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**STUDY OF THE DEVELOPMENT SCENARIO OF THE REPUBLIC OF TUVA
WITHIN THE PRIORITY DEVELOPMENT AREA**

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ABSTRACT

The article presents the research results of the development scenario for the Republic of Tuva within the state system of the priority development area, identifying their features in Siberia and the Far East. The author proposes selection criteria and evaluates the status of Tuva in the system of the top priority development areas of Russia.

Keywords: priority development area, the Republic of Tuva, free economic zone, special economic zone, regional development zone, area selection criteria.

INTRODUCTION

According to the theory of cyclic development, the decision of efforts polarization is usually taken in the period of stagnation (crisis, homeostasis), where making the right decision and prioritizing the strategic key points lead to further growth, while the failure to make, or making the wrong decisions result in continuation of stagnation or recession.

The idea of priority development areas (PDA) is based on the principle of polarized or focused development, which takes over from the policy of equalizing the development level of territories. Focusing

on the development of specific areas is needed to achieve a certain growth threshold, at which a qualitative change should occur in the nature of the development of the entire territorial system.

The principle of polarized development in the tactical period is implemented not in favor of the areas, which do not fall into the "growth poles". However, areas that are not related to the "growth poles" get the opportunity to develop in a strategic perspective, because, being a part of the whole socio-economic system, they will continue experiencing in

the future the results of the "growth diffusion" effect.

Here the determining factor is that inequality is the main factor of economic development. It determines the existence of economic leaders and subject economic units (the periphery), causing the polarization of the economic space around the leader ("growth poles" or "growth points") (Guseva, 2012). The leader can be the enterprise, the industry, the region as a whole or a set of "growth points (poles)" – priority development area.

The expansion of influence of such areas contributes to the growth of related sectors of the economy and raises in general the regional economy. In the spatial aspect, the growth of priority development areas (zones) with subsequent transformation into a highly competitive regional clusters provides the enhancement of the living standards of the population. The effectiveness of priority development areas performance consists in attraction of direct investments and producing of new innovative technologies. In the framework of the country, the poles (points) of the domestic market growth will ensure the promotion of their products and services to international markets.

The article aims at familiarization of the wider scientific community with the research results of the innovation

development scenario of Tuva, when establishing priority development area.

METHODS AND MATERIALS

The goal of the article has driven the formulation and solution of several problems:

- identification of varieties and features of "growth poles" available in Russia;
- the study of the priority development areas: selection criteria and the status of Tuva in the system of the priority development areas of Russia;
- the determination of the priority development areas specifics of Siberia and the Russian Far East as well as the potential projected residents of the Republic of Tuva.

The essence of the priority development area is to initiate "growth diffusion", i.e. the selection of such area and such industry, whose development will give the maximum effect to the economies of the surrounding "not leading" areas in the long term perspective, including that obtained through the effective use of natural resources via deeper processing in existing centers of industrial growth and creation of new similar centers in the poorly developed territories.

Countries, showing over the last 40 years a sustained growth, have reached such growth rates at the initial phase of development due to the increase of the

inter-regional differences (Shelomentsev, Doroshenko, 2014). This model has been used in South Korea in 1960-80-ies, in China in 1970-90 as well as in some other countries.

