
 26 a new frame structure of the spatial organization of Primorsky region is based on
 27 identification and support of economic zones—“growth locomotives.”

28 90.1 Introduction

29 In the context of free-market concept, the governments should not take control over
 30 a national economy, or economy of an individual geographical, or an administrative
 31 region. However, pursuing the goal of retention of national territory a critical issue
 32 is establishing and stimulation of “economic growth poles,” rational allocation of
 33 population and labor force by regulation of the domestic and international migration
 34 processes.

35 Primorsky region of Russian Federation, located in the core of the Far East, has an
 36 asymmetrical spatial structure caused by uneven distribution of economic activities
 37 and inhabited zones. Population, less than 2.0 million, is mainly concentrated in
 38 the south territory of the region, where jobs and developed infrastructure focused.
 39 Population density in the south is about 150.00/km², while in the north less 5.0/km².
 40 For comparison, population of Heilongjiang trans-border northern province of China
 41 is more than 38 million, average population density is 80.00/km². It is obviously
 42 causing an inequality both in concentration of the population (and labor resources)
 43 and in competitive potential between the border areas of the Far East of Russia and
 44 provinces of the northeast of China.

45 The imbalance will prospectively cause a deterioration of the economy and depopulation of the Russian Far East considering the net immigration off the region about 3–4 thousand per year. Ensuring advanced and sustainable development of the region, the government should represent a reasonable agenda to support business activities in the region, especially in adjacent to China territories. The strategy should contribute to elimination of imbalance of the existing spatial system due to economically justified allocation of industries and services and give a precondition for sustainable development of the region.

54 So, how the economic incentives should affect a long-term spatial development of a region? Moreover, for a long view, what is a probable scenario for spatial sustainable development of Primorsky region?

56 It depends on several major factors: first, stimulation of intra-regional and cross-border economic relations, considering a core geographical location of the region; second, diligent implementation of the government supported programs to attract population into the region. It will provide a proper concentration and quality of labor force and create sustainable settlement systems, accompanying zones of economic and investment activity.

90.2 Material and Method

The study examines two assumptions regarding economic and spatial development of the region. One is a model of free-market forces that spontaneously concentrate business activities on some located (isolated) territory and a model of preservation or “retention” of a territory when the government should take responsibly over the long-term region’s sustainable economic development due to the geopolitical factor. In the theoretical context, both models are close to the known concepts of polarized and equalized regional growth. However, they rely on various theoretical concepts that determine the factors of spatial emergence.

For the study’s purposes, we may assume a mixed conceptual model of spatial development of Primorsky region, considering a certain number of equal in its scale and characteristics of economic growth points and associated agglomeration systems. The study considers economic, investment and migration factors, which may cause several probable scenarios of spatial growth of the region in the long term. To identify the scenario conditions for the spatial development of Primorsky region until 2030, the analytical method was used, based on the forecast of population, gross regional product, investment, employment and ratio of average number of family members. The analysis resumes a scheme of settlements following to macroeconomic and migration processes in the region. The findings of analysis represent structural and functional elements of the spatial framework of the south urban cluster that assumed as the network of cities—multifunctional centers of intra-regional, regional and inter-regional migration and trade exchange, as well as small-urbanized centers inside and outside the zones of the focus settlements.

The content of a free-market model organization of economic space and its supported settlements is based on the concept that the regulation should be aimed at smoothing differences in the quality of life, rather than differences in business activity. The basis of economic policy in this approach aims at economic integration of the regions by all means—institutions, infrastructure, by access to markets, and by economic incentives that may facilitate resettlement of population in more dynamic regions [1].

Spatial structure of a region is considered as “poles” of economic growth, which cause the agglomeration effect, when economic, investment and economic activities are combined. Growth poles, which may be represented by an entity, an industry, or industrial complex, have a significant agglomeration effect. Further, the point of growth transforms into territories and vectors of development in a region or country, extending a macroeconomic framework [2].

Following this approach, the governments should represent economic incentives to raise business activity in the leader cities, ensuring the agglomeration effects extension, further development of agglomerations and stimulation of mobility factors of production (both labor and capital). From this point of view, the emergence of settlement systems is considered as a positive external effect of spatial concentration of companies operating in the same industry or carrying out the same activities. Different industries and activities could interact and expand to attract labor resources

105 to places where a skilled workforce is required. Thus, the scale of economic growth
106 and geographical vectors of its development affect parameters of inhabited structures
107 and determine their location and boundaries within a region [3, 4].

