

Perspective Model of Business Development in the Far North

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1. Introduction

One of the main requirements for stable business development is the balance of all the constituent elements of its economy. The equilibrium problem is devoted to a whole direction in economic theory. If there is no equilibrium in the system, various negative phenomena may occur. Therefore, economic policy is advisable to build on the basis of the most effective methods of regulation.

All the Northern regions are characterized by difficulties for doing business due to the lack of developed infrastructure, poor transport logistics due to remoteness, limited access to venture capital.

The role of the northern regions in ensuring security and geopolitical interests of Russia is reflected in the relevant legal and regulatory documents: Decree of the Government of the Russian Federation of 07.03.2000 No. 198 "Concepts of state support for economic and social development of northern regions", Law of the Russian Federation of February 19, 1993 N 4520-1 "On State Guarantees and Compensations for Persons Working and Living in the Far North Regions and Equal Areas Equal to Them", etc.

Many enterprises of the North of Russia are city-forming, employed either in the military industrial complex or in the extraction of a certain type of mineral or energy resources.

Scientific developments in the development of the northern territories, starting from the sixties, were based on the General scheme of development and distribution of the productive forces of the USSR. A.G. Granberg, V.V. Kistanov, N.N. Nekrasov, S.V. Slavin and others took part in the development of the theory of integrated socio-economic development of the regions of the North.

The sixties - eighties - this is the heyday of industry in the northern regions, with active government regulation.

The weakening of state regulation had a particularly negative impact on the social level of life of northerners. The reforms came into conflict with the policy of state protectionism in relation to the northern regions due to not only their geopolitical and strategic importance for the economy of the Russian Federation, but also due to the specifics of work and life in particular climatic conditions. The economy of the North, oriented towards the mining industry, was unable to provide work in the new market conditions for the entire able-bodied population of the region, and the state was not able to maintain a decent standard of living for the disabled population.

“The concept of state support for the economic and social development of the regions of the North”, adopted in March 2000, is focused on the self-development of regions, there is a change in state policy - from state protectionism to encouraging the self-development of agents of the northern economy. Some researchers (Pilyasov A.N., Smorchkova V.I.) believe that as a result of the adoption of this concept, an adequate institutional environment of a market economy began to take shape, and part of state powers are transferred to large resource companies.

In our opinion, the opportunities for self-development of the regions should have arisen as a result of protectionism policies, covering part of the cost of reproduction of all types of capital, which corresponds to the global practice of regulating the development of the northern territories.

2. State regulation of the industrial development

State regulation of the industrial development of the northern regions is now in their practically colonial exploitation. The export-raw material scenario of the development of Russia is carried out mainly at the expense of the northern territories, while the added value for other regions is minimal. Accordingly, in the industrial development of the northern regions, it is necessary to focus on creating the institutional conditions for the formation of the reproduction of all types of capital with an active state presence as a subject of regulation.

We believe that the participation of the state in the development of industry in the northern regions is necessary insofar as a significant resource component of the industrial sector in these regions, with the raw materials orientation of the Russian economy, is of particular importance in exporting and forming the revenue side of the budget. At the same time, there is a contradiction between the objectives of the state with respect to non-renewable resources: on the one hand, the significant role of the extractive activities in the country's economy, and on the other hand, the loss of value added created in the processing of resources during their export. This contradiction can be resolved during the transition from raw materials to an industrial economy, which means the development of processing of these resources in Russia. At the same time, the role of the state is to coordinate the implementation of certain intentions of possible participants in these processes, from the standpoint of national economic efficiency.

Consider the experience of the northern states with similar geographical characteristics, in terms of state regulation of their industrial development.

The industrial activity of the northern states is based on the primary development of resource-extracting and resource-processing industries, by analogy with the industrial development of the northern territories of Russia. Considering the foreign experience in regulating the development of the northern territories, it should be noted that the main features are:

- dominant participation in the development of the northern economies of large corporations;
- active participation of the state, expressing in the continuous evaluation and modernization of the “northern” legislation, which gives additional benefits to organizations and enterprises engaged in economic activities in hard-to-reach areas.

State subsidies occupy the main share in the expenditure part of the budgets of undeveloped territories, their value reaches 75%. Managing the development of such territories is centralized; state efforts are directed at improving the even distribution of income from the use of the natural resources of the North. This is typical for Canada and the Nordic countries.

The Table 1 provides an overview of the specific features of the state policy for the development of northern territories abroad; moreover, an assessment has been made of the possibility of its use in the Russian Federation.

Table 1. State regulation of industrial development of business in the northern regions - international experience.