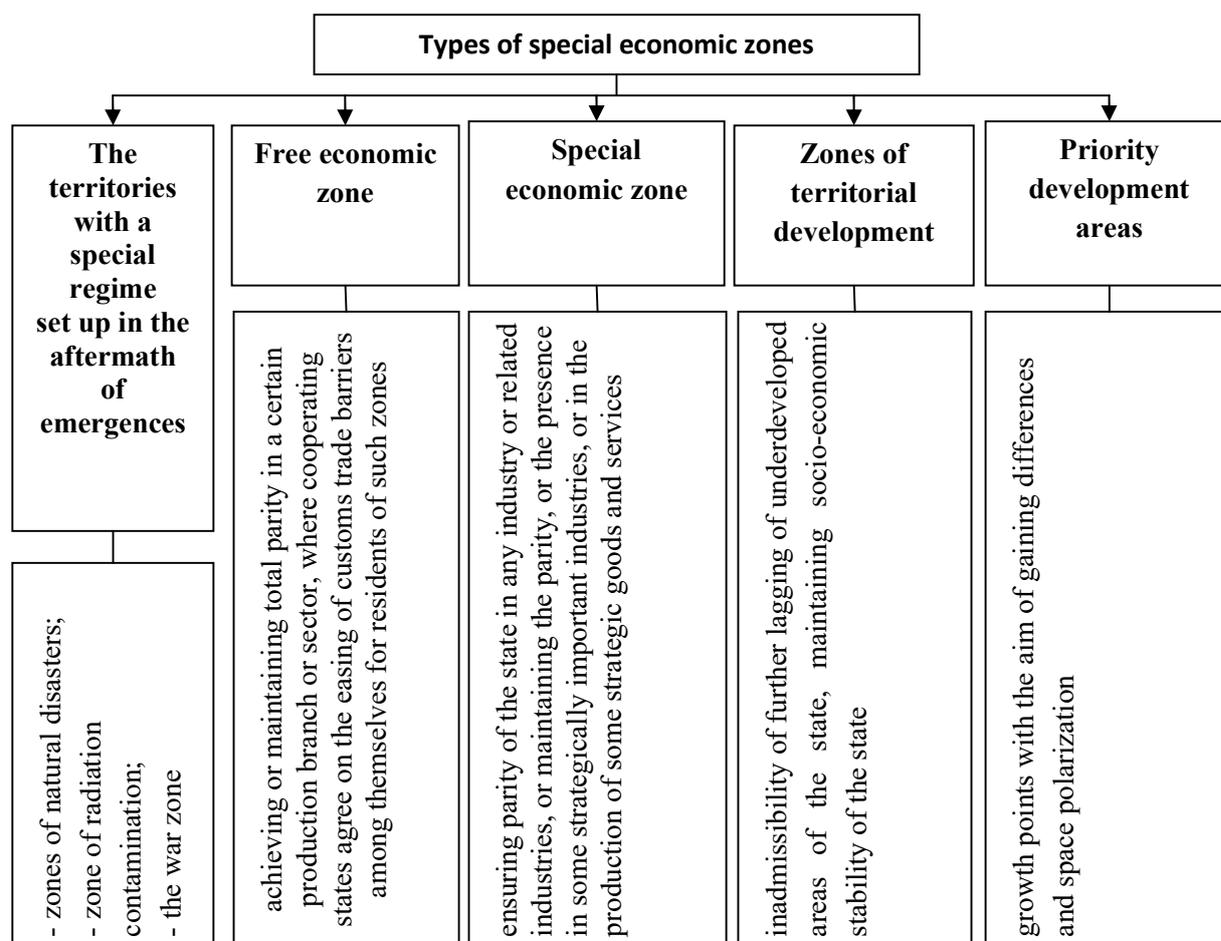
In Russia, the first experience in establishing of priority development areas came in the 90-ies and was resulted in the creation of free economic zones (Dvortsov, 2014, Shelomentsev, Doroshenko, 2014), characterizing by the main tools of influence, which include the elimination of

fiscal, administrative, and infrastructural (transport, engineering-technical) barriers for residents of such zones.

Varieties and peculiarities of "growth poles" in Russia

Based on the analysis and generalization of documents in the context of the present research subject, the following types of special economic zones can be established on the territory of the Russian Federation (Table I).

Table I: Types of special economic areas



Currently in Russia, there are five types of “focused” development zones; each of them pursues a specific strategic

goal. Thus, the purpose of the free economic zone (FEZ) is to achieve or retain general parity in a certain production

branch or sector, where cooperating states agree on the easing of customs trade barriers among the member states for residents of such zones.

Free economic zones in China were established in 70-80-ies along the East coast and were primarily focused on ties with Hong Kong and Taiwan. Free economic zones in Russia, as it was noted above, were established in 90-ies and were focused on relations with the states of the Customs Union, i.e. Belarus and Kazakhstan.

Today in Russia, none of initiated free economic zones is virtually operational, thus the experience was considered a failure.

We identified two main reasons for the failure in the experience of FEZ establishing:

- the initiation of FEZs was spontaneously originated at the level of the Russian Federation entities without a conceptual approach and system coordination at the federal level; moreover, no single concept of the relationship between the FEZs and their integration into the economy of Russia and the countries of the Customs Union was developed.

- lack of legislative framework, regulating the activities of all the participants of the FEZ, ranging from the powers of federal, regional and local authorities to the obligations and

restrictions for residents involved in the FEZ that resulted in concentration of criminal business and corruption in the free economic zones.

Special economic zone (SEZ) – is a part of the Russian Federation territory, which is defined by the Government of the Russian Federation as an area with a special regime of entrepreneurial activity. The SEZ may also apply free customs zone procedure (Federal Law of July 22, 2005).

The formal purpose of the SEZs is the development of high-tech industries, turning of the economy toward manufacturing and high technology productions.