108 The idea of the state preservation (retention) of territory is that each region is
109 unique not only in terms of its economy (see resources), but also in terms of human
110 potential, ecology and culture. Thus, the space, as a specific system of socioeconomic
111 relations, becomes itself a factor of economic growth [5]. Not only leader regions are
112 important for economic growth. The critical issue for regional policy is identification
113 of the underutilized potential of regions, concentrating their resources and intangible
114 capital, stimulation innovative business and management practices.

115 This model may be considered from the position of Paul Krugman's concept of
116 cumulative causation. Its core is that agglomeration processes are actively develop-
117 ing in the most concentrated economic space. Economic space also tends to be
118 concentrated at the points of concentration of enterprises. From point of economic
119 geography, two types of forces influence a perspective spatial framework of a territory.
120 Centripetal forces direct economic activity toward agglomeration, while centrifugal
121 ones affect the destruction of agglomerations or limit their size [6].

122 Emergence of growth points establishes economic relations between economic
123 entities in specialized and related industries. It is a prerequisite for emergency of
124 innovative or industrial clusters. Identifying the link between emergence of cluster
125 and competitiveness, Michael Porter notes that the factors of competitive advantages
126 in geographical regions are more significant when companies operating in a particular
127 industry are concentrated within a single space [7].

128 Therefore, from the position of the theory of competitiveness, we may assume a
129 spatial organization of economy in a region, which creates opportunities to ensure
130 competitiveness at the macroeconomic level, or at level of the global economy.
131 The presence of number interacting economic activities creates opportunities for
132 competition between domestic and international companies. It optimizes transaction
133 costs using unified transport, logistics, engineering, technological infrastructure
134 [8]. Macro-units (see "poles of growth"), growing and transforming into territorial
135 clusters, vary within geographical boundaries in a national territory and extend
136 to the neighboring countries. It starts the emergence of international and cross-
137 border clusters. In turn, economic and urban clusters contribute to the emergence
138 of agglomeration-urbanized systems and smaller size settlements [9, 10].

139 From the Michael Enright's concept of regional clusters, the economic subsystem
140 of the spatial framework of a region is represented by agglomerations of companies
141 specializing in a particular sector of the economy or a sphere of business activity. A
142 set of macro-units includes a chain of interacting companies in the region, unified
143 by similar production methods (technologies), and integrated into large national or
144 international companies' chain. Michael Enright, considering the links between the
145 competitiveness of the national economy and the geographical scale of competitive
146 advantages within individual regions, points that the competitive advantages are
147 formed not at level of the global or a national economy, but at the level of regions
148 [11].

90.3 Results

To assess the population and migration processes in Primorsky region, let us observe the economic forecast for the region till 2030. In that period, the gross regional product will be growing at a rate of 101.0–103.0%, and capital investments will be growing at a rate of 104.0–112.0%, taking into view a few announced investment projects. Accordingly, the number of employees will rise from 972.91 thousand to 1032.0 thousand till 2030. If we suppose no significant migration growth, the population is predicted about 1.939 thousand people that abruptly contrast to the demand for labor resources (Table 90.1). Following this scenario, the population will rise about 8–8.5 thousand people against 2018. Under these conditions, the region will likely follow a scenario of polarized growth, when economic activity will be focusing in the most competitive territories, primarily in the south of Primorsky zone, where more than 75% of the gross regional product is focused. Regional policy in this scenario should be aimed at increasing the mobility factors of trade and production and stimulating their concentration in most competitive points, such as four territories of advanced development with specialization in shipbuilding, petrochemical, oil refinery, agriculture and general customer's services.

Localization of the growth points may be predicted in areas adjacent to the international transshipment routes and at the service sections of marine ports—Zarubino, Vostochny, Kozmino and Vladivostok, near the border's crossings and close to territories of advanced development that noted above. The growth points, extending, will prospectively transform into large territorial-industrial complexes with a brand-new technological specialization. In turn, geographic concentration of economic activities would form an agglomeration system in the urbanized belt of Ussuriysk-Artem-Vladivostok-Bol'shoy Kamen-Nakhodka cities.

