

ICEST 2021**II International Conference on Economic and Social Trends for Sustainability of Modern Society****PROSPECTIVE MODEL OF BUSINESS DEVELOPMENT IN THE
CONDITIONS OF THE FAR NORTH**

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Abstract

Ensuring regional economic security is becoming one of the priority tasks of the state. At the same time, despite the fact that the problems of sustainable development of regions and their industrial complexes are considered by many Russian scientists, insufficient attention is paid to the analysis of the links between the sustainability of the development of small enterprises in the regions of the Far North and their economic security, and therefore many issues of theoretical and methodological support for increasing economic security remain not updated. This is what predetermined the formation of the scientific hypothesis of the study: for small enterprises of the Far North, it is necessary to use a special approach to the development of indicators of sustainable development. The influence of unfavorable social and economic factors on the development of this region increases the importance of developing programs for adaptation to the influence of the external environment, characterized by mobility, uncertainty and instability. Thus, the purpose of the research was to develop methodological aspects of the formation of the economic security of enterprises in the Far North. This article examines the experience of northern states with similar geographic characteristics in terms of state regulation of their industrial development and suggests possible stages of implementation of the target model "Support for small and medium-sized businesses" for enterprises in the Far North.

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1. Introduction

The topicality of this study is due to the fact that all Northern regions are characterized by difficulties in doing business due to insufficiently developed infrastructure, poor transport logistics due to remoteness, and limited access to venture capital. State regulation of the industrial development of the northern regions is currently in their almost colonial exploitation. The export-raw material scenario for 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 institutional conditions for the formation of the reproduction of all types of capital with an active state presence as a subject of regulation. The participation of the state in the development of industry in the northern regions is necessary, since a significant resource component of the industrial sector of these regions, given the raw material orientation of the Russian economy, is of particular importance in exports and the formation of the budget revenues.

2. Problem Statement

The weakening of state regulation had a particularly negative impact on the social standard of living of northerners. The reforms came into conflict with the policy of state protectionism in relation to the northern regions due not only to their geopolitical and strategic importance for the economy of the Russian Federation, but also due to the specifics of work and life in special climatic conditions. The economy of the North, focused on the extractive industry, was unable to provide work in the new market conditions for the entire able-bodied population of the region, and the state was unable to maintain a decent standard of living for the dependent population. In order to solve these problems, it is necessary to develop a set of measures that will help enterprises in the Far North to get out of the crises and thereby increase the economic security of the entire region.

3. Research Questions

In the article the issue of ensuring regional economic security in the Far North is examined, as well as problems are identified and a set of measures that will help enterprises to get out of the crises and thereby increase the economic security of the entire region are developed.

4. Purpose of the Study

The goal of the research is to examine the experience of northern states with similar geographic characteristics in terms of state regulation of their industrial development and suggest possible stages of implementation of the target model “Support for small and medium-sized businesses” for enterprises in the Far North.

5. Research Methods

The role of the northern regions in ensuring the security and geopolitical interests of Russia is reflected in the relevant regulatory documents: Governmental Decree of the Russian Federation No. 198 “Concept of State support for the economic and social development of the regions of the North” dated 3 July 2000, Russian Federation Law No. 4520-1 “On state guarantees and compensations for people working and living in the Far North and equivalent areas” dated 19 February 1993 and others.

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

Scientific research results for reclamation of the northern territories, starting from the sixties, were based on the General Scheme of the development and distribution of the productive forces of the USSR. A lot of scientists took part in the development of the theory of complex social and economic development of the regions of the North.

In the 1960-1970s there was a period of flourishing of industry in the northern regions with active government regulation.

The weakening of state regulation had a particularly negative impact on the social standard of living of northerners. The reforms came into conflict with the policy of state protectionism in relation to the northern regions due not only to their geopolitical and strategic importance for the economy of the Russian Federation, but also due to the specifics of work and life in special climatic conditions. The economy of the North, focused on the extractive industry, was unable to provide work in the new market conditions for the entire able-bodied population of the region, and the state was unable to maintain a decent standard of living for the dependent population (Kolochkov, 2017).

“The concept of state support for the economic and social development of the regions of the North”, adopted in March 2000, is focused on self-development of regions; a change in state policy, from state protectionism to encouraging the self-development of agents of the northern economy, takes place. Some researchers believe that as a result of the adoption of this concept, an adequate institutional environment of a market economy began to form, and a part of state powers is transferred to large resource companies (Pilyasov & Zamyatina, 2019).

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

State regulation of the industrial development of the northern regions is currently in their almost colonial exploitation. The export-raw material scenario for the development of Russia is carried out mainly at the expense of the northern territories, while the added value for other regions is minimal (Molchan et al., 2016). Accordingly, in the industrial development of the northern regions, it is necessary to focus on creating 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 of these regions, given the raw material orientation of the Russian economy, is of particular importance in exports and the formation

of the revenue side of the budget. At the same time, there is a contradiction between the goals of the state in relation to non-renewable resources: on the one hand, the significant role of extractive activities in the country's economy, and on the other hand, the loss of added value created in the processing of resources during their export. This contradiction can be resolved during the transition from a raw material 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 (Kazakov & Klimakova, 2010).

