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Research on the socio-economic development of the Russian Far North

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In *Baltic Rim Economies* (No. 5, 2014), I introduced the Japan-Finland bilateral project entitled “Russia’s final energy frontier – Sustainability challenges of the Russian Far North,” funded by the Japan Society for the Promotion of Science (JSPS) and the Academy of Finland. The period of the project is from September 2014 to August 2016. In this report, I would like to summarize the results of this project, although a roundup symposium on the project will be held in Sapporo on July 7-8, 2016.

The aim of this project is to examine the sustainability of the development of the Russian Far North based on oil and gas development. Since the Russian Far Northern areas are vast and significantly different from each other, I have distinguished three types of regions. The first is the regions where oil and gas production is a driving force of their socio-economic development. This type includes Yamalo-Nenets, Khanty-Mansi, and Nenets Autonomous Okrugs (AOs). The second type is the regions where mineral resources other than oil and gas are their driving force, including such regions as the Sakha Republic and Krasnoyarsk Krai. The third type is other regions that are not so rich in mineral resources and that are trying to take advantage of their external relations with neighboring countries. This type includes Arkhangelsk and Murmansk Oblasts.

We have analyzed data on economic development, oil and gas exploitation, the Northern Sea Route, the effects of these developments on the environment of the Arctic and lives of the indigenous people, attitudes of businesses and governments toward these effects, demography, etc. We conducted joint fieldtrips in Arkhangelsk and Murmansk Cities in September 2014, and in Yamalo-Nenets AO in September 2015. In addition, I visited Yakutsk and Yuzhno-Sakhalinsk in October 2015 through different projects. From previous research on the Russian Far Eastern regions, we have found that Sakhalin Oblast belongs to the first type, and that Primorsky and Khabarovsk Krai reside in the third category.

Concerning the first type of regions, since 2000, their economic growth has been outstanding among the regions of Russia in terms of GDP, industrial production, investment, revenues of regional budget, etc., especially when we look at their per-capita indicators. In terms of per-capita GDP, Nenets, Yamalo-Nenets, Khanty-Mansi, and Sakhalin ranked first to fourth among the Russian regions in 2014. Needless to say, this was thanks to increasing oil and gas production and exports, and increase in their prices in the world market. Since oil and gas companies and local governments have sufficient financial resources, they seem to have paid great attention to protection of the environment and the lives of the indigenous people. We visited a reindeer meat-processing complex and fish-raising farm in Yamalo-Nenets AO, both of which receive enormous financial and other support from gas firms and local government, in order to facilitate the economic activities of the indigenous people in the former case, and to preserve the ecosystem in the latter case.

With respect to the second category of regions, local governments try to diversify their industrial structure by developing oil and gas fields, in addition to the development of their traditional mineral

resources, such as diamonds, gold, and ferrous metals. Krasnoyarsk Krai and the Sakha Republic are now producing a considerable amount of oil and exporting it through the East Siberian-Pacific Ocean oil pipeline, constructed in 2011, to China, Japan, and South Korea. The share of federal districts of Siberia and Far East in oil production in Russia increased from 4.0 percent in 2005 to 12.9 percent in 2013.

As for the third category of regions, they are looking forward to the development of the Northern Sea Route (NSR), since they are located at the western end of this route. In our project, we have paid special attention to issues related to the NSR, because this will have a great impact on the development of the Arctic zone as a whole in the next several decades to come.

I am optimistic about the future development of all of these three categories of regions: they have great potential for further economic advancement. We should, however, take into consideration the negative impacts of the two shocks caused in 2014: the drop in oil prices and the economic sanctions adopted in relation to the Ukrainian conflict. The decline in oil prices has considerably decreased the profits of oil and gas companies, as well as the revenues of federal and regional governments, which had been the main financial resources behind the socio-economic development in the regions of the first and second categories. The oil price drop is having a negative influence on the use of the NSR, since the decrease in fuel prices diminishes the advantage of a shortened sea route, compared with the Suez Canal route, and reduces incentives to explore oil and gas reserves along the NSR. In addition, the sanctions against Russia have had a considerably negative influence on the development of the oil and gas fields in the Arctic Sea by banning exports of necessary technology and equipment and by prohibiting credit provision to oil and gas companies of Russia. All of these changes of circumstance blurred the perspective of future development in the Arctic regions in Russia.

Although our project mentioned above will soon end, our new project will fortunately enable us to continue the research in this direction. This new project is a national project entitled “Arctic Challenge for Sustainability (ArCS),” funded by the Ministry of Education and Science for the period 2015-2020. I am the principal investigator of one of the sub-programs of this ArCS project, entitled “People and Community in the Arctic: Possibility of Sustainable Development.” We are planning to conduct multi-disciplinary research in Russia together with foreign scholars, including our Finnish and Russian colleagues. ■



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