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# Barriers in social and economic development of the Far East

# *The analysis of the social and economic situation which developed in the Far East of Russia is given in this article, measures for the removal of barriers on the way of its forward development come to light and proposed. In the macro-region it isn't possible to solve the main problem creating geopolitical threat so far – outflow of the population. The guarding factor is that among the territorial subjects of the federation at this process there are the regions holding a close border position with the adjacent foreign countries. Along with it, a considerable part as a part of decreasing population is constituted by the working-age persons having high professional training. Low, in comparison with the average Russian, social security of the population, turning of productions and reducing the workplaces are the basic reasons of such provision. Measures undertaken from the middle of the 90th didn't lead to essential shifts in a positive side of these processes. Acceptance of the new approaches and measures directed to the solution of this task is necessary. The territories of the advancing development (further – TAD), accomplishment of the orders of the Russian President directed to the removal of tariff restrictions in the energy industry and on transport, development and adoption of the special Federal law "About Development of the Far East" can become those, according to the authors, along with the further enhancement of a program and a target method.*

**Барьеры в социально-экономическом развитии Дальнего Востока**

*В статье приводится анализ социально-экономической ситуации, сложившейся на Дальнем Востоке России, выявляются и предлагаются меры по снятию барьеров на пути его поступательного развития. В макрорегионе до настоящего времени не удаётся решить главную проблему, создающую геополитическую угрозу, – отток населения. Настораживающим фактором является то, что среди субъектов Федерации в этом процессе присутствуют регионы, занимающие близкое приграничное положение с сопредельными странами дальнего зарубежья. Наряду с этим, значительную часть в составе убывающего населения составляют лица трудоспособного возраста, имеющие высокую профессиональную подготовку. Основными причинами такого положения являются низкая, по сравнению со среднероссийской, социальная обеспеченность населения, сворачивание производств и сокращение рабочих мест. Предпринимаемые с середины 90-х гг. меры не привели к существенным сдвигам в положительную сторону этих процессов. Необходимо принятие новых подходов и мер, направленных на решение этой задачи. Таковыми, по мнению авторов, наряду с дальнейшим совершенствованием программно-целевого метода, могут стать территории опережающего развития (далее – ТОРы), выполнение поручений Президента РФ, направленных на снятие тарифных ограничений в энергетике и на транспорте, разработка и принятие специального Федерального закона «О развитии Дальнего Востока».*

# *Keywords:* *The Far East, barriers, social and economic development, territories of the advancing development, energy and transit fares, the Pacific Rim.*

# *Ключевые слова: Дальний Восток, барьеры, социально-экономическое развитие, территории опережающего развития, энергетические и транспортные тарифы, Азиатско-Тихоокеанский регион.*

Economic development of Russia in the conditions of forming of the market relations is characterized by instability and often the crisis processes. Despite the efforts made in recent years, the state doesn't manage to solve radically the problems of structural reorganization of economy both all the country, and the majority of the regions yet. At the regularly taking place congresses and forums it is constantly emphasized that there is a number of factors of administrative, legal, economic nature exerting a negative impact on social and economic development of the regions. The influence of these factors amplifies in the conditions of delay of the growth rates of national economy in general, reducings the production volumes. In many respects it is a consequence and from the putting of sanctions of a number of the countries of "West" concerning Russia.

Macroeconomic position of the country is insufficiently steady, on the level of the gross domestic product (further – GDP) per capita Russia takes the 78th place in the world, on the population level of living – 61th place, on human development – the 67th place, on the competitiveness of economies – the 43rd place. In the rating of innovative economies made by the analysts of Bloomberg, Russia took the 12th place, and among the least corrupted countries – 51th place.

In the National report on innovations in 2015 Russia took only the 48th place on innovations in the world, and the share of innovative products in general release made 8 – 9% (in the leading countries – 15%) and doesn't grow in the last 3 years, the labor productivity on economy of Russia in general in 2 and more times lags behind the leading countries [1].

