

Comments on the presentation by Prof. Pilyasov

Online workshop: Multilevel Governance and Interregional Cooperation:
Vol. 3 – Sustainable regional development, international cooperation and
the protection of the Arctic environment

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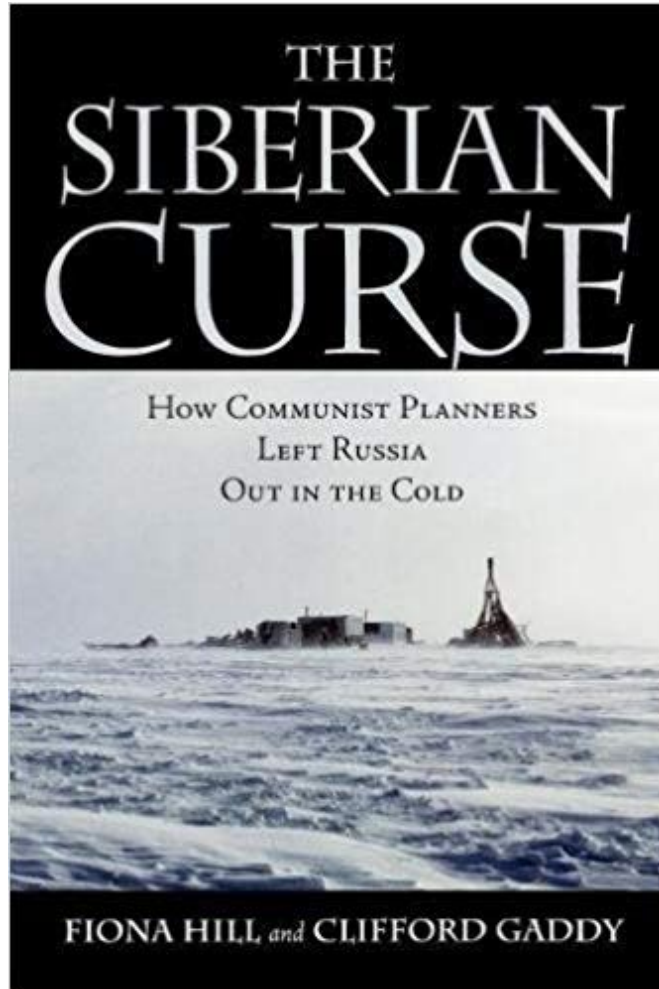
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Prof. Pilyasov raised a very important problem of the Russia's Arctic development, i.e., typology and selection of resource development models, and typology and selection of territorial development or settlement.

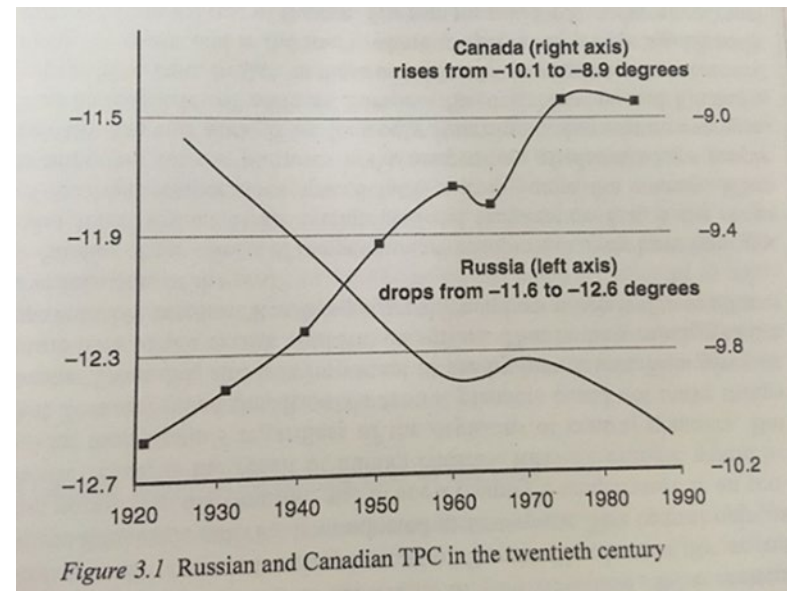
- Пилясов А.Н., Путилова Е.С. Периферийная инновационная система и ее место в процессе освоения ресурсов российской Арктики. В сб.: Российская Арктика сегодня. РФФИ. 2020.
- Пилясов А.Н., Путилова Е.С. Современный ресурсный проект Арктики для промышленной политики России: полюс роста национальной экономики или "собор в пустыне"? Север и рынок: формирование экономического порядка, 2020, том 3, с. 4-17.
- Пилясов А.Н., Потураева А.В. Арктический фасад России: современное состояние, вызовы неравномерного развития и приоритетные меры государственной политики// Вестник Санкт-Петербургского государственного университета. Серия наук о Земле. 2021.



