



Tax Mechanisms of Economic Development and the Improvement of Migration Situation in the Russian Arctic

Svetlana A. Sukneva^{1*}, Inga V. Nikulkina²

¹Research Institute of Regional Economy of the North, North-Eastern Federal University, Yakutsk, Russia, ²Financial Economic Institute, North-Eastern Federal University, Yakutsk, Russia. *Email: sa.sukneva@s-vfu.ru

ABSTRACT

The paper deals with the economic and demographic development of the Arctic regions of Russia. It shows the features of demographic dynamics consisting in a sharp reduction of the population, a significant contribution that migration plays in the formation of the population. Based on the analysis of two population surveys of the Arctic regions of the Republic of Sakha (Yakutia) the paper presents the views of residents about their everyday problems that the people are mostly concerned about, the causes of migration, the expectations of changes in migration plans of their children. A conclusion is made about the necessity of state support of the Arctic regions, solving social and economic problems of life in the Arctic, and, above all, the preservation of the population, improving the conditions and quality of life, supporting traditional economies and way of life of the Arctic's indigenous peoples. In order to create favorable tax conditions in the Arctic zone of the Russian Federation, the authors propose to create an enabling system of taxation and customs regulations with the aim of stimulating investment, entrepreneurship activities and enhancing the effectiveness of the implementation of projects aimed at socio-economic development of the Russian Arctic.

Keywords: Arctic, Migration, State Support, Tax Regulation

JEL Classifications: H10, R23

1. INTRODUCTION

Demographic development of Russia in recent years characterized by a marked improvement in performance, which determined by an increase in the birth rate and decrease in mortality. However, the huge territory of the country predetermines the significant differentiation of demographic processes and substantial improvement of the demographic situation in the southern and western regions of Russia in contrast to the continuing decrease in the population of the northern and eastern areas of the country. A particularly critical situation has developed in the Arctic zone of Russia, which is one of the extreme regions of the world.

Since 1991, the country has undergone major changes in politics and economics, associated with the collapse of the Soviet Union, and then with the reforms in the new Russia (Iontsev, 1999; Moiseenko, 2004; Rybakovsky, 2009). One of the main consequences of these changes is the migration outflow of population from the eastern and northern regions, which caused a

significant decline in the population numbers of these territories. The Arctic residents have experienced all the dire consequences of the transition period. All the previous state programs for the development of the northern territories were terminated, and no new programs were created for a long time. The decline in production, the closure of enterprises, progressive unemployment, declining living standards of the majority of the population, the poor state of social infrastructure have dramatically worsened the quality of life for the most part of the population, and increased the uncontrollability of migration that has led to a significant migration outflow of the population. According to Rybakovsky, the Siberian and Far Eastern regions in the period of 1991-2010 lost due to migration more than 2.2 million people in total. At the same time, the greatest population decline in Siberia and the Far East has been observed in the northern regions (Rybakovsky and Kozhevnikova, 2015). The decrease in population is observed as a result of both migratory outflow and the natural decline in population (Fauzer, 2013). The population of some areas of the Arctic has decreased by as much as 80%. The Arctic zone is now

mainly represented by indigenous peoples (Tatarkin, 2014). The remaining population is engaged mainly in the public sector, trade, agriculture, traditional crafts. The volume of production is very low and there is a high dependency on state support.

Social and economic changes play a dominant role in the Arctic, the impact of which is comparable to or even surpasses the impact of climate dynamics (Pilyasov, 2015; Larsen and Fondahl, 2014). The quality of life of the population, the problem of accumulation of human capital remain major challenges for the modern Russian Arctic (Lukin, 2014). There is a danger that the population of the Russian Arctic, will not only fail to be a factor in modernization, economic and social development, but will simply be unable to maintain the infrastructure of the economy of the Arctic zone of Russia, even at the current very low level. Strategic resources of the Russian Arctic are not only its natural resources, oil, gas, communications, marine and air routes, but also the people, the human capital. The key to the formation and development of human capital, which is critical for the successful future of Russia and its regions, is to increase internal migration mobility of the population (Iontsev and Magomedova, 2015). The reproduction of the human capital is inextricably linked with the reproduction of the population and its numbers. In some European countries today “migration becomes the dominant or the only factor of population growth” (Coleman, 2004: 19). As a difficult socio-demographic process, migration is closely associated with other social processes, it is primarily due to the regional differentiation of living conditions of the population, and on the other hand, by virtue of its mass and selectivity, stands as one of the essential factors of the socio-economic and demographic development of a territory (Vorobieva and Topilin, 2012). The main reasons for migration are socio-economic ones – movements in search of jobs, higher incomes, migration for the purpose of changing lifestyle, getting education, as well as demographic, environmental and other reasons (Moiseenko, 2004; Fauzer, 2013).

Changes in the spatial distribution of the population will inevitably cause a variety of demographic consequences. It includes postponing marriage, more frequent spousal separation, reduced fertility, changes in the age distribution caused by the fact that the structure of migrants is always different from the structure of the population as a whole (in their places of origin and destination) (Taba, 1977). An important aspect of the impact of migration on the formation of the population is the changing age structure of the population (Rybakovsky and Churakov, 1978; Vinokurova and Fedorova, 2001).

The territories of the Arctic zone are characterized by complex climatic conditions unfavorable for living: Long polar winters, low oxygen, sudden changes in atmospheric pressure and temperature, etc. (Maleva, 1998).

The main specific features of the Russian North as a special object of state regulation and support in addition to the extreme climatic conditions also include the extreme vulnerability of the environment and the irreversibility of its damage, as well as a significant proportion of indigenous peoples in the total population of the Arctic regions. The indigenous peoples, well adapted to life

in the extreme climatic conditions, find it difficult to adapt to the changing socio-economic conditions, losing their ethnic, cultural traditions and language. There has been a significant reduction in the biological resources necessary for subsistence and traditional activities of these peoples (Kozlov and Rytova, 2014).