Essential shifts to a positive side in the development of economy and the social sphere of the Far East in recent years didn't happen, despite undertaken by the state from the middle of the 90th of the last century of effort in the new conditions of managing. The prime minister D. Medvedev at the meeting of Government commission concerning the social and economic development of the Far East in Komsomolsk-on-the Amur on October 24, 2013 noted that all models which the Government of the Russian Federation tried to use for acceleration of development of the Far East didn't give economic effect [2]. The Government of the Russian Federation in the Far East in 2015 estimated the results of accomplishment of state programs only for 64,6%.

As a result, it isn't possible to solve the main problem creating geopolitical threat in the Far East so far – outflow of the population.

The analysis of dynamics of the population confirms the unfortunate tendencies in this major sphere. For the beginning of 2014 in the Far-Eastern Federal District (FEFD) 6226,6 thousand persons are registered. Reduction of a number of inhabitants for 1991 - 2013 has made 22,7% (1830,0 thousand people).

At the same time, the guarding factor is that among the territorial subjects of the federation at this process there are also the southern regions holding border position with the adjacent foreign countries (Primorsk territory, Khabarovsk territory, the Jewish autonomous region, the Amur region, total – 13,473 thousand people) (tab. 1).

*Table 1*

**Migratory decline in population on the Far-Eastern regions in 2015**

|  |  |
| --- | --- |
| **Regions** | **Migratory balance (one thousand people)** |
| FEFD | - 23,662 |
| Republic of Sakha (Yakutia) | -5,387 |
| Kamchatka territory | - 1,314 |
| Primorsk territory | - 2,791 |
| Khabarovsk territory | - 4,927 |
| Amur region | - 3,615 |
| Magadan region | - 1,731 |
| Sakhalin region | - 1,294 |
| Jewish autonomous region | - 2,014 |
| Chukotka autonomous region | - 0,589 |

*Source: Rosstat of the Russian Federation. The Russian newspaper of March 11, 2016* [*www.rg.ru*](http://www.rg.ru)*.*

The other negative tendency is that migration in the Far East aggravates risks and in respect of loss of the population of economically active age, highly qualified personnel – persons with the higher and secondary professional education. In a migratory decrease it is noted that every fifth (21,5%) in 2002 and more than every fourth (26,7%) – in 2013 had the higher education [3].

Demographic situation in the Far East began to develop as a result of crisis processes in economy and decrease in the level of living of the population, transformation of the social and economic environment, low level and quality of development of the social sphere, changes of priorities in the valuable orientations.

Living level in the Far East still lags behind from the average Russian and, for example, in the ratio of costs of the fixed set of goods and services makes from the average Russian 79%, and on some territorial subjects of the federation – the Kamchatka territory – makes 58%. The cost of a set of food in December, 2015 on average across the Far East reached 5254,6 rub that made 146% to the average Russian. The size of a subsistence minimum established according to the Federal Law "About a subsistence minimum in the Russian Federation" as of March 3, 2016 on average across the Far East made 14619 rub in case of 9673 rub in general across the Russian Federation. At the same time, the highest rate is established in the Kamchatka territory – 18427 rub, and the most minimum – in the Jewish autonomous region – 12228 rub [4].

High rates for energy resources and transport remain still the main costly articles in the cost value of the made products and services in the Far East. According to the Khabarovskraystat, on the all territorial subjects of the federation of the Far East in February, 2016 price levels on the electric power still exceeded the average Russian (tab. 2).