F. Hill & C. Gaddy, *The Siberian Curse: How Communist Planners Left Russia Out in the Cold* (Brookings Institution Press, 2003).

They discussed that in the time of the Soviet Union, many Russians began to live in Siberia for the development of natural resources.

They compared temperature per-capita (TPC) of the USSR and Canada (TPC: population-weighted average temperature). While Canada's TPC rose more than one degree from 1920 to 1990, in Russia TPC decreased thanks to Soviet policies that moved population to the extremely cold regions.



Source: C. Gaddy & W. Ickes, *Bear Traps on Russia's Road to Modernization* (Routledge, 2013), p. 38.

They argued that eventually this caused a huge amount of costs because of the coldness of the region. After the collapse of the Soviet Union, when economic rationality or efficiency became the most crucial criteria for the economic system, population in Siberia drastically declined.

In the 1990s, the Russian Government has tried to implement a resettlement program for those who had been induced to work in the North generations ago.

*Nuykina, Elena (2011) *Resettlement from the Russian North: An Analysis of State-induced Relocation Policy* (Arctic Centre Reports 55). Rovaniemi: University of Lapland
[<https://core.ac.uk/download/pdf/29574444.pdf>]

This argument implies that we have to consider the necessity or the benefits of the economic development and its costs before we begin any development projects.

Question to Prof. Pilyasov (Slide 21) : What does “social costs” mean in the point 4 of the conclusion?

He wrote “There are numerous social costs for the production area from new technological solutions” and mentioned “the costs of social exclusion and extraterritoriality.”

Choices of settlement types or the future of company towns

- In addition to the selection of resource development models, the selection of settlement systems is very important. Prof. Pilyasov argued stationary vs. temporary settlement system (Slide 13) or rotational (growth poles) vs. non-rotational (traditional) territories (Slide 20).
- Apparently, in the case of greenfield project or development of new place (Slide 9), temporary or rotational system is much better than stationary or traditional system. No need to construct a new town (company town or monotown) for the resource development in the Arctic.
- The problem is developing or maintaining existing sites (towns) when the resource production has already peaked out and began to decrease, or completely stopped.
- This is not only the problem in the Arctic, but also the problem in Hokkaido. There are several towns where coal production stopped due to resource depletion. Whether should we maintain these towns or should we encourage emigration (outmigration) and close these towns?

Population in the Arctic

- Whether is it good to increase population in the Arctic, when we take into consideration its costs?
- Strategy of development of the Arctic zone of the Russian Federation and guarantee of national security until 2035 (adopted by Presidential Decree No. 645 of October 26, 2020)
 - Net migration rates (net migration per 1000 inhabitants) in the Russian Arctic

| 2018 | 2024 | 2030 | 2035 |
|------|------|------|------|
| -5.1 | -2.5 | 0 | 2 |
 - The Russian Government still expects the increase in population in the Arctic.
 - Whether is it possible and whether is it desirable? As I told above, new resource developments in the Arctic should be carried out by rotation or temporary workers.

Distribution of rents of resource production

- I agree with Prof. Pilyasov's argument (Slide 19).
 - “Profit centers in corporate headquarters, social and environmental cost centers in mining areas. Growing social inequality within Arctic communities. The benefits of new projects are poorly "spilled" into the regional and local economies.”

The case of Sakha (Yakutia)

- Different contribution of the diamond and oil sectors to the republican economy
- Rough estimates of Sakha's export value in 2018
 - Diamond: USD 3.9 billion
 - crude oil: USD 5.8 billion
- Oil sector
 - Most of the rents or value-added are not realized in Sakha but transferred to Moscow, where oil companies are headquartered.
 - Most of the rents of the oil sector are not realized in the mining industry but realized as trade and transportation margins and taxes due to the low producers' prices.
 - 100% of mineral tax on crude oil: revenues of the federal budget

- Diamond sector
 - The headquarters of Alrosa (diamond monopoly) are located in Sakha. Most of the rents from the diamond sector are realized in Sakha.
 - 100% of mineral tax on diamond: revenues of the republican budget
- Reasons of this differences between the oil and diamond sectors
 - Location of headquarters of mining companies
 - Distribution of mineral extraction taxes between the Center and regions
- What is possible to do to improve this situation?

*S. Tabata, The Contribution of Natural Resource Producing Sectors to the Economic Development of the Sakha Republic, *Sustainability* 2021, 13, 10142. <https://www.mdpi.com/2071-1050/13/18/10142>.