In recent years there has been a growing interest in the Arctic, associated primarily with the development of mineral resource base of the region. A number of strategic planning documents have been adopted to ensure the development of the Russian Arctic (Selin and Bashmakova, 2013; Nikulkina, 2014).

The Arctic has long been and remains an area attracting the attention of industrialists, researchers, extreme travellers and, of course, the leaders of the Arctic countries eligible for the development of the Arctic territories. The reasons for the increased interest of the international community are the increasing scarcity of many resources, especially fuel and energy, and the fact that the Arctic is a huge source of resources (The Russian Arctic: Modern Development Paradigm). The development of oil and gas and mineral resources directly affects the interests of indigenous peoples of the north, most of whom lead the traditional way of life and are engaged in reindeer herding, fishing, hunting and other crafts. Despite their relatively small population, the indigenous peoples of the north are widely settled in the territory and their ancestral lands often coincide with the places of exploitation of natural resources (Tatarkin, 2015).

The Arctic indigenous peoples’ traditional way of life, developed for many centuries in the harsh conditions of the north, should be regarded as cultural heritage, an essential part of the historical heritage and should be preserved as such. It is necessary to create and maintain a favorable social environment for the population living in the extreme climatic conditions of the northern territories. It is necessary to maintain employment in the region, including representatives of the indigenous peoples and members of the families of employees of the public sector and large enterprises.

2. MATERIALS AND METHODS

The purpose of this article is to analyze the economic and demographic factors in the development of the Arctic regions of Russia. The article is focused on the issue of migration due to its importance for the development of the northern and Arctic regions of Russia.

The analysis of demographic changes contained herein covers the period from 1990 to 2014. This period was chosen owing to the fact that it coincided with the radical changes in the socio-economic, political reconstruction of the Russian and its regions that have influenced the demographic processes.

The study was conducted using quantitative and qualitative methods of analysis. The paper describes demographic factors used in the analysis of the components (migrational and natural) population change, which made it possible to evaluate their role in the demographic dynamics. The comparative analysis of the ethnic composition is based on the materials of the 2002

and 2010 All-Russia population censuses. In order to assess the Arctic population's attitude to the conditions of their life through the study of everyday problems and identifying the population's view of changing their place of residence, as well as reasons for such sentiments, materials of two population surveys were used. The first survey was conducted in 2005 in the Arctic districts of Republic of Sakha (Yakutia) (Bulunsky, Verkhoyansky and Vernekolymsky districts). The survey polled 967 people. The second survey was conducted in the Bulunsky district in 2014, when 122 people took part in the survey.

The substantiation of methodological guidelines and recommendations on the formation of the system of financial control and management of the development of the Arctic zone of the Russian Federation, the argumentation of the findings are based on the integrated, systematic approach and use of the systemic, interdisciplinary, comparative, analytical scientific methods.

3. RESULTS

3.1. Migration and Demographic Development of the North-East of the Russian Federation

In the North-East lies the largest territorial entity of the Russian Federation – the Republic of Sakha (Yakutia). The territory of Yakutia is more than 3 million km², 40% of which is above the Arctic circle. The whole of Yakutia is situated in the permafrost zone, in extreme climatic conditions. The Arctic regions of the republic is especially characterized by low density and ongoing outflow of population, long distances between settlements, most of which are scarcely populated, a high level of morbidity, decrease in the quality of education and health services.

Let us consider the features of the demographic development of the Arctic areas of the Republic of Sakha (Yakutia) (group of regions), whose territory is traditionally inhabited by the indigenous peoples. The total area occupied by the 13 districts is about half Yakutia territory (1,608,900 km²) (Statistical Yearbook, 2014. p. 8). At the beginning of 2014, 69,400 people lived there, or 7.3% of the total population (Table 1). The reduction of the population of the territory, as well as of all the northern regions

of Russia, has been taking place since 1990. The total losses of the Republic of Sakha (Yakutia) for the period from 1990 to 2014 amounted to 14.1%, while in the group of the regions in question it decreased by more than half (53.7%), and in some areas, for example, in the Ust-Yansky district, there remains only 17.2% of the former population. The main cause of population decline was the migration loss. The migration losses are associated with the outflow of the population outside the republic, as well as to the central regions of Yakutia.

The 13 Arctic and Northern areas of the Republic of Sakha (Yakutia) include 86 urban and rural settlements. As of January 01, 2014 the population of the Arctic and Northern districts was 7.3% of the republic's total population, the proportion of the rural population is almost twice the republican average - 60.8%. Since 1990, the population of the Arctic districts of the republic fell by more than 2 times, and migration loss increased by 1.5 times.

Negative demographic processes have occurred in all of the Arctic districts, the greatest population decline is observed in the Ust-Yansky and Nizhnekolymsky districts. The main reason for the sharp decline in population is the closure of manufacturing plants.

The list of places of traditional residence and traditional economic activities of indigenous minorities of the Russian Federation consists of 70 settlements of 21 districts of the Republic of Sakha (Yakutia), of which 49 settlements, or 70%, are located in the Arctic and Northern regions. The total number of indigenous peoples according to the All-Russia Population Census in 2010 was 39,936 people, 20,326 or 51% of which reside in the Arctic and Northern districts. Data on the results of the All-Russia Population Census-2010 showed that in comparison with the 2002 census, the number of indigenous peoples of Yakutia increased by 121.5%, including the Evenks - by 15.2%, Evens - by 29.3%, Dolgans - by 49.8%, Yukagirs - by 16.8%, Chukchi - by 11.3% (Resolution, 2014).