The process may stipulate a “compression” of population and industries by concentration it around the centers of economic growth, which include major cities

Table 90.1 Primorsky region economic forecast indexes 2030

Index ^a	2019	2022	2025	2028	2030
Population (thousand average per annum)	1913.037 ^a	1932.24	1933.92	1936.55	1938.81
Gross regional product, billion USD ^b	13.671	16.033	19.004	22.498	25.117
GRP growth %	101.69	101.99	102.5	103.01	103.12
Capital investment, billion USD	3.411	4.963	7.279	10.808	14.161
Capital investment index %	104.96	108.84	110.35	111.78	112.63
Employment (thousand average annually)	972.91	979.84	998.37	1017.24	1030.2

^aEconomic forecast for Primorsky region till 2030 accessed <https://www.primorsky.ru/authorities/executive-agencies/departments/economics/development/forecast.php>

^bFact on July 2018

^cRuble to US dollar ratio is 65.0 on February 2019

Table 90.2 Forecast of population of Primorsky region till 2030

Index	2019	2022	2025	2028	2030
Employment (thousand average annually)	972.91	979.84	998.37	1017.24	1030.2
Adjusted population (thousand average per annum)	1913.00	1928.50	1950.00	1998.00	2025.00

176 Vladivostok, Nakhodka, and Ussuriysk. The scenario of polarized growth assumes
 177 that formation of a new frame structure of the spatial organization of Primorsky
 178 Krai is based on identification and support of economic zones—“growth locomotives.” This model may not represent only zones of economic activity, but also urban
 179 agglomerations and rural inhabited zones associated with traditional spatial system
 180 of the region.
 181

182 For the polarized growth scenario, identification of the growth poles is a funda-
 183 mental issue. These, first, are newly announced investment projects of free port of
 184 Vladivostok, second, 4 territories of advanced development, and third, large-scale
 185 projects of the national level, such as development of the Russkiy Island’s territory
 186 and endowing Vladivostok the capital status of the Russian Far East.

187 Assuming a scenario of advanced economic growth, considering the announced
 188 investment projects and the government’s business activity support programs, the
 189 capital investments, expected, will rise to 14.161 billion USD, in four time against
 190 2018. Gross regional product GRP will be growing at tempo 103.0–104.0% and
 191 will raise to 25.117 billion USD. Accordingly, employment will rise up 58–60 thou-
 192 sand new jobs. Implying average number of family members is 3.2, then population
 193 will has grown on 100.0–120.0 thousand until 2030. If the population’s natural and
 194 migration growth will respond to demand for employees, clarified population in the
 195 region is expected more 2025 million people by 2030 (Table 90.2). We, also, should
 196 bear in mind a shift mode of work, assuming 18–20% of rotational employees at the
 197 contraction sites.

198 Expected growth of the population may imply emergency process for traditional
 199 and new settlement systems in the central and southern economic zones, also along
 200 the China’s borderline, and along the eastern coastal zones of Primorsky region. In
 201 this case, a scenario of diversified spatial growth would probably occur. It is based on
 202 idea of covering the entire space of territory of the region. However, the factors and
 203 sources of growth may be different for each individual municipality. This scenario
 204 assumes “retention” of the living, industrial and husbandry spaces. It is a critical
 205 issue for maintaining competitiveness facing to China’s trans-border provinces [12].

206 The main issue for the government is a cost-effective sustainable development
 207 and diversification of the region’s ventures, which have lost stimulus for growth.
 208 It is especially important for the mono-industrial municipalities of the region. The
 209 idea of diversified growth is identification of competitive factors specific for each
 210 macro-zone of Primorsky region. The list of factors, that determine the regional

211 specific, includes natural resources, geographical location, opportunities for cross-
 212 border cooperation, logistic capacity of the seaports, condition of the infrastructure,
 213 quantity of the population and quality of labor resources [13].

214 The basic scenario will ensure a balanced and proportional development of a
 215 network (see cluster) of different sizes inhabited zones varying by functional spe-
 216 cialization as a necessary condition for sustainable socioeconomic development of
 217 the region. It deploys the agglomeration effects in the south coast urban belt zone
 218 [14]. The next issue is representation of incentives for labor force and population
 219 mobility to non-urbanized areas, including the border strip along China.