The experience of northern states with similar geographic characteristics from the perspective of state regulation of their industrial development is considered.

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 (Avdiyskiy, 2012). Considering the foreign experience of regulating the development of 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, which expresses in the continuous assessment and modernization of the “northern” legislation, which gives additional benefits to organizations and enterprises engaged in economic activities in hard-to-reach areas.

6. Findings

State subsidies occupy the main share in the expenditure side of the budgets of underdeveloped territories, their value reaches 75% (Ilmo, 2008). The management of the development of such territories is centralized; the efforts of the state are aimed at improving the even distribution of income from the use of natural resources of the North. This is typical for Canada and the Nordic countries.

The table 1 provides an overview of the features of the state policy for the development of northern territories abroad; in addition, an assessment of the possibility of its use in the Russian Federation is carried out.

Table 1. State regulation of industrial development of business in the northern regions, foreign experience

Country	Document name	Key areas of government regulation	Possibility of use in Russia
Norway	"Northern Regions: Prospects and Solutions"	Internal and external policy direction. The strategy for northern regions development defines knowledge as the core of priority development of the northern regions. Development of resources, an increase in shipping activity, use of additional transport routes and opportunities that open up in connection with	The task of the Norwegian government is the competent and thoughtful use of all the possibilities of the region. The key to these opportunities can only be in-depth knowledge, which is why the scientific and educational community in Northern Norway is an important partner of the government.

		climate change are singled out as directions; formation of the contours of a new oil and gas region, taking into account forecasts of presence of large hydrocarbon reserves in the Barents Sea.	Regional development of Norway is 90% carried out at the expense of government programs. In 1990, the Oil Fund was created, accumulating oil revenues and investing them in government bonds and shares of companies in other countries. Supporting the adaptability and mobility of the population of the Arctic zone, taking into account climate changes, incl. professional training of highly qualified personnel in the mining industry and types of maritime activities, taking into account the specific conditions of life in the Arctic and with the involvement of representatives of indigenous peoples. Distribution of resource rent in favour of the local community.
Denmark	“Kingdom of Denmark Strategy for the Arctic 2011-2020”	Mostly internal focus. Independent growth and development: sustainable exploitation of mineral and biological resources, integration into international trade, cooperation in the Arctic on health and social development. - implementation of local infrastructure development projects in order to involve small settlements of the Arctic zone in the tourism sector ensuring the social sustainability of the development of the main industries, incl. the maximum possible use of the local population as a labour force, ensuring the safety of health and the environment, as well as ensuring participation of population in the development of industrial sector. Positioning Finland as an international expert in innovation, investment, research, strengthening Finpro's presence in the Barents Region.	Innovative orientation of the development of the northern territories. Creation and development of social and transport infrastructure in sparsely populated areas.
Finland	“Finland’s Strategy for the Arctic Region”		

Since the early 1990s, many EU countries began to use indirect measures of regional industrial policy, which were aimed at increasing the investment attractiveness of certain territories (Korchagina, 2012).

A lot of research has been devoted to the problems of state regulation of development of industrial sector in small business in the northern regions of the United States, Canada, and the Nordic countries. In all works, the idea of need for state guardianship of raw materials industries and regions of the North is considered (Kazakov & Lystsev, 2014). The solution of this problem has specific 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 the following:

- almost all northern states create special regional stabilization funds for the development of the industrial sector of the economy in small business;
- measures are being taken to diversify the economy; special attention is paid to small single-industry centers of the extractive industry;
- territories with resources are controlled;
- special tax regime is applied.

To fulfill 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 Advisory Commission of the State Council of the Russian Federation, held on November 12, 2016, by the order of the Government of the Russian Federation dated January 31, 2017 No. 147-r, target models of 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" were approved. This model takes into account the practical experience of implementing support measures at regional level and is a set of minimum necessary actions.

7. Conclusion

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

1. Organization of provision of infrastructure support, working out and implementation of measures for the development of organizations that form the infrastructure of property support and popularization of the activities of organizations. The implementation of this stage is possible, in full or in part, at the expense of the budget of a constituent entity of the Russian Federation of industrial sites used for placement of production facilities, the territory provided with the necessary transport, energy, engineering and other infrastructure.

2. Organization of 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 doing business.

4. Stimulating demand for products, development and implementation of measures aimed at raising awareness of the procurement of goods, works, services by major customers. Posting on the regional official website for information support or on the official website of a constituent entity 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 incentives, the establishment of a tax rate of 0% for newly registered individual entrepreneurs applying a simplified or patent taxation system and carrying out entrepreneurial activities in production, social or scientific spheres, as well as in the sphere of public services to the population.

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

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