The main factors of migratory outflow of the population are tensions on the labor market, poor social infrastructure and changing life preferences of the population. The unemployment rate in most

Table 1: Dynamics of the population of the Republic of Sakha (Yakutia), 1990-2014, thousands of persons

Territory	1990	2002	2010	2011	2012	2013	2014	2014/1990%
Republic of Sakha (Yakutia)	1111.5	951.5	958.3	958.3	955.9	955.6	954.8	85.9
Group or districts, total	150.0	81.7	74.2	73.9	72.8	71.2	69.4	46.3
Including								
Abyysky	6.2	4.8	4.4	4.4	4.4	4.3	4.2	67.7
Allaikhovsky	5.4	3.4	3.1	3.0	2.9	2.9	2.8	51.9
Anabarsky	4.0	4.0	3.5	3.5	3.4	3.4	3.4	85.0
Bulunsky	17.6	9.8	9.1	9.1	9.4	8.9	8.5	48.3
Verkhnekolymsky	10.5	5.8	4.8	4.7	4.6	4.4	4.3	41.0
Verkhoyansky	22.1	13.7	12.8	12.8	12.4	12.0	11.7	52.9
Zhigansky	5.8	4.3	4.3	4.3	4.3	4.3	4.2	72.4
Momsky	5.5	4.7	4.5	4.5	4.4	4.3	4.2	76.4
Nizhnekolymsky	14.0	5.9	4.7	4.6	4.5	4.5	4.4	31.4
Olenyoksky	4.0	4.1	4.1	4.1	4.1	4.1	4.0	100.0
Srednekolymsky	9.4	8.4	7.9	7.9	7.8	7.7	7.5	79.8
Ust-Yansky	42.9	10.0	8.1	8.1	7.8	7.6	7.4	17.2
Eveno-Bytantaysky	2.6	2.8	2.9	2.9	2.8	2.8	2.8	107.7

Calculated by: Republic of sakha (Yakutia) statistics, 2014. p. 12

regions, except Nizhnekolymsky, exceeds the republican average (7.4%). For example, the unemployment rate in the Bulunsky district is 15.6%. The economic motives remain the predominant cause of migration (Sukneva, 2013). The highest migration loss (41.0%) is registered in the Ust-Yansky district where the reduction and elimination of the mining industry production facilities have led to the closure of entire settlements. Migration outflow certainly provoked a decline in birth rates, as more than 70% of people who left the Arctic were migrants of working age, of which about a third were young people aged 16-29 years. Table 2 shows the dynamics of the components of population change for the period of 1990-2013. The high intensity of migration loss is typical for all of the territories in question, the average national rate in 2000 was exceeded in the Ust-Yansky district by about 10 times, and in the Nizhnekolymsky and Bulunsky districts by 6 times.

3.2. Migration Behavior and Migration Plans of the Local Population

The main reasons for migration are dissatisfaction with working and living conditions, housing conditions, lack of work, desire to provide children with a good education (Suknyova, 2010). The migration behavior of the population is determined by the needs to change living conditions. These needs are expressed in the interests, desires, aspirations of individuals and are closely linked to attitudes, values and motives due to which migration occurs. The evaluation of positive and negative sides of the region of residence characterizes the attractiveness of the conditions of life which may cause people to move. We will dwell on the potential migration, as well as everyday problems and reasons that characterize the psychological state of an individual's or family's readiness to change their place of residence. We note that the potential migration only gives an idea of intent or a projective behavior, which does not always lead to the decision to migrate.

The study of the population's migration plans and identification of potential migration was conducted in three Arctic districts of the Republic of Sakha (Yakutia). To determine their migration plans, respondents were asked the question: "Are you or your family

planning to move?" The share of potential migrants made up 31% of the total number of respondents, as 296 respondents gave an affirmative answer to this question. Positions on migration plans were expressed by the respondents quite clearly, while only 8% had no definite opinion. A higher percentage of potential migrants is typical for those who are not born in a particular settlement. The share of potential migrants among those born in other settlements of the same district was 39.7%, of those born in another district of the republic - 46.2% and the highest percentage of potential migrants was among those born outside the republic (52%).

It was found that the willingness for potential migration in women is 1.6 times higher than that in men: Respectively 61.5% and 38.5%. Most often, potential migrants are 30-45 years old (38.5%) and 18-29 years old (27.0%). More mobile are the divorced (36.4%) and single respondents (34.2%), the percentage of potential migrants among married people was somewhat lower at 30.2%. Among respondents with one child, 38.7% are planning to move, and 35.4% of potential migrants have two children.

When asked what problems bothered them the most, potential migrants and those with no intention to move most frequently listed high prices, unemployment and low wages and pensions (Table 3). The fourth most frequent problem for potential migrants and the third most frequent for those not planning to move is the problem of alcoholism and heavy drinking of the population. For potential migrants, such problems as no prospects in life, absence of adequate housing, the problem of schooling and lack of attention from the federal authorities are of greater importance than for those respondents who do not connect their future with migration. The problem of poor transport links, alcoholism and heavy drinking, unemployment and high prices ranked higher for the respondents who do not plan to move.

The 2014 survey in the Bulunsky district revealed some potential migrants who answered in the affirmative to the question about the desire to leave. 38.8% of the respondents seriously considered leaving as an option, 33.9% did not want to leave, and 27.3% of the

Table 2: Dynamics of the components of population change, natural (N) and migrational (M) increase (I) (decrease (D)) per 1000 people