In fact, the SEZ is a more regulated form, which appeared in response to the failed experience of FEZ in Russia. The relationships between parties in the SEZ are regulated by the Federal law.

Unlike the free economic zone, on the territories of special economic zones, it is forbidden to implement projects in the field of traditional highly profitable industries, such as raw materials mining, as well as wholesale and retail trade. Besides, SEZ residents are not allowed to establish branches outside the SEZ territory, as well as to run business in other territories. The SEZ are managed not by regional and municipal administrations, but by specially created economic entities, which are

established to implement the unified state policy and coordinate the processes of SEZ establishment and operation.

Preferences of the SEZ include special customs regime (existence of customs posts, duty exemptions), tax advantages, ready engineering infrastructure, as well as opportunity to rent and purchase land at low prices.

A single SEZ may be established on the territories of several municipalities and include different regions.

The relationships between the participants of the *zones of territorial development* (ZTD) are regulated by the Federal law "On the zones of territorial development in the Russian Federation and modification of separate legal acts of the Russian Federation" dated December 3, 2011, No. 392-FZ (Federal Law of December 3, 2011). The concept "Zone of territorial development" is interpreted in the Federal law in the following way "the ZTD is a part of the regional territory, where legal entities and entrepreneurs are provided with state support measures to create favorable conditions for investments and thereby accelerate socio-economic development". In accordance with the RF Government Regulation dated April, 10, 2014, No 326 (The Decree of the Russian Federation Government of April, 10, 2013), the Republic of Tuva is one of the 20

regions of Russia, in which the zone of territorial development can be created.

Regarding the interests of the potential investors, it should be noted that the investors, who are engaged, in particular, in the extraction, production and processing of precious metals, waste and scrap of non-ferrous and (or) ferrous metals cannot be ZTD-residents. However, there is no ban for coal mining projects.

Preferences of ZTD include tax benefits, designing of engineering and transport infrastructure at the expense of municipal, regional and federal budgets, as well as allocations from the Investment Fund of the Russian Federation; providing residents with State guarantees for loans of Russian banks.

A single ZTD can be created on the territories of several municipalities, which may have no common borders, though ZTD are created only within one federal entity. Creation of both SEZ and ZTD at the same time within a single municipality is forbidden.

The main principle of creating PDA is state protectionism (the principle of state support). Implementation mechanism consists in tax holidays and preferential rate of insurance contributions for particularly depressive or geopolitically important territories; public-private financing of infrastructure; mineral

extraction tax; land and estate tax; simplified procedure for connection to the power grids; customs clearance; and procurement of construction permits.

Summarizing the theoretical principles of the special areas, we come to the conclusion that they have significant differences, although it is quite difficult to distinguish between them; this concerns in particular ZTD and PDA. However they have difference. Thus, in the case of ZTD, it is referred to comprehensive development of the whole area (leveling-off), while in the case of PDA the economic privileges concern only some of its parts – the growth points. At that, the goal pursued is to strengthen the differences and polarize the economic space, rather than its leveling-off, as in the first case (Sevek, 2014). The idea of PDA is based on the principle that it is exactly "inequality" (i.e. the polarization) that plays a key role in economic development. The SEZ pursues parity of the state in a certain industry or related industries, or maintaining a parity or presence in some strategically important industries, or in the production of some types of strategic goods and services.

RESULTS

The priority development areas: selection criteria and the status of Tuva in

the system of the top priority development areas of Russia.

President V. Putin in his message to the Federal Assembly noted that the development of Siberia and the Far East is the national priority of the country in the current century, underlining also the unprecedented scope of this task and the need for using innovative approaches to the solution of the highlighted problem (Message from the President of the Russian Federation..., 2012).

The President directed the government to define the selection criteria for assigning the status of priority socio-economic development areas to certain territories of the entities of the Russian Federation, which are situated in the Far East and Eastern Siberia, including the Republic of Khakassia and the Krasnoyarsk Krai, as well as to set the list of such territories (Ministry of East Regions Development will..., 2015; The Criteria for Inclusion of Khakassia..., 2015).

The question arises concerning the principles that should provide the basis for the formation of priority development areas?

Taking into account the need to provide arguments in favor of creation of priority development area in the Republic of Tuva, it seems appropriate to set forth the following reasoning.

When forming a new mechanism of regional economic policy, i.e. priority development areas, it is necessary to take into account the experience of employing the tools of polarization of economic development in Russia, especially the reasons of unsuccessful experience of failed free economic zones.