220 90.4 Discussion

221 In period 2018–2025, following the announced investment projects, we could imply
 222 the economic activities in the leader cities such as Vladivostok, Artem, Ussuriysk,
 223 Nakhodka, Bol'shoy Kamen. Activities spots may combine into a logistics cluster
 224 attaching to the international transshipment routes Primorye-1 and Primorye-2,
 225 servicing zone of the seaports Zarubino, Vostochny, Kozmino and Vladivostok, the
 226 border crosses to China. It assumes a unified hierarchical system of the region's spa-
 227 tial framework. It consolidates population in the border zone to China and increases
 228 population density in the eastern "coastal" macro-zone of Primorsky region. Due
 229 to the implied scenario, population of the region would increase to 22–25 thousand
 230 people until 2025 and in 2030 will have risen to 65–70 thousand people. It equals
 231 to number of citizens of a middle size town. In addition, it is a subject for the gov-
 232 ernment's duties—to provide incentive for migration flow into the region from the
 233 sovereign Russia's territories.

234 Following the polycentric model scenario, we could imply emergency of a net-
 235 work of intra-regional settlements (subcenters) considering a hierarchical model or
 236 the administrative territorial structure of the region. It includes cities Ussuriysk,
 237 Dal'negorsk, Arsen'yev, settlements Zarubino and Wrangel. It deploys development
 238 of inter-settlement infrastructure of the region's rural zone and ensures the emergence
 239 of sustainable subagglomeration zones. At this stage, emergence of residential area in
 240 the zones of focal settlement, both inside and outside the main settlement zone, will
 241 be continued. Within the main belt of settlement, a necessary condition is revealing
 242 of support centers, i.e., zones of advanced growth and territories assigned to the free
 243 port of Vladivostok (these include 16 municipalities of the region).

244 Outside the main settlement belt, the issue is to create "basic centers," or spe-
 245 cialized subcenters, set on basis of mining and processing industries and logistics
 246 centers, such are, for example, Spassk-Dal'ny, urban settlements Kavalerovo and
 247 Sibirtevo. A critical issue is sustainable development of settlements of northern and
 248 northeastern territories such are O'lga, Plastun and Terney. They are considered as
 249 important geographic and economic zones because they effect a sustainable develop-
 250 ment within their geographical boundaries. Extension boundaries of these points are
 251 determined by the concentration of economic activity, mainly in the coastal zone and

252 areas adjacent the few transport routes. These points of growth due to remoteness (iso-
 253 lation) are closed systems. Their development is constrained by mono-specialization
 254 of the territories and by the lack of sustainable integration links, which can affect
 255 pour incentives for investment and innovation activity of economic entities. To solve
 256 the problem, the government should seek and establish links between the “island”
 257 points of growth and economic agglomerations of the Russian Far Eastern regions,
 258 which, in long-term period, will erase the disproportions in the spatial distribution
 259 of the business activities and the accompanying them residential structures.

260 Thus, Primorsky region’s spatial emergency scenario in the long term will follow
 261 the next ways:

- 262 (a) Extension of the south seaside habitation cluster as a focal agglomeration spa-
 263 tial structure in the Russian Far East which combines compact groups of sub-
 264 agglomerations of cities Ussuriysk, Artem, Vladivostok and Nakhodka into a
 265 whole urbanized belt in the south of Primorsky Krai with a population about 1,6
 266 million people, which is comparable to the scale of the urban agglomerations
 267 in the trans-border areas of China;
- 268 (b) A balanced extension of urban agglomerations in the region by regulating their
 269 spatial growth with outer migration. It implies conditions for growth of the
 270 population of Vladivostok’s agglomeration to 1.2–1.3 million people till 2030;
- 271 (c) Emergency of a network of settlements, which are assumed as multifunctional
 272 centers of intra-regional, regional and inter-regional commodities and market
 273 services exchange. They are assumed as “poles of growth”—supporting cities
 274 and basic centers within and outside the zones of focal settlement, including
 275 in the border area of the region. This ensures, in the long term, erasing of the
 276 imbalance in the present spatial structure of the territory and will increase the
 277 population of the region from 1.93 million people in 2018 to 2025 million people
 278 in 2030;
- 279 (d) Sustainable extension of the small-size settlements, which assumed as resource
 280 supply subcenters of the region’s settlement systems. These include 9 mono-
 281 profile municipalities of the region that require the government’s support for
 282 regeneration of depressed mono-industry towns (ore and coal mining) by extend-
 283 ing the service functions, modernization and (or) changes in the industrial
 284 specialization of the cities.