Territory	1990		2000		2010		2013	
	NI (D)	MI (D)	NI (D)	MI (D)	NI (D)	MI (D)	NI (D)	MI (D)
Republic of Sakha (Yakutia)	12.7	-3.0	4.0	-6.7	7.0	-7.4	8.7	-9.6
Group or districts, total	12.4	-9.4	3.7	-29.5	3.4	-2.8	6.5	-31.7
Including								
Abyysky	9.1	-26.2	4.2	-20.4	4.5	-12.4	4.0	-29.6
Allaikhovskiy	12.5	8.1	5.7	-30.0	-3.3	21.9	-0.7	-32.6
Anabarsky	19.0	1.5	7.3	6.6	7.7	-13.7	14.7	-15.3
Bulunsky	11.5	-14.7	4.7	-41.8	3.3	44.1	6.9	-55.4
Verkhnekolymskiy	10.1	-11.1	-0.5	-36.2	-5.7	-18.5	0.5	-27.6
Verkhoyanskoy	11.0	-5.1	3.6	-32.1	4.8	-18.1	6.3	-38.1
Zhiganskoy	17.5	-11.6	3.0	-19.5	8.6	-3.0	12.0	-22.8
Momskoy	18.5	-1.7	7.7	-4.3	3.6	-9.0	11.1	-35.8
Nizhnekolymskiy	11.5	-16.9	1.4	-42.0	-0.9	-13.5	4.0	-13.3
Olenyokskoy	18.4	19.8	9.5	9.5	12.2	-3.9	11.4	-32.8
Srednekolymskiy	17.3	4.0	4.2	-9.3	3.3	-3.9	6.6	-27.2
Ust-Yanskoy	10.9	-18.9	-0.5	-62.9	1.0	-10.3	2.0	-29.5
Eveno-Bytantaysky	16.0	55.3	8.4	-31.6	5.9	0.7	9.3	-13.9

Calculated according to current statistics of the territorial body of the Federal State Statistics Service of the Republic of Sakha (Yakutia)

Table 3: Distribution of answers to the question “What are the daily problems that bother you the most?,” depending on the migration choice of the respondents

Problems	Planning to move	Not planning to move	Difference
High prices	15.1	15.7	-0.6
Unemployment	12.0	12.7	-0.7
Low wages and pensions	12.0	12.2	-0.2
Alcoholism and heavy drinking	11.5	12.6	-1.1
Lack of attention from the federal authorities to the problems of the northern territory	6.9	5.7	1.2
Poor transport links	6.3	8.7	-2.4
Lack of prospects in life	6.1	3.6	2.5
Late payment of wages	5.5	5.4	0.1
Medical service	5.4	5.8	-0.4
Lack of adequate housing	4.4	3.7	0.7
Problems of school education	4.4	3.3	1.1
Anomie, the deterioration of relations between people	3.4	3.0	0.4
Increase in crime	3.2	2.9	0.3
Work of public services	2.9	2.7	0.2
Public transportation	0.9	2.0	-1.1
Total all answers	100.0	100.0	0.0

Source: Survey, 2005 (n=937)

respondents had difficulty in answering the question. In response to the question “What everyday problems are bothering you the most?” the most important answers were “high prices” (14.3%), “heavy drinking” (13.4%), “low wages and pensions” (9.1%), “the way the public services work” (8.3%), “lack of attention from the federal authorities to the problems of the northern territory” (6.9%), “unemployment” (6.7%), “pollution” (6.7%), “anomie, the deterioration of relations between people” (6%), “lack of adequate housing” (4%). Lowest ranking were the responses like “public transportation” (0.5%), “pensions” (0.7%), “climate change” (1.9%), “lack of prospects in life” (1.9%). Depending on the desire of respondents to change their place of residence, the replies were slightly different. For those who were going to leave, the three most common answers were “high prices” (14.6%), “alcoholism and heavy drinking” (13.4%) and “low wages” (10%). Those who had no plans to leave, regarded as the most important such problems as “alcoholism and heavy drinking” (16.2%), “lack of attention from the federal authorities to the problems of the northern territory” (8.6%), “the way the public services work” (8.1%), “pollution” (8.1%), “unemployment” (7.6%), “low salary, pension” (7.1%), “anomie, the deterioration of relations between people” (6.6%).

Among the reasons for potential migration, respondents indicated the inability to financially provide for their families because of low wages, delays in their payments, high prices for consumer goods and services (Figure 1). These problems were followed, in terms of significance, by the lack of opportunities to educate children, the desire to be closer to relatives, a high level of alcoholism among the population. Any motives related to labor, cultural and spiritual spheres were relatively rare. Among the main causes of migration in the 2014 questionnaire for those who had decided to move the most frequent was the desire “to be closer to relatives,” followed by “material support,” “harsh conditions of work,” “inability to give a good education to their children,” “housing problems,” “return to their homes,” “state of health,” “lack of organization of cultural activities.”

The surveys asked about how potential migrants saw the future of their children, “If you have children, how do you see the future

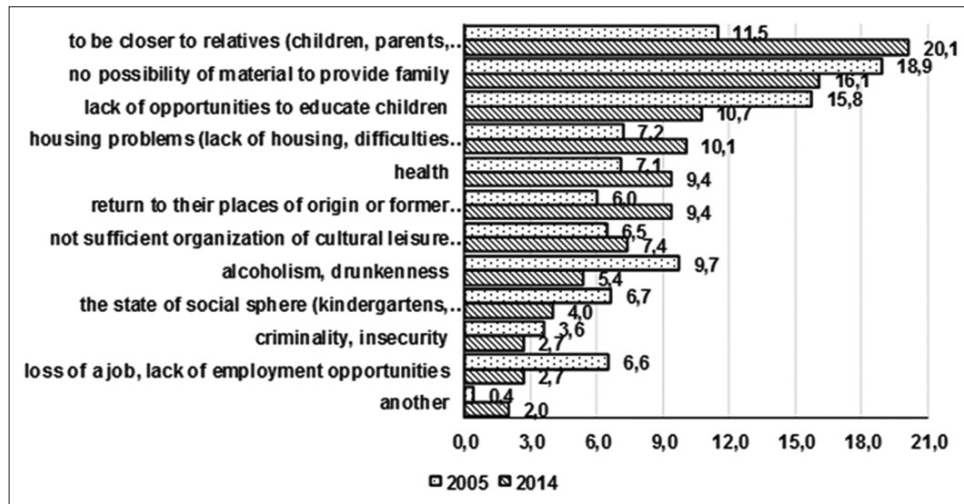
of your children after school?” In 2005, 62.8% of respondents believed that their children would go to study and would not return, while in the group of respondents who did not plan to move, this answer was chosen by 18.5% of respondents, while 63.3% believed that their children would go to study and were likely to come back home. Consequently, the migratory behavior of the respondents also extends to other family members, and in particular, parents, who are planning to move out of their settlements, believe that their own children, after they grow up, will also be willing to leave.

