

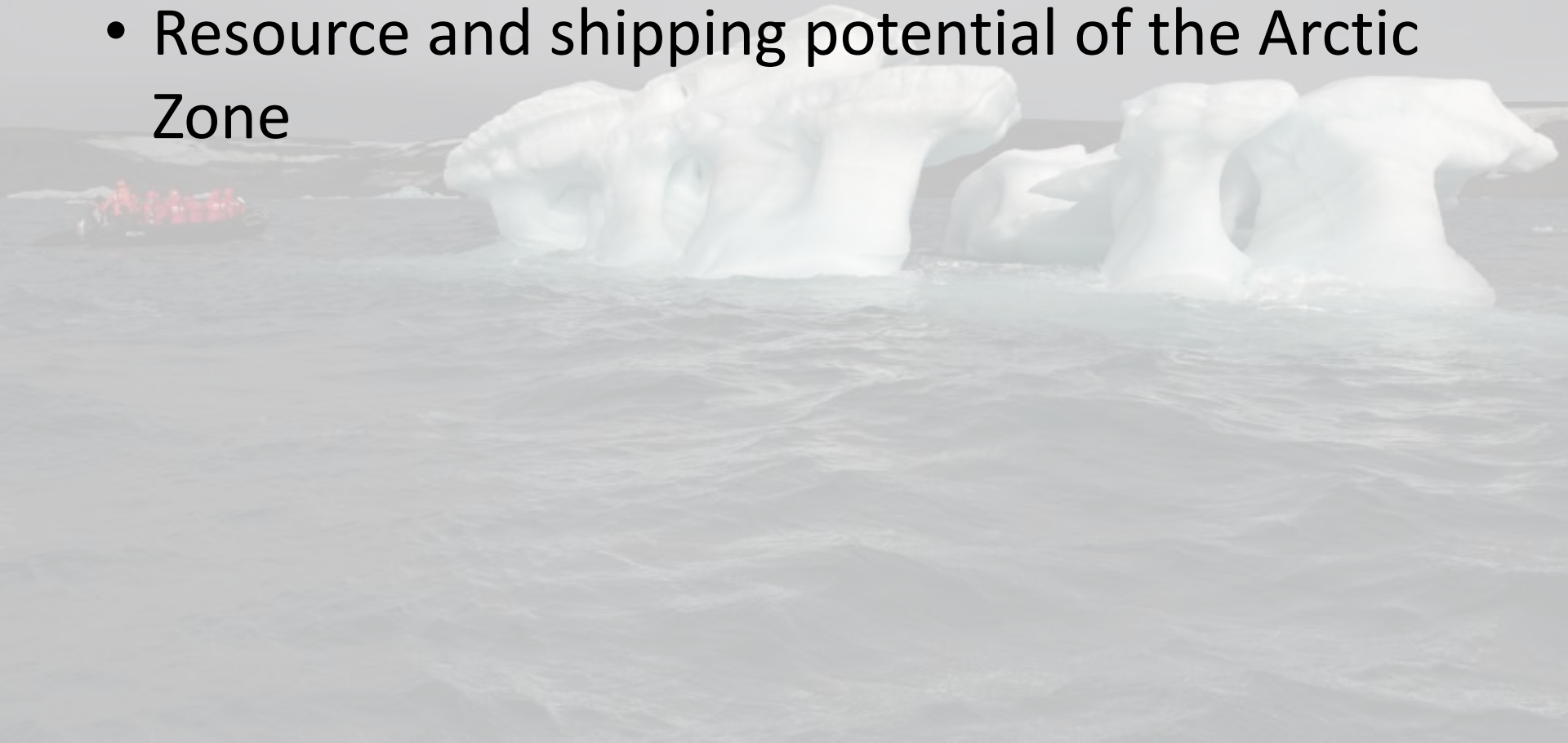
The background of the slide is a photograph of an Arctic sea. In the foreground, several large, white icebergs float on the dark water. In the distance, a small boat with several people is visible on the left side. The overall scene is dimly lit, suggesting a cloudy or overcast day.

