

## The North and the Arctic in the new paradigm of global development: current problems



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VI International Scientific and Practical Conference “The North and the Arctic in the new paradigm of global development. Luzin Readings – 2012” was held in Apatity, 12 – 14 April 2012.

The conferences within the scope of Luzin Readings have been regularly held on initiative of G.P. Luzin Institute of Economic Problems of Kola Science Centre of RAS (once every two years) since 2001. Traditionally, the co-organizers of the conference are Apatity branch of the Saint Petersburg State University of Engineering and Economics, the Government of the Murmansk Oblast and other organizations. This year the conference have been supported by the Nordic Centre for Spatial Development “Nordregio” (Sweden), the Murmansk State Technical University, the Russian Foundation for Humanities (RFH grant № 12-12-51500) and mining-and-processing integrated works JSC Kovdorskiy GOK.

The conference was attended by 152 people; they were the representatives of scientific and educational institutions, government bodies and enterprises. There were scientists from Finland, Norway and Sweden at the conference. According to the program of the conference, there was a plenary session where ten reports were presented.

Seven thematic sections worked in the following areas:

I. Global processes and problems of the Arctic under the conditions of rising economic instability.

II. Rational nature management economy and environmental protection.

III. Social development of the Northern and the Arctic regions: challenges and strategic priorities.

IV. Innovative development of the North economy.

V. Regions and municipalities of Russia’s North: trends, strategies and prospects of socio-economic development.

VI. Trends in public and corporate financial policy under the current economic conditions.

VII. Actual problems of the North through the eyes of young researchers.

“School for Young Researchers” was held in the scope of the seventh section. Russian and foreign scientists gave their lectures here; sixteen reports of young researchers were discussed.

The conferees noted in their plenary presentations and discussions at the thematic sections that in modern conditions the importance of the North and the Arctic as a zone of strategic interests of Russia and other Arctic states increases.

These interests are caused by the unique geopolitical, natural, resource and socio-economic potential of this macro-region. The factors of increased strategic importance of the Russian North and the Arctic are the intensification of globalization processes, sharpened battle for the Arctic resources and the need to embed Russia into a new geo-economic model of the world development as a full-fledged global player, who can make a significant contribution to the pioneering research, development and arrangement of the Arctic areas.

The strategic importance of the North and the Arctic zone of Russia puts the question of the need to organize all kinds of socio-economic activities in this area, including the development of human potential, effective management of natural resources, achieving maximum environmental safety, development of transport, service industries and information service.

Natural conditions in the Arctic and sub-arctic regions of our country are so severe and the reserves of minerals and biological resources are so huge that it is necessary to have an extensive international cooperation with the mobilization of Russian scientific and technological potential and the establishment of the order protecting the legitimate interests of our country. It is reasonable to consider the experience of foreign countries in support to the regions of the North and the Arctic, including the use of tax credits and incentives for the enterprises operating in these areas.

The unique resources of hydrocarbons, that have been developed on the Arctic shelf recently, fundamentally alter the position, prospects and developmental trends of fuel and energy complex and all other sectors in the global economy. Therefore, it is necessary to reconsider the current priorities and form a new concept of efficient, environmental and socially attractive subsurface use in this region.

The “Principles of State Policy of the Russian Federation in the Arctic for the period till 2020 and beyond” adopted in September 2009 proved that the Government had recognized the growing strategic importance of the Arctic areas in our country’s development. However, the implementation of some important statements of these Principles is delayed. Such basic documents as the laws on Russia’s Arctic Zone and the Northern Sea Route, the Strategy for the Development of the Arctic Zone and the State Programme for the Social and Economic Development of Russia’s Arctic Zone haven’t been approved so far.

The system of effective functioning and using science, technology and innovation potential hasn’t been practically formed. Nevertheless, they could become the essential prerequisites for the innovative industrial development of the North and Arctic regions in the medium and long term.

The institutional environment of the northern territories is not adapted to the challenges of a new economy. There is a lack of institutions that are necessary for the development of partnership relations between government, business and society. At the same time, the availability of these institutions is one of the main conditions for the sustainable spatial development of northern territories.