The 2014 survey revealed that in response to the question about the future of their children after school most parents believed that their children would go to study and would never come back (51.6%). A much smaller portion of the survey participants believed that their children would go to study and were likely to come back (16.4%), and only 3.3% believed that their children would stay to live and work in Tiksi. Those respondents who believed that their own children would go to study and never come back were most of all worried by such daily problems as “unemployment,” “high prices,” “low wages,” “alcoholism, heavy drinking,” “lack of prospects in life.”

So the opinion polls showed that only about a third of the respondents intend to change their place of residence. The population’s attitudes towards migration are strongly influenced by the conditions of their lives, i.e., the opportunity to receive a quality education, have a good job, comfortable financial conditions, developed social infrastructure, transport accessibility to vital human settlements. Almost half of the survey participants see their future in the Arctic.

According to Borisova¹, children are less inclined to live in their parents’ places of residence. Analysis of responses to the question “Where do you think your children will live in their adult life?” showed that the surveyed respondents admit that their children

¹ According to the results of a sociological survey conducted in 2011 among 578 respondents living in six of the Arctic and northern regions of the Republic of Yakutia (29.2% of 1982 people).

Figure 1: Distribution of answers to the question about the reasons for the decision to change their place of residence, %

Source: Surveys of 2005 and 2014

would be less “tied” to the places of residence in the Republic of Sakha (Yakutia). Only 50.2% were confident that their children would live permanently in the republic, 11.1% thought they would leave temporarily to another region or country to get an education, 6.7% believed that they would live in different regions of Russia, and 2.2% that they would leave for permanent residence in another country. As you can see, the difference in migration intentions for a place of residence, either temporary or permanent, outside the republic, is almost twice as frequent in the case of children as in the case of their parents (Borisova, 2014).

In our view, one can distinguish a positive impact that migration has for changing the quality characteristics of the respondents, their desire to get a better education for their children, to have access to quality health care, to join the cultural values – all this has a positive influence on the demographic potential of the places where migrants arrive. After all, people who are involved in migration are, as a rule, young, unmarried, so after arriving in the new settlements they form families, give birth to children and thus increase the demographic potential of these territories. On the other hand, migration reduces the demographic and employment potential of the territories from where migrants arrive, reducing the size and deteriorating the quality characteristics of the population.

4. DISCUSSION

The extreme climatic conditions, low population density, high resource intensity, localized nature of economic and industrial development and dependence for subsistence on the northern delivery, low stability of ecological systems necessitate the state’s constant presence and attention.

The more difficult the conditions the country exists in, the greater is the role of the state and its regulatory functions and limits of intervention in the economy. These conditions can include not only the crisis and the drastic changes in the economy, but also the transformation processes taking place in the country’s macro-regions like the Arctic and the Far East. Today’s reality is that the development of the Russian Arctic is impossible without the

leading role of the state. The complex nature of the state regulation in development of the Russian Federation’s Arctic zone must show its efficiency in the specific conditions of the Arctic.

The exploration and development of the Arctic region is not just one of the target programs of the Russian economy, but it is a project that is unparalleled in modern Russia and the world at large in terms of importance, perspective and urgency. The economic development of the Russian Arctic in its significance goes far beyond the capabilities of standard tools and instruments of state policy. Russian and international experience in the development of the northern territories shows that traditional approaches to solving social and economic problems of the north and the Arctic do not provide means for effective implementation of natural resources, production, transport and economic potential of the Arctic regions. Due to its strategic importance, the Arctic economy cannot be developed on the basis of standard nationwide state regulation. In the Arctic, we need to apply special modes and mechanisms of state regulation and control (Nikulkina, 2014).

The Strategy for the Development of the Russian Arctic and Ensuring National Security for the period up to 2020 defines a new model of state policy in the Arctic region which requires new modern approaches of financial support to the Arctic projects (Development Strategy of the Arctic zone of the Russian Federation). An important component of the state policy in the Arctic zone of the Russian Federation is the financial policy, formation and implementation of which in modern conditions is of particular relevance. Currently, the financial policy of the state is a key factor for economic and social development of the territories. In line with the priorities of the Strategy of Development of the Arctic zone of the Russian Federation, modern financial policy in the Arctic should be aimed at creating conditions for the effective implementation of the state policy of the Russian Federation in the Arctic in order to improve the standards of living of the population, ensure an integrated social and economic development of the Arctic zone of the Russian Federation, transition to an innovative path of sustained growth (Development Strategy of the Arctic Zone of the Russian Federation; Nikulkina, 2014).

One of the problems of state regulation of development of the Arctic zone of the Russian Federation at the present stage is the lack of a comprehensive system of state financial support and incentives for the development of Arctic territories. At present, the Russian law contains “localized” incentives of tax and customs regulations concerning mainly the extraction of hydrocarbons, certain regional investment projects. For example, there are tax incentives for MET, corporate profit tax, value added tax (VAT), customs duties in respect of activities related to the extraction of hydrocarbons in the Arctic continental shelf, as well as tax breaks for corporate profit tax, mineral extraction tax for regional investment projects for the production of goods in the Far Eastern Federal District (Tax Code of the Russian Federation). The existing “localized” or “pinpoint” measures of tax and customs incentives are insufficient for implementing large-scale investment projects in the Arctic, for the integrated socio-economic development of the Arctic zone of the Russian Federation (Nikulkina, 2015).

Activities in the Arctic zone of the Russian Federation are concerned with complex climatic and geotechnical conditions, poor transport and energy infrastructure, significant level of capital investments, and extremely high environmental and technological risks. These characteristics determine the duration of the return on investment period. In general, the exploration and development of the Arctic territories are associated with high risks of economic activity and uncomfortable living conditions.