*Table 2*

**Established rates on the average on tension levels for other consumers in the regions of the Far East**

|  |  |
| --- | --- |
| **Regions** | **Established tariffs (rub/kWh)** |
| RF | 3,19 |
| FEFD | 4,97 |
| Republic of Sakha (Yakutia) | 6,33 |
| Kamchatka territory | 3,98 |
| Primorsk territory | 4,04 |
| Khabarovsk territory | 3,34 |
| Amur region | 3,36 |
| Magadan region | 4,80 |
| Sakhalin region | 5,87 |
| Jewish autonomous region | 3,82 |
| Chukotka autonomous region | 9,20 |

*Source: Territorial authority of Federal State Statistics Service in the Khabarovsk territory. The newspaper of the government of the Khabarovsk territory "The Pacific star" No. 47(27578) of March 18, 2016* [*http://toz.khv.ru*](http://toz.khv.ru)

It isn't possible to change so far the remaining tendency of fall of production in agricultural industry and in construction of apartment houses. So, for example, in 2015, in comparison with 2014, the index of production of agricultural industry in general made 96,1%, including crop production – 94,7% and the animal husbandry production – 98,3%. And the input of apartment houses – 88,6% [5].

Due to such position the social and economic situation in the macroregion became a subject of close attention of the country leaders. As a result, in 2015 the turn in the state policy to the problems of the Far East on the new institutional base connected with forming of the special development mechanisms began, such as: the territories of advancing development (further – TADs), free ports, subsidies to investors on the creation of infrastructure, preferential financing in case of implementation of the especially significant projects, improvement of the investment climate. It is very important as from 2011 to 2015 decrease in the inflow of investments from one trillion rubles to 885 billion was observed [6]. The WEF-2016 which took place on September 2 - 3, 2016 in Vladivostok showed the availability of great interest of investors to the Far East. More than 200 contracts on the amount more than 1,76 trillion rub were signed.

In the middle of August the Prime minister of the Russian Federation D. Medvedev approved the changes made to the State program "Social and economic development of the Far East and the Baikal region till 2025". The state program "Social and economic development of the Far East and the Baikal region till 2025" provides budget financing for 2017 - 2019 in the amount of 46,7 billion rubles annually, and for the all years – more than on 460 billion rubles. The main share of investments shall be attracted from the non-state sources. The total amount of the investments mastered in the investment projects by 2025 shall exceed 1,7 trillion rub. At the meeting with the members of the government of the Russian Federation the President of the Russian Federation in August, 2016 gave the assignment to consider a question of financing of actions of the Far-Eastern state program in the planned amounts [7].

However, as the results of implementation of the previous development programs of the Far East show, their execution faced numerous difficulties, action of the factors constraining the development of economy which didn't allow realize fully any program. Barriers by the development of economies of the territorial subjects of the Russian Federation represent the obstacles braking the efficiency of development of economic activity in the region. Factors caused by the action of global economic and political processes happening in the world can influence appearing of barriers in the development of economy.

In our opinion, all set of the barriers interfering the development of economy and the social sphere of the macroregion can be subdivided into several groups. The role and value of each barrier can be different depending on the conditions of development of economy, influence of the political, administrative, legal, economic, social factors. Without applying for completeness of allocation of all barriers, we will consider the most significant for the Far East.

They can be grouped in several blocks:

1. Administrative:

- weak administrative support of forming and projects implementation of the social and economic development of the regions;

- high administrative barriers connected with unavailability of the power quickly to solve the arising problems;

- corruption in the authorities.

2. Organizational:

- lack of coordination in the strategies of development for the regions and municipalities, inconsistency of their actions;

- unsatisfactory organization of fulfillment of the state programs of social and economic development.

3. Legal:

- an ambiguity and lack of reality during the creation of standard and legal conditions for development of the public-private partnership in the Far East.

4. Economic:

- hypertrophied structure of development of economy of the region, delay of the growth rates of its economy;

- instability of financial position of the region, low level of the fiscal capacity of municipalities;

- orientation to the extensive factors of economic development;

- not load of the entities of real sector, excess of product offerings, high costs of production;

- low condition of development of the internal and external markets;

- interregional distinctions in the levels of development of the regions;

- structural disproportions (low share of the high-tech industries, low share of a tertiary sector);

- low level of development of the small and average entrepreneurship;

- weak degree of integration of economies of the regions;

- practical lack of stimulation of internal development in the regions;

- underestimated potential of the investment and innovative development;

- weak product competitiveness, made by the entities in the region;

- low demand of economy entities for the results of scientific and technical activities;

- depressive nature of development of economies of the majority of the regions;

- poor development of the transport infrastructure, high transportation costs.