285 Spatial extension assumed that Primorsky region’s companies may be involved
 286 in producing and transshipment chains at the national and global level. That pre-
 287 dicted emergence of a cross-border economic cluster with China. Considering this
 288 factor, it is probable a scenario for appearing of cross-border (international) set-
 289 tlement structures near border crossings Kraskino (Russia)—Hunchun (China) and
 290 the Pogranichnyi (Russia)—Suifenhe (China). This ensures integration of the spatial
 291 structure of the region into a settlement system of Northeast Asia using joint transport
 292 and communication links that provides access to the international market of goods,
 293 services and labor resources.

90.5 Conclusion

It is not likely that a scenario of spatial development of the region will follow a unified model. Current trends and factors, affecting the spatial development of the region, indicate several scenarios with different outcomes. Implementation of projects of advanced development and free port of Vladivostok will stipulate polycentric agglomeration structures adjacent to transshipment and infrastructure corridors, nearby the seaports and China's border crossings.

The polarized polycentric model will contribute to achieving of the strategic objective of spatial development, which is strengthening of spot and linear elements of the spatial framework of the settlement system at the highest hierarchical level. However, at the same time, it may cause unpredictable consequences of depopulation of the peripheral territories of the region. Although this scenario, in the long term, allows to eliminate the disproportions of the spatial distribution of industries and their adjacent residential structures, at the same time, the disproportions of the spatial system, caused by the uneven distribution of population and labor resources, will be influencing on the spatial development of the region for a long. The scenario of sustainable extension of "focal" zones in the northern and northeastern economic and geographical zones of the region is likely to be associated mainly with the extraction and processing of mineral resources, recreational and environmental tourism.

Seeing alternative, the evenly hierarchical cluster model is more focuses on achieving the strategic goals of the spatial development of the region. It is aimed at overcoming of asymmetry in the economy and the quality of life, and it capitalizes the local resources to improve situation in non-urbanized territories, especially along the China border. However, at the same time, it can reduce agglomeration effect, having a retarding effect on the development of high-tech sectors of the economy of Primorsky region.

The network cluster model, which can provoke emergency of a new spatial structures in the Russian Far East, represents a set of territories or companies within the economic and geographical zones of each subregions actively interacting to create competitive advantages at the macro level as interrelated and complementary links of technological chains [15, 16].

The network model stimulates development of the domestic market and ensures competitiveness of the regional economy, and gives a new impulse to development of non-urbanized territories of the region. However, at the same time, it requires a "breakthrough" in the development of infrastructure and appropriate solutions in investment priorities of the state and society. Thus, assuming only one of the alternative models as a target model is hardly acceptable, since each of them, while contributing to the achievement of one group of strategic goals to improve the settlement system, at the same time hinders the achievement of the other group of goals.

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Change to lower case	Encircle matter to be changed	≡
Change italic to upright type	(As above)	⊕
Change bold to non-bold type	(As above)	⊖
Insert 'superior' character	/ through character or ∧ where required	Υ or Υ under character e.g. Υ or Υ
Insert 'inferior' character	(As above)	∧ over character e.g. ∧
Insert full stop	(As above)	⊙
Insert comma	(As above)	,
Insert single quotation marks	(As above)	Ƴ or ƴ and/or Ƶ or ƶ
Insert double quotation marks	(As above)	ƴ or ƶ and/or Ƶ or ƶ
Insert hyphen	(As above)	⊥
Start new paragraph	┌	┌
No new paragraph	┐	┐
Transpose	└┐	└┐
Close up	linking ○ characters	Ⓞ
Insert or substitute space between characters or words	/ through character or ∧ where required	Υ
Reduce space between characters or words		↑