***BALLANCED ECONOMIC  
REGULATION of the ARCTIC ZONE:  
PROPORTION of STATE and PRIVATE  
SECTORS***

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# Economic Interest towards Arctic

- Strategic long-term economic benefits
- Resource and shipping potential of the Arctic Zone



# The experience of development and implementation of State Arctic Policy of Russia

- Specific nature of the Region excludes the traditional combination of State and Private self-regulation mechanisms in the Arctic Zone

# Main interests of Russian State Policy for Development of the Arctic Zone

- Strategic utilization of Arctic resource potential for the needs of socio-economic development of the country;
- Preservation of the Arctic as the Zone of Peace and Cooperation;
- Environmental conservation of Arctic eco-systems;
- Utilization of the Northern Sea Route as a universal Russian transport line of communication in the Region;

*Strategy of the Development of the Arctic Zone of Russian Federation and National Security till 2020*

State Program «Socio-Economic Development of the Arctic Zone of Russian Federation», enacted by the decree of the Government of RF from 21.04.2014 № 366.

- Industrial exploration of the region.
- Three main sub-programs:
  - 1) «The formation of base development zones and their maintenance, arrangement of conditions for advanced socio-economic development of the Arctic Zone of Russian Federation»;
  - 2) «Development of the Northern Sea Route and arrangement of navigation in the Arctic»;
  - 3) «Development of oil-gas and industrial machinery technologies and equipment, needed for the exploration of Arctic resource potential»
- Among the first - the goal to arrange the conditions for rising the level of life quality and safety of the population of Arctic Zone of Russian Federation.

# 2020: Russian National Interests

- Sovereignty and territorial integrity of Russian Federation;
- Arctic – territory of peace, stability and beneficial co-operation;
- High living quality and prosperity of the population of Russian Arctic Zone;
- Arctic – strategic resource base for economic growth of Russian Federation;
- Northern Sea Route – competitive transport communication line;
- Protection of the environment;
- Protection of the indigenous environment.

*Strategy of the socio-economic Development of the Arctic Zone of Russian Federation and National Security till 2035*

# Priority of Social Strategical Goals in the Development of the Region


- New high-tech methods for healthcare development;
- Population access to first aid;
- High-quality education;
- Development of professional education;
- Correspondence of industrial specialization of Arctic development zones;
- Partnership with private companies;
- Ecology, environmental management, protection of indigenous heritage;
- Transport accessibility;
- Connection of territories.

# Russia is going to develop the Arctic Region:

- on long-term economic development principals;
- strengthening of its presence in the region on basis of sustainable development: economic interests, ecology responsible resources management, development of human capital;
- with regard to national and regional identity.



# Arctic for Russia:

- Region of long-term global competitor advantages;
  - Conditions of achievement – large industrial projects and development of arterial transport infrastructure;
  - Characteristics of economic model – second generation of governmental documents.
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- A background image showing a polar bear walking across a large, white ice floe in the Arctic sea. The bear is in the center, moving towards the right. The water is dark and choppy. The sky is overcast and grey.

# Economic model of Arctic Development: link with the regions specifics

- Huge energy and natural resources potential;
- Remoteness from centers of economic development;
- Huge territory is unexplored;
- Low density of population;
- Designing of special-economic and social development characteristics from scratch;
- Arctic transport route is parallel to Euro-Asian transport artery;
- The biggest Icebreaker Fleet;
- Effect of military-strategic factor.

# The model of pivotal zonation

- Concentration of industrial sectors;
- Project-based approach
- Coordination of all economic activities on the stages of designing, goal-setting, financing and implementation;
- Zone geography: Kolskaya, Archangelsk, Nenets, Vorkutinskaya, Yamal-Nenets, Taimiro-Turukhanskaya (Norilsk), Northern Yakutia and Chukchi.