Inefficient management of resource and socio-economic development in the Russian North and Arctic areas are shown in the continuing growth of social problems, which include the reduction in quantitative and qualitative characteristics of human potential in most regions of the North, outflow of the most active working-age population, poor public health, high mortality rate, low standard and quality of life, significant reduction in the economic attractiveness of the North, lack of young professionals including specialists in innovations, discrepancy between the

social infrastructure of the North and modern standards, totality of specific northern problems relating to such exposed social groups as pensioners and indigenous peoples of the North.

The nonhomogeneous space of the Russian North is revealed in various differences (natural, economic, demographic, ethnic, cultural, etc.) not only at the regional level, but at the municipal level mostly. The current municipal policy, which is implemented by the federal authorities, leads to the predominance of centralization and management unification trends and strengthening of various forms of state control over the local authorities, without regard to the specific of municipalities. This doesn't contribute to the development of self-regulation, which is the basis of social stability and economic space.

Social problems of the regions and municipalities of the North and the Arctic require a new developmental paradigm of the North, which should eliminate the colonial character of using northern territories and their resources. It is necessary to take the direction to make the North habitable and create favorable conditions for the population of the North and habitat conservancy.

The new person-oriented paradigm of development requires the responsible attitude of federal, regional and municipal authorities to social policy in the North and the Arctic. The high spontaneity degree of social transformations in Russia, which causes a lot of negative effects, raises the question of the need to harmonize the actions of the federal, regional and municipal authorities, business and civil society in order to achieve positive social results.

As a result of their work, VI International Scientific and Practical Conference adopted the Resolution on the ways that allow overcoming the identified negative trends and addressing the problems of socio-economic development of the North.

The conferees considered that the scientific community should take active part in carrying out researches and developing practice guidelines on their base in the following areas:

**Forming a new northern policy of the state that is adequate to modern global challenges and national interests**, taking into account the interests of the people, who live in the North and the Arctic area of Russia, and that includes a system of the following measures:

**a) at the Federal level:**

- *regulating the legislation of the North* and adopting a package of socially-oriented political, legal and strategic documents (first of all, the Law on Russia's Arctic Zone, the Law on the Northern Sea Route, the Strategy for the Development of Russia's Arctic Zone, the State Programme for the Social and Economic Development of Russia's North and Arctic Zone);

- *developing and implementing the tax and non-tax mechanisms* of equitable distribution of the northern natural resource rent, its redistribution in favour of the northern regions, indigenous ethnic groups and local communities;

- *ensuring the institutional harmonization* of the current distribution system of administrative authorities, their financial security resources and responsibility for their implementation;

- *implementing a subsidiarity principle in the inter-budgetary relations* that provides for the decentralization of financial flows and solves the problems of territorial development at the lowest level, where their implementation is possible and effective;

- *developing the mechanisms for promoting and realizing the social responsibility of business*, including large resource corporations, the development of various forms of public-private partnership;

- *addressing the problem of citizens' mobility*, who wish to leave the northern regions, including the aspects of housing; creating conditions for labour spatial mobility of young and middle aged people in the North;

- *developing innovation processes*, including technological and social innovations, large-scale support for diversification programmes of municipalities, especially the northern one-company towns;

- *creating the specific mechanisms of the northern state policy* concerning different types of local northern communities (cities, one-company towns, national villages, agro-trade villages); implementing the measures aimed at encouraging the self-development of northern regions and municipalities, at the support for local communities' initiatives and the development of civil society and social capital of the North;

- *supporting the development of social services* (health care, education, housing and communal services, physical culture and sports, etc.), development of social and transport infrastructure, implementation of special large-scale northern projects aimed at the rapid modernization of social infrastructure in the North and ensuring the standards for its accessibility and quality, which are comparable to the standards achieved in the developed regions of the foreign North;

**b) measures at the regional and municipal levels** aimed at:

- developing human potential in the northern regions: overcoming the trends of migration and natural population loss, increasing a level of public health and education in the North, including the training of professionals with northern specialization;

- *rise in the standard of living and economic attractiveness of the North*: increase in minimum salary up to the level that isn't lower than two values of the regional living cost; reducing the wage gap between the government sector and manufacturing industries; increase in business responsibility for ensuring northern guarantees and compensations (including the return of the relevant article in the legislation); providing the maximum employment of able-bodied population;