It should be noted that “growth poles” are not the areas that have managed to successfully promote the need for resources concentration in their own territories, while «growth poles» are areas, which

1) objectively have receptive domestic and international market for their products in the long term perspective;

2) produce basic products, which require the maximum resources from the surrounding territories not relating to the growth pole.

Only in this case we can speak of a unified federal policy aimed at development of the country at large. The work on the definition of priority development areas should not become the fight of disparate economic interests of the municipalities, federal entities and private investors. Here an unambiguous priority of the state interests is needed.

Setting aside the political and other non-economic factors, it seems reasonable to offer the following response to the

questions about the selection criteria and the number of priority development areas.

The proposed action plan and the methodology when creating PDA includes:

- the analysis of existing interbranch connections in the economy of Russia and its regions using the “input-output” method (interindustry balance);

- selection of the "tree of locomotive industries", i.e. areas of industry productions localization given the long-term trends in the global economy and measures to harmonize the internal structure of the Russian economy using the multicriteria choice optimization methods.

As a result of this analysis we will find the answers to the questions regarding definition of:

- selection criteria for creating priority development areas. It is necessary to select an industry or a group of interrelated industries, whose development will maximally contribute to the development of other industries, and based on this information to move to the selection of the relevant territories;

- number of PDAs. For example, in Eastern Siberia there can be just one PDA, though based on the span of the existing and prospective territories of "locomotive industries" localization, PDA may consist of separate zones and corridors, i.e. to have a complex hierarchical structure. In

addition, in the long term, based on the dynamics of external and internal conditions and the relevant actualizing or de-actualizing strategic objectives, the PDA can change its structure. In this aspect, the initial formulation of the question "How many PDAs are needed?" seems to be somewhat naive.

For example, there could be Yenisei priority development area, which will include in its structure Krasnoyarsk, Abakan and Kyzyl zones of priority development. The Kizil zone will include the territories of the capital district and several territories of other municipalities involved in the development project of "locomotive industries" of the Yenisei priority development area.

The following circumstance can serve an argument to the foregoing example. The use of the "polarized growth" principle in Russia has its peculiarities. It is one thing to identify the territory in mono-ethnic state and the completely other thing – to do that in multicultural Russia. The peculiarity of Russia is a federal system based on national-ethnic principle of administrative division of the territories. In this regard, identification of priority development areas on the basis of separate entities of the Russian Federation may result in strengthening of socio-economic differentiation between the entities and the

stratification of society on the basis of wealth.

If this happens against the background of cultural and ethnic differences, this inevitably will cause tensions in society. Thus, the average level of population income in the Krasnoyarsk Krai (22,463 thousand rubles) in 2014 was almost twice higher than that in Tuva (13,935 thousand rubles) and in Khakassia (18,413 thousand rubles) (Indicators of Society Standard of Living..., 2015; The Main Socio-Economic Indicators of Living Standards..., 2015; Dynamics of the Per Capita Income..., 2015}. Today in China, with its experience in polarized development, this problem is reflected in the difference of income between residents of the Eastern area (having European living standards) and Western area (having the living standards like in the CIS) as well as the known problem of Xinjiang district.

Therefore, it is critically important to select the priority development areas in Siberia and the Far East at the municipal level, though unifying municipalities in several constituent territories of the Federation. Since the problem of "growth pole" in the long term perspective may "pull" along other industries and territories, it seems appropriate to highlight the integrating role of PDA, as well as to make

the priority development areas complex in terms of their composition.

DISCUSSION

The features of PDA in Siberia and the Far East, the potential resident projects of the Republic of Tuva

When we talk about regional development zones in Siberia and the Far East and compare the existing points, for example, technical innovation SEZ, industrial parks, and innovation clusters in Central Russia, it should be noted that the average proportion of manufacturing industry in GRP of Siberian and the Far Eastern regions is 12%, whereas in the central regions this figure is twice higher (Moskovsky, 2014; Shchepanyak, Bistraya, Makarenya, 2014). Conversely, the average proportion of mining industries in GRP of the Siberian and the Far Eastern Federal Districts is 12% versus 2% in the regions of the Central and Ural Federal Districts, i.e., there is a six-fold difference [16]. Despite the availability of research institutes and high-tech industries (mainly of the military-industrial complex) in Siberia and the Far East, it should be recognized that the developed regions will not become in the foreseeable future the world's centers of high-tech large-scale goods.

To reach this level, it is necessary to pass the stage of large-scale

industrialization and mass migration of the population that implies the following:

- developed transport infrastructure;
- availability of energy;
- availability of materials and structures for construction of civil and industrial objects.