In modern conditions, the state has a very limited financial capacity for the development of the Arctic zone of the Russian Federation. And it is impossible to fund any fully Arctic projects in the conditions of sanctions and unstable economic situation in the economy without the involvement of private investment. This raises a question of creating the conditions enabling to attract investments in strategically important macro-region of the Arctic zone of the Russian Federation. The lack of incentives for attracting investments in the Arctic, that has a number of specific development characteristics, makes the idea of exploration and development of the Arctic zone of the Russian Federation rather utopian. The current system of tax and customs legislation of the Russian Federation does not take into consideration the specifics of the Arctic territories, nor does it contain specific control measures directly aimed at supporting and stimulating social and economic development in the Arctic. All this creates an insufficient level of investment attractiveness of the Arctic projects and limits the ability to attract companies to implement the projects with necessary technology, expertise and financial resources.

The Arctic investment projects for Russia are not only concerned with the production of hydrocarbons on the continental shelf, and they are by no means just individual regional investment projects in the Far East. They are, first and foremost, projects aimed at ensuring national security, development of transport, energy and social infrastructure, mineral complex, the manufacturing sector in the Arctic, as well as socio-economic development of indigenous peoples and people living in the harsh conditions of the Russian Arctic.

The world experience shows that the majority of the countries with territories in the Arctic have used for their development

not only individual measures to encourage mining, but also special tax regimes aimed at socio-economic development of their Arctic territories (Selin and Vasiliev, 2010). For instance, Norway applies different tax rates and charges with preferential level of taxation in respect of the northern regions – northern Nordland, Tromso, Finnmark (for example, a reduced rate of income tax, tax exemption for employers, exemption for VAT on electricity, etc.). In Canada, tax rates on most provincial taxes of the Northern Territories of Canada have been reduced, and a number of taxes are no longer collected (for example, sales tax). Thus, there are three categories for the provincial corporate income tax rates – general (15-17%), for small businesses (5-9.5%) and for enterprises of the manufacturing and processing industries (7.5-17%). Canada’s northern territories (Yukon and Northwest Territories) have established some of the lowest rates on provincial corporate income tax (in Yukon, tax rate for small businesses is 6%, for the production and processing industries – 12.2%; Northwest Territories – for small businesses 5%, for the production and processing industries – 12%) (Popova et al., 2011).

For the Russian Federation it is also feasible to build an enabling system of taxation and customs regulations for implementation of investment projects aimed at socio-economic development of the Arctic, on the basis of complexity, interconnectedness and timeliness (Figure 2).

In this regard, it was proposed to adopt the following system of incentives of tax and customs instruments containing special tax regimes, special customs procedures for the subjects of the Arctic zone of the Russian Federation, as well as individual taxation, customs measures of the state financial policy in the Arctic zone of the Russian Federation.

One of the elements of the proposed system of tools is a special tax regime for small businesses engaged in commercial activities in the Arctic zone of the Russian Federation. The application of this regime is aimed at creating a favorable tax environment for business activities in the Arctic territories, including the indigenous peoples of the north, the development of their traditional management of natural resources in the Arctic (Table 4).

Currently, there is the problem of preserving the population of the Arctic territories, the problem of preservation and development of traditional ways of life, livelihoods and crafts of the indigenous peoples of the north. The decrease in population in the Arctic is not only a demographic and economic problem, but it also has ecological and cultural aspects. This is due to the extinction of the original culture of northern peoples, including their traditional crafts and ecological traditions. This problem is aggravated by the deterioration of the socio-economic situation of the indigenous peoples (their traditional way of life, livelihoods and crafts). The economy of the indigenous peoples of the north is poorly adapted to the current market conditions. In the presence of mineral reserves, significant fish resources, as well as unique recreational resources for the development of tourism, there is a decline in production and still low standards of living. Most rural people of the Arctic regions are unemployed and living below the poverty line. The unemployment rate of the indigenous population in the

Figure 2: The system of special instruments stimulating the implementation of state financial policy in the Arctic zone of the Russian Federation

<p>Special tax regime and special customs procedures for organizations implementing investment and infrastructure projects and projects for the creation of new industries in the Arctic territories. The goal is to stimulate investment and innovation activity in the Arctic</p>
<p>Special tax regime for small businesses engaged in commercial activities in the Arctic zone of the Russian Federation The goal is to create favourable tax conditions for entrepreneurial activities in the Arctic territories, including those carried out by the indigenous peoples; encourage the development of their traditional management of natural resources</p>
<p>Special tax regime for organizations participating in the research and innovation project "Arctic" The goal is to stimulate the development of research and innovation activity in the Arctic</p>
<p>Certain tax and customs incentives tools to facilitate the socio-economic development of the Arctic zone of the Russian Federation:</p> <ul style="list-style-type: none"> • Arctic investment tax credit for organizations engaged in the investment and innovation activities in the Arctic zone of the Russian Federation; • use of seasonal customs duties on goods imported into the territory of the Customs Union, intended for the subjects of the Arctic zone of the Russian Federation for the period of northern delivery. <p>The goal is to create tax conditions for the implementation of investment projects in the Arctic, to stimulate northern delivery of socially important goods for the Arctic</p>

Table 4: Special tax regime for small businesses engaged in commercial activities in the arctic zone of the Russian Federation