Country	Document's name	Key areas of government regulation	Ability to use in Russia
Norway	“Northern regions: prospects and solutions”	<p>Internal and external policy orientation.</p> <p>The development strategy of the northern regions defines knowledge as the core of the priority development of the northern regions.</p> <p>And also, as a direction, they highlight the development of resources, the increase in shipping activity, the use of additional transport routes and opportunities opened up in connection with climate change; formation of the contours of the new oil and gas region, taking into account forecasts of the presence of large hydrocarbon reserves in the Barents Sea</p>	<p>The task of the Norwegian government is to competently and thoughtfully use all the possibilities of the region. Only deep knowledge can be the key to these opportunities, therefore the scientific and educational circles of Northern Norway are important partners of the government.</p> <p>Norway’s regional development is 90% at the expense of government programs.</p> <p>In 1990, the Oil Fund was created, accumulating oil revenues and investing them in government bonds and stocks of companies from other countries.</p>
Denmark	"Kingdom of Denmark Strategy for the Arctic 2011-2020"	<p>Mostly internal orientation.</p> <p>Independent growth and development: sustainable exploitation of mineral, biological resources, integration into international trade, cooperation in the Arctic on health and social development issues.</p> <p>- implementation of local infrastructure development projects in order to involve small settlements in the Arctic zone in the field of tourism</p> <p>ensuring social sustainability of the development of major industries, including maximum possible use of the local population as a work force, ensuring safety of health and the environment, as well as ensuring public participation in the development of the industrial sector</p>	<p>Supporting the adaptability and mobility of the population of the Arctic zone, taking into account climate change, including professional training of highly qualified personnel of the mining industry and types of marine activities, taking into account the specific conditions of life in the Arctic and involving representatives of indigenous peoples.</p> <p>Distribution of resource rent in favor of the local community</p>
Finland	Finland’s Strategy for the Arctic Region	<p>Positioning Finland as an international expert in innovation, investment, research, increasing the presence of Finpro in the Barents Region</p>	<p>7.5</p> <p>14.4</p>

Since the early 1990s, indirect EU regional industrial policy measures have been used in many EU countries, which were aimed at increasing the investment attractiveness of certain territories.

A lot of research has been devoted to the problems of state regulation of the development of the industrial sector in small business in the northern regions of the United States, Canada, and the Nordic countries. In all the works, the idea of the need for state care of the raw materials industries and regions of the North is traced. The solution to this problem has characteristic features in each country, but it is possible to trace the general directions of measures taken to stabilize the economic situation of the northern territories, which are as follows:

- 1) Almost all the northern states in order to develop the industrial sector of the economy in small business create special regional stabilization funds.
- 2) Efforts are being made to diversify the economy, special attention is paid to small single-industry centers of the mining industry.
- 3) Control of areas with resources.
- 4) Application of a special tax regime.

3. Conclusion

Pursuant to the instructions of the President of the Russian Federation following the results of the joint meeting of the Presidium of the State Council and the Consultative Commission of the State Council of the Russian Federation, held on November 12, 2016, the Government of the Russian Federation Order No. 147-p of January 31, 2017 approved target models for simplifying business procedures and increasing investment attractiveness of the constituent entities of the Russian Federation, including the target model "Support for small and medium-sized businesses". This model takes into account practical experience in implementing support measures at the regional level and is a set of minimally necessary actions.

For enterprises in the Far North, the following stages of the implementation of this support are possible:

1. Organization of the provision of infrastructure support - the development and implementation of measures for the development of organizations that form the infrastructure of property support and popularization of the organizations. The implementation of this stage is possible in the creation of fully or partially at the expense of the budget of the constituent entity of the Russian Federation industrial sites designed to accommodate production facilities, the territory provided with the necessary transport, energy, engineering and other infrastructure.
2. The organization of the provision of property support - approval of lists of state and municipal property.
3. Implementation of measures aimed at training - the development and implementation of measures to train employees in new competencies in the field of business.
4. Stimulating the demand for products - the development and implementation of measures aimed at raising awareness of the procurement of goods, works and services by major customers. Placement on the regional official website of information support or on the official website of the subject of the Russian Federation of information on plans for the procurement of goods, works, services by the largest customers, including the planned volumes and timing of such purchases.
5. Formation of a system of tax benefits - setting a tax rate of 0% for newly registered individual entrepreneurs who use the simplified or patent taxation system and carry out entrepreneurial activities in the production, social or scientific spheres, as well as in personal services.

The complex of these measures will help enterprises in the regions of the Far North to get out of crisis, thereby increasing the economic security of the entire region.

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