- *improving the economic status and the situation on the labour markets*: active diversifi-

cation of northern economies, primarily, of one-company towns, on the base of small and medium-sized business development, including the service of state-financed resource sectors and industries, tourism (especially eco-tourism and ethno-tourism), agriculture; the development of science and education, including their specific directions for the North; reducing unemployment rate down to its natural level;

- *attracting and assigning of young professionals, including the specialists in innovations*: improving northern youth policy; material support to young families; social infrastructure development; improving comfort living environment; forming public-private partnership for the harmonization between supply and demand on regional labour markets; attracting employers to form training directions in professional education; promoting the participation of resource corporations to employ young specialists for innovation development of the North;

- modernization of social infrastructure in the North: ensuring its conformity to the highest standards and the specifics of the northern regions, new aims of some people, who live in the North and choose a settled way of life in the multigenerational family in the North, as well as to disabled population development; increasing the availability and quality of services; promoting social programmes that are implemented by corporations and aimed at the development of local communities; creating conditions for forming the new mechanisms of interaction between large companies and local communities in the development of social infrastructure;

- *creating conditions for population mobility in the North*: improving the efficiency of government programmes and developing regional and local (involving business, insurance companies) support mechanisms for disabled northerners, who want to leave the North, as well as the labour spatial mobility of young and middle aged population of the North;

- *increasing the involvement of municipalities in the process of strategic planning*, training of

municipal management employees; promoting self-development of the northern municipalities, supporting initiatives of local communities, developing civil society and social capital of local communities in the Russian North and the Arctic.

**2. Implementing a complex of legal, organizational and economic measures within the scope of the national development strategy of the North and Arctic Russia that are aimed at the rational, ecologically balanced natural resource development, innovation development of macro-region's economy, including:**

- intensifying industrial modernization, promoting the renewal of enterprise's fixed capital assets, developing and launching environmental and innovative resource-saving technologies;
- creating favorable institutional environment for establishing territorial and industrial clusters, small and medium-sized mining enterprises;
- improving the scientific and methodological support of the integrated use of mineral resources, strengthening the interdependence between research organizations and enterprises' needs;
- creating conditions for the rise in mining enterprises' competitiveness, increasing their investment in technological modernization that is based on the best technologies minimizing the negative impact on the environment;
- developing innovation infrastructure; promoting industrial parks, business incubators of innovation, research and consulting organizations, service and venture inculcation companies;
- establishing funds that finance innovation companies; increasing assignments for financing of research and educational organizations in the northern regions;
- encouraging more efficient use of renewable biological resources, in particular through the increased integration of ocean fishing organizations, fishing fleet renovation, development of innovative technologies of advanced processing of biological materials.

**3. Implementing complex measures aimed at the elimination of the backlog in the country's development of the Arctic shelf and strengthening national positions in this strategic region, including:**

- system analysis and preparing the development forecast for global markets of energy resources in order to work out the Strategies of the Arctic Oil and Gas Fields Development that takes into account the energy-saving programme, formed by the European Union, and intensify shale gas production in North America;
- working out the Strategy on the Development of the Arctic Shelf (up to 2030) taking into account the proposed disposal facilities in the petroleum sector and increasing the level of reserves no less than in 15 years;
- integrated assessment of innovation opportunities and economic conditions of the Arctic shelf and defining recoupment parameters of various courses of events on the world markets;
- creating a system of tax and legal support to the development of the Arctic shelf through the use of licensing mechanism and production sharing agreements; at the same time it is necessary to pay greater attention to the consideration of regional interests in mining;
- working out the Concept for the development of the Northern Sea Route as a basic element of oil and gas production and transportation, reflecting Northern Sea Route's transit opportunities in ensuring national priorities and national security.

The conferees ask the Government of the Russian Federation, the Federal Assembly of the Russian Federation, the Russian Academy of Sciences, administrations of the northern regions, business associations, trade unions and associations, civil society and experts to continue the dialogue on key issues of the development of the Russian North and the Arctic within preparing for 54 European Congress of the International Regional Science Association in St. Petersburg in 2014.