Tax privilege	Application procedure	Justification
1. Tax holidays	Exemption for the first 5 years of activity for the newly established organizations in the Arctic zone of the Russian Federation on the corporate income tax, VAT, property tax, land tax Tax exemption is available for certain types of activity according to the list of terms and conditions established by the Tax Code and laws of the Russian Federation entities. In subsequent years, it is necessary to provide for the possibility of applying reduced rates of differentiated corporate profit tax, property tax	The stimulation of small business in the Arctic will help to solve a number of problems of socio-economic development of the Arctic zone of the Russian Federation, including those of the Indigenous Peoples of the North: Creation of new industries – small businesses and alternative energy companies; recycling of animal and vegetable raw materials, arts and crafts, etc., For example, the creation of the basic Center incubator for the production of art, souvenir products (including those made from mammoth bones), fur, leather products; creating a multiservice center of public services in the Arctic regions of the Republic of Sakha (Yakutia); Creation of jobs – solving the problem of employment (self-employment) of the population; Development of a new field of activity – Arctic tourism.
2. Exemption from taxes, setting a minimum tax on special tax regimes	Exemption for the first 3 years of activity of the organizations and individual entrepreneurs in the Arctic zone of the Russian Federation from the obligation to pay tax under the special tax regimes (unified agricultural tax, simplified tax system, single tax on imputed income, patent system of taxation). In subsequent years, it is necessary to provide for the application of a reduced tax rate of 1% on the above special tax regimes	In order to create favorable tax conditions for entrepreneurial activity in the Arctic territories support should be provided for taxpayers engaged in useful activities in the Arctic territories, providing socially important services in the Arctic

Source: Compiled by the authors according to the Tax Code of the Russian Federation. VAT: Value added tax

Arctic regions is 1.5-2 times as high as the average for the Russian Federation (Sukneva and Barashkova, 2015).

In this context, it is particularly relevant to provide support for small businesses in the Arctic zone of the Russian Federation, especially for the development of the indigenous peoples. The importance of small businesses in the Arctic regions is

determined by such objective factors as sparsely populated areas, poor infrastructure, limited markets for goods and services. The Russian experience shows that without state support and stimulation the majority of the Arctic territories have little promise for the successful development of small businesses (especially the Arctic territories of Yakutia and Chukotka).

The special tax regime for small businesses engaged in commercial activities in the Arctic zone of the Russian Federation is aimed at the following priority spheres of development of small businesses in the Arctic zone of the Russian Federation:

- Creation and development of enterprises of wholesale and retail trade, consumer services, social infrastructure, processing industries, including food production, delivery of which from other regions of the country entails high costs;
- Creation of small businesses and alternative energy companies which help to reduce the volume of import of energy resources;
- Introduction of innovative technologies in the development of low-profit or small-scale mineral deposits (e.g., gold mining in the Arctic zone of Yakutia);
- Development of tourism services (Arctic ethnographic, ecotourism);
- Preservation and development of traditional activities and uniqueness of the indigenous peoples, reindeer herding, hunting, farming, coastal and river fishing, gathering and processing of wild fruits, etc.

The proposed special tax regime will contribute to the creation and development of processing industries, including food production, delivery of which from other regions of the country entails high costs, as well as preservation and development of traditional activities of the indigenous peoples of the north. This will not only solve the problem of self-reliance of the population of the Arctic territories on products of traditional industries. It also becomes an additional stable source of income for the local and regional budgets, as well as enhancing the socio-economic status of places of compact residence of the indigenous peoples, reducing environmental load and enabling sustainable management of traditional economy.

5. CONCLUSION

The priority system of the development in the Arctic is a multidimensional and dynamic one. The absolute priority is to ensure a decent standard of living and quality of life for the peoples of the north and those associated with them, preserving the unique natural environment and unique biodiversity (Kryukov, 2015).

The analysis of specific demographic processes showed that the Arctic and the northern areas of the Republic of Sakha (Yakutia) are characterized by low population density. The population is predominantly rural with a high proportion of indigenous peoples of the north. The downward trend in the number of residents is determined by migration loss and a decrease in natural population growth.

The prospects of socio-economic and demographic development of the northern and Arctic regions will depend on the stabilization measures taken by the government and regional authorities in the field of social policy and the economy. The priority objective in the coming years should be solving the problem of improving the quality of life, reducing migration outflow.

It is necessary to promote the development of traditional forms of employment of indigenous people living in the Arctic (reindeer

herding, fishing, handicrafts); to increase the level of comfort of living of the population, actively develop mobile infrastructure, to create conditions for good rest and recreation; pursue an active policy in the field of employment and social and economic development of the Arctic territories.

In view of the forthcoming development of the Arctic, which will directly affect the interests of the indigenous ethnic groups, and taking into account the significant importance of their traditional economic activities. It is necessary to develop a mechanism that regulates the relationship between the indigenous peoples of the north and businesses of technological industries in places of traditional residence and traditional economic activities of the indigenous people with the obligatory participation of the territorial governments and national communities (Tatarkin et al., 2015).

In order to implement the complex systematic approach to state regulation of development of the strategically important Russian Arctic macro-region and evaluation of the effectiveness of this selective state impact it is advisable to establish a management system of “goal-setting, state regulation in the Arctic zone of the Russian Federation.” This system will make it possible to work out ways and means of implementing the priorities of the state policy in the Arctic, the goals and objectives of social and economic development of the Arctic zone of the Russian Federation, to form a system of measures for implementation of the state fiscal policy in the Arctic zone of the Russian Federation.

In this connection, it is advisable to form a system of financial regulation and management of the development of the Arctic zone of the Russian Federation, taking into account the specifics of the Arctic. Improving the financial institutions of the Arctic territories will allow us to attract additional extra-budgetary funds for the implementation of the Arctic projects, including through public-private partnerships, the creation of specialized funds of the Arctic territories, Arctic special economic zones, the use of the mechanism of deferred tax payments to finance infrastructure investment projects in the Arctic.

6. ACKNOWLEDGMENTS

This article was prepared with the financial support of the Ministry of Education and Science of the Russian Federation within the framework of a governmental assignment for R and D project of the North-Eastern Federal University (Project No. 01201460077) and of the Russian Foundation for Basic Research (Project No. 13-06-93939-J8_a).