Therefore, while innovation-oriented SEZs, technology parks and innovation clusters in the Central Russia comply with the context of the priority development areas, in Eastern Russia they may result in ineffective expenditure of funds without obtaining proper results. Based on the actual situation and the principle of consistency in the implementation of economic policy, the main specialization of the PDA in Siberia and the Far East should consist in rapid evolution of energy, transport and logistics infrastructure. When we talk about the PDA dynamics in a long term perspective, we mean that an export-oriented manufacturing industry can become the second stage of the PDA in Siberia and the Far East, whereas at the first stage the PDA should include all the territories of the entities of the two districts, which are involved in the infrastructure projects in energy, transport and manufacture of construction materials in the Republic of Tuva, in particular.

Therefore, given the current and foreseeable realities, it should be recognized that in the current context the tool prohibiting, for example, the residency in the SEZ of investors implementing extractive resource projects, is not suitable for the economic expansion of Siberia and the Far East. Therefore, we believe that the use of such fine tuning tools as special economic zones of technical innovation type, i.e. innovation clusters, under real-life conditions of economic upswing of Siberia and the Far East are premature and ineffective.

As already noted, the development of transport and energy infrastructure should occur in parallel with the construction materials industry (that is the competence of private investors). Given the enormous resources of Siberia and the Far East, manufacturing of construction materials to build cheap production boxes and comfortable housing is more than feasible problem.

Thus, this will result in mass migration of the population to the Eastern part of the country that, on one side, will result in minimum demand for the processed products, and on other side, will provide conditions for growth of manufacturing industry proportion in total gross domestic product.

The resettlement of the population and creation of necessary social conditions, in turn, will lay the basis for the establishing of PDA of the second generation with processing industry as a key sector.

After the establishing and full operation of PDA of the second generation, it would be appropriate to recall the SEZ in terms of the high-tech "growth points", because there will be appropriate background for their implementation. Thus, a high proportion of manufacturing in the gross product will create the required demand for innovation, while growing population concentrations in the cities of Siberia and the Far East will create the opportunity to fulfill the intellectual and creative potential of the population, and thus to make transition to "smart economy".

The Republic of Tuva is the most typical Siberian and the Far Eastern region, possessing enormous resources, spare economic capacity, and the poor population. And, here, like in other Siberian and the Far Eastern regions, with the exception, perhaps, of such major center of processing industry as Krasnoyarsk, the development of energy and transport infrastructures as well as implementing the projects in the field of construction materials are considered as priorities. The projects are predominantly

implemented in Kyzyl and nearby municipal areas that should certainly be included in the list of priority development areas.

Potential investment and construction projects include the following:

The construction of thermal power plant No. 2 (TES-2) with thermal and electrical networks; the cost of implementation is 25 billion rubles; the investor is not yet defined.

The construction of the railway line Elegest-Kyzyl-Kuragino in conjunction with the development of the Elegest Deposit of Ulug-Khem coal basin; the investor: LLC TEIC" (Tuva Energy Industrial Corporation) (Strategy for Socio-economic Development of Siberia until 2020..., 2014);

Exploration and extraction of coal of the Ulug-Hemsky coal basin in the Republic of Tuva; the investor: LLC "Ulug-Khem Ugol";

The construction of a coal-mining complex on the Mezhegey Deposit of Ulug-Khem coal basin; the investor: LLC "MC "MezhegeyUgol";

The launch brick-yard in Kyzyl district to produce 20 mln high quality bricks per year using local raw materials; the implementation cost is 1.5 bln rubles; the investor is not yet defined.

The launch of two wood processing enterprises in the Tes-Khemsy and the Kaa- Khemsy districts with full technological cycle; the implementation cost is 600 mln rubles; the investor is not yet defined.

The deployment of environmentally friendly, energy-saving and high-tech modular-type cement plant in the Ulug-Khemsy district to produce high-quality cement out of local raw materials; the implementation cost is 350 mln rubles; the investor is not yet defined.

Integrated homebuilding factory in Kyzyl to manufacture products for fast assembly construction with a high level of prefabrication of modular structures and parts; the cost of implementation is 445 mln rubles; the investor is not yet defined.

Thus, priority development area of Kyzyl, as part of the Yenisei priority development area, will include the subzones of the urban district of Kyzyl city and the settlements of the Kizil, Tandinsk, Ulug-Khemsy, Kaa-Khemsy, and Tes-Khemsy districts, specializing in energy, transport and logistics infrastructure as well as construction materials industry.

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