# Combined public-private model of development

- Three main subjects:
  - 1) State – on behalf of public authorities and development institutes;
  - 2) Large-scale business – strategic partner of the government in terms of development of the region;
  - 3) Small and Medium Business – with the goal to satisfy the final demand of Arctic population and tourist's flow.

# State goals:

- To create the transport and energy infrastructure;
- To create healthcare, cultural and educational infrastructure;
- Development of science, sports and recreation;
- Housing construction, arrangement of comfort zone;
- **Arrangement of competitive level of living in order to long-term anchoring of the population in pivot zones.**

# State investment expenses

- Positive shocks for economic activity;
- Fillips for the development of consumption market;

## **Difficulties:**

- ✓ Remoteness of the Development Zones;
- ✓ Lack of competitive market for placing of contracts;
- ✓ Rotating scheme initial construction;
- ✓ revenue churn to the regions-origin of working force.

# Important

- Preferential tariff rates of natural monopolies;
- Strict governmental control over the effectiveness and purposefulness of state investments;
- Encouragement of engagement of competent contractors;
- Principle of simultaneous social objects construction;

## **In order to:**

- Get as much multiplicative effect as possible;
- To form the motive of long-term settlement of the population as fast as possible.

# Large-Scale Business: production and technological competences

- Enters the Arctic Region with commercial purposes;

## **Readiness of private capital for social and corporate obligations:**

- Investments into social infrastructure and professional education – opportunity to eliminate labor risks and combined systematic risk;
- High level and cost of investment risks – the reason to enact the preferential regimes.
- **Instruments:** investment tax credits, tax easement, special tariff rates of natural monopolies, co-financing of the investments.



# Small and Medium Business

1. Economic spheres of common specialization;
2. Traditional economic activities of Indigenous people.

# 1. SMB: economic spheres of common specialization

- Retail business and food services, tourism and recreation, passengers transportation, additional education, consumer services and healthcare;
- satisfaction of final demand, which is based on consumer incomes of population;
- Descending of the effects of market self-regulation, effects of competition.
- Need of time and compelling starting conditions in order to attract entrepreneurs.
- **Term – steadiness, strictness and consistency of state policy for the development of the Arctic Zone.**

# Controversies of SMB development

- Enforcement of the demand for SMB services and goods is not creating sustainable competitive effects;
- Accompanied by additional expenses and losses for organization of competitive tendering;
- Loses because of shipments in uncompetitive conditions.
- **effective:** soft tariff rates of transport and energy implementation.
- **effects** of network operators, usage of round routes of transportation.

## 2. SMB in traditional economic activities of indigenous

- Development of agriculture, hunting, fishery, procuring natural products, tourism;
- Trends for ecology responsible behavior and consumption;
- Tolerance and acceptance of multicultural differences;
- Value of traditional culture;
- **High and specific consumption interest.**
- **IMPORTANT:** governmental support of tourist infrastructure and merchandising of recreational products and indigenous products, event-management for attraction of tourists.

# Russian Arctic Development Policy: first results

- Stabilization and growth of population;
- Growth of shipments via the Northern Sea Route;
- Preferential regimes are counting from multiplicative expectations 1 to 10.
- «The whole Russian Arctic became a special economic zone. It is the biggest economic zone in the world (its territory is approximately 5 mln. square kilometers). Today any entrepreneur, who is ready to invest into Russian Arctic no less than 1 mln. rubles, can obtain a resident status», – Yurii Trutnev, vice-premier of the Government of Russian Federation, Presidential Envoy to the Far Eastern Federal District.
- Ministry of the Russian Federation for the Development of the Far East and Arctic received 13 claims for support of investment projects with private investments of 212,5 bln. rubles.
- 7 investment projects with overall private investments of 187 bln. rubles are approved.
- The Arctic Development Fund for financing the social development: it is planned to enlist into it 50% of tax and non-tax revenues from new projects, which are implemented with state support in Arctic Zone of Russian Federation.