REFERENCES

- Borisova, U.S. (2014), The portrait of the inhabitant of the Arctic zone of Yakutia. Arctic and the North. Available from: http://www.narfu.ru/aan/article_index_years.php?ELEMENT_ID=147323. [Last accessed on 2015 Dec 06].
- Coleman, D. (2004), Europe at the Cross-roads. Must Europe's Population and Workforce Depend on New Theories and Concepts. International Migration: Ten Years after Cairo. In: Scientific Series International

- Migration of Population: Russia and the Contemporary World. Vol. 12. Moscow: MAX Press. p19-33.
- Fauzer, V.V. (2013), The demographic potential of Russia's Northern regions as a factor of economic development of the Arctic. *Arctic and the North*, 10, 19-47. Available from: http://www.narfu.ru/upload/uf/4d9/AaN_2013_10.pdf. [Last accessed on 2014 Oct 10].
- Iontsev, V.A. (1999), *International Migration of Population: Theory and History of Studying*. Moscow: Dialog-MGU.
- Iontsev, V.A., Magomedova, A.G. (2015), Demographic aspects of human capital development in Russia and its regions. *Economy of Region*, 3, 89-102.
- Kozlov, V.A., Rytova, E.V. (2014), The role of small business in socio-economic development of the Arctic zone of Russia. In: *Strategic Priorities of Development of the Russian Arctic: Collection of Scientific Works*. Moscow: Publishing House "Nauka".
- Kryukov, A.V. (2015), The Arctic economy – The basis of socio-economic returns. *Journal of Siberian Federal University, Series: Humanitarian Sciences*, 8 Suppl, 21-43.
- Larsen, J., Fondahl, G., editors. (2014), *Arctic human development report: Regional processes and global linkages*. TemaNord. Copenhagen: Nordic Council of Ministers.
- Lukin, Y.F. (2014), Status composition, the population of the Russian Arctic. *Arctic and the North*, 15, 1-38. Available from: <http://www.narfu.ru/upload/iblock/f41/04.pdf>. [Last accessed on 2015 Oct 10].
- Maleva, T. (1998), *Problems of the Northern migration: The Pechora coal mine*. Scientific Reports. Vol. 21. Moscow: The Carnegie Center in Moscow.
- Moiseenko, V.M. (2004), *Internal Migration of the Population*. Moscow: TEIS.
- Nikulkina, I.V. (2014), *State financial policy of development of the Arctic zone of the Russian Federation*. St. Petersburg: Nordmedizdat.
- Nikulkina, I.V. (2015), Tax and customs mechanisms of development of the Arctic territories of Russia. *Economy of the East of Russia*, 2, 31-36.
- Pilyasov, A.N. (2015), Russia's Arctic frontier: The paradoxes of development. *Region: Economics and Sociology*, 3(87), 3-36.
- Popova, L.V., Drozhzhina, I.A., Maslova, B.G. (2011), *Tax Systems of Foreign Countries: Textbook-Method. Allowance*. Moscow: Delo I SERVIS.
- Resolution. (2014), *About the complex program of the Republic of Sakha (Yakutia) Socio-economic development of the Arctic and Northern regions of the Sakha Republic (Yakutia) for 2014 - 2017 and for the period till 2020*. Resolution Dated 15 August 2014 № 251. Available from: <http://www.src-sakha.ru/arkticheskaya-zona-rossiyskoy-federatsii>. [Last accessed on 2014 Oct 10].
- Rybakovsky, L.L. (2009), *Demographic Development of Russia in XXI Century*. Moscow: Russia Minsotszdravrazvitia, ISPI RAN.
- Rybakovsky, L.L., Churakov, J.V., editors. (1978), *Social Factors and Characteristics of Migration of Population of the USSR*. Moscow: Nauka.
- Rybakovsky, L.L., Kozhevnikova, N.I. (2015), The Eastern vector of demographic development of Russia. *Narodonaselenie*, 1, 4-16.
- Selin, V.S., Bashmakova, E.P. (2013), About the state strategy of Russia in the Arctic. *ECO*, 3, 97-113.
- Selin, V.S., Vasilyev, V.V. (2010), The interaction of global, national and regional economic interests in the development of the North and the Arctic. Apatity: Kola Science Centre RAS.
- Statistical Yearbook. (2014), *The Population of the Republic of Sakha (Yakutia)*. Yakutsk: Statistical Yearbook.
- Sukneva, S.A. (2013), The Arctic zone of the North-East of Russia: Problems of demographic development. *Regional Economy: Theory and Practice*, 25(304), 13-16.
- Sukneva, S.A., Barashkova, A.S. (2015), Specific features of demographic processes in the Northern regions of the Sakha Republic (Yakutia). *SVNC Bulletin of FEB RAS*, 2, 108-116.
- Suknyova, S.A. (2010), Migration trends in the Northern region. *Vestnic Moskovskogo Universiteta, Seria 6: Economica*, 1, 74-84.
- Taba, L. (1977), The relationship between age structure, fertility, mortality and migration. The reproduction and update of the population. In: *Demographic Models*. Moscow: Statistics.
- Tatarkin, A.I. (2015), A modern paradigm of development of Russian Arctic zone. *Economy of the North-West: Problems and Prospects*, 1-2(46-47), 155-186.
- Tatarkin, A.I., editors. (2014), *The Russian Arctic: The Modern Paradigm of Development*. Saint Petersburg: Nestor-History.
- Tatarkin, A.I., Zakharchuk, E.A., Loginov, V.G. (2015), A modern paradigm of development of Arctic zone of the Russian Federation. *Arctic: Ecology and Economy*. Available from: [http://www.ibrae.ac.ru/docs/2\(18\)/004_013_Arktica_2\(18\)_06_2015.pdf](http://www.ibrae.ac.ru/docs/2(18)/004_013_Arktica_2(18)_06_2015.pdf). [Last accessed on 2015 Nov 01].
- Vinokurova, T.Z., Fedorova, E.N. (2001), *Age Structure of the Population of Yakutia*. Novosibirsk: Nauka.
- Vorobieva, O.D., Topilin, A.V., editors. (2012), *Migration of Population: Theory, Politics: A Tutorial*. Moscow: Economic Education.