5. Institutional:

- backwardness of organizational and financial structures on attraction of the foreign investments;

- availability of risks: political, administrative, legal, economic;

- high share of public sector in economy of the regions of the Far East.

6. Technological:

- practical lack of scientific and developmental works;

- technological and technical backwardness of production.

7. Social:

- demographic processes connected with the outflow of population, and first of all, skilled labor force;

- problems of employment of the population, complexity of employment;

- low level of development of a human capital, including insufficient skill level of a managerial personnel, labor power;

- problems of social providing of the population;

- high differentiation of the level of living of the population.

The reasons of appearing of barriers in the development of economy of the regions can be as objective (features of the political, administrative, law system of the country, property of the market, condition of its functioning, shortcomings of the market system etc.), and subjective (need and level of the state regulation, factors of decrease in the efficiency, administrative barriers etc.).

The problem resolution of accelerated development of economy and the social sphere of the Far East can't be performed without accounting of the listed barriers. Overcoming barriers assumes the impact on the reasons of their appearing and, as far as possible, their mitigation or the complete elimination. Decrease in the barriers comes not only from action of the bodies of authority and management, but also ensuring the sustainable development of economy of the regions, implementation of structural changes of the economy, availability of the favorable investment climate, the level of development of a small and average entrepreneurship, the social institutes.

In our opinion, one of mechanisms of the problem resolution of the barriers there can be further development of TADs in the Far East. Unlike the existing special economic zones and the zones of territorial development TADs are created under the specific large investors. During 2015 - 2016 in the Far East 13 TADs in 8 subjects of the Russian Federation (the Primorsk territory – 3, the Khabarovsk territory, the Amur and Sakhalin regions – on 2, on one are created – in RSYa, the Kamchatka territory, the Jewish autonomous region and the Chukotka autonomous region), the regime of free customs zone is introduced in them. The residents of TADs already placed 172 orders for the total investment in 514 billion rubles [8]. From the investors 169 official applications are received, the potential volume of investment exceeds 508,6 billion rubles, including more than 157 billion rubles (16 requests) – at the expense of Chinese, Japanese Australian, Italian and Kazakhstan investors. These investments will give the chance to create 29,1 thousand workplaces [9].

The most important factor of removal of the barriers on the way of social and economic development of the Far East is full and perfect implementation of the instructions given by the Russian President V.V. Putin in his Message to the Federal Assembly of the Russian Federation on December 3, 2015. Meanwhile, not all from them are carried out well yet. For example, the mechanism of decrease in the energy and transit fares isn't created, the Target development program of Komsomolsk-on-the Amur isn't approved, there are problems in providing the preferential regimes in the seaports of Vladivostok, Sovetskaya Gavan, Korsakov, Magadan, Petropavlovsk-Kamchatskiy, Pevek, Egvekinot, etc.

Complex mastering and development of the Far East remains the most important geopolitical and social and economic task of Russia. Remoteness of the Far East from the main economic centers of the European part of the country remains a strong negative factor of placement and specialization of economy, resettlement of people, etc.

In this regard, in our opinion, adoption of the special Federal law "About development of the Far East" drafted now by a group of members of the Federation Council of Russia led by V.A. Shtyrov becomes a paramount task.

Along with it, for effective implementation of the State program "Social and economic development of the Far East of the Baikal region till 2025" considerable efforts of the state bodies, the entrepreneurial environment, involvement of the foreign investors, ensuring the innovative development, solution of the demographic and social problems are necessary. The degree of readiness of the Far East for the so serious changes will show the time. However elimination or minimization of barriers on the way of development of economy will give the chance to increase the efficiency of managing, to reduce the costs of production, will allow strengthen the stability of social and economic development.

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