

A turbulent twenty years in the socio-economic development of the Murmansk region

KARI SYNBERG *Ph.D. in Geography*

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Trends of economic and social development of the Murmansk region: Results of the monitoring during the two decades of the market reforms.

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The issues in the Arctic today are essentially economic, political and global. One of the most interesting arctic areas for the Nordic countries is the Murmansk region, which is located entirely above the Arctic Circle. The significance of the region may be seen in the fact that there are Finnish and Norwegian diplomatic missions located in the city of Murmansk. The economy of the Murmansk region faces problems associated with the harsh climatic conditions, a crucial factor affecting the conditions for production and the settlement system in particular. On the other hand, the Murmansk region is very rich in natural resources and has deposits of several hundred economically exploitable minerals, as well as the advantage of its geographical location and ice-free harbours. Today the region is industrially quite well developed, with an economy based on the extraction and primary processing of natural resources.

During the last twenty years the development of the Russian North and its regions has been characterized by a sharp increase in the role of economic and social data in the management of socio-economic change. Two researchers from the Kola Science Centre of the Russian Academy of Sciences, Dr. Vladimir Didyk and Dr. Larissa Riabova, published last year a Russian language monograph entitled “Trends of economic and social development of the Murmansk region: Results of the monitoring during the two decades of the market reforms”. This book will fill the need for information on this topic, and it is focused on the general development and social changes in one of the regions of the Russian Far North and the Arctic: the Murmansk region.

The text of this publication is based on a monitoring survey carried out by Didyk and Riabova from 1990 to 2012, but also within the framework of the Russian-Finnish research project “Economic monitoring of North-West Russia” in collaboration with the Centre for Markets in Transition, CEMAT, Helsinki School of Economics. Part of the work was carried out within the project “The Russian Arctic: The modern paradigm of development”, through a grant from the Russian Foundation for Humanities Research (RGNF). This means that the material in this publication has, for the most part, been published earlier, but it has now been collected in the form of a monograph. According to the authors, the book is addressed to a wide audience: researchers, practical specialists, students and postgraduates, as well as all readers who are interested in issues concerning the socio-economic development of the Far North and the Arctic regions of the Russian Federation.

The book can be divided into two main parts: the first part presents statistical and analytical materials, and the second identifies the key trends of economic and social development in the past twenty years from a present-day perspective. During the period of market reforms in the 1990s, there were significant changes in the economy of the Murmansk region and in the Russian economy as a whole. According to Riabova and Didik, the next few years – up to 1999 – were a period of decreasing GDP; the decline in industrial production was -32 % (on the other hand, the decline in Russia as a whole was -50%). This decline was due to the structural features of the region’s economy, which was – and still is – dominated by export-oriented companies focused on the extraction and primary processing of natural resources (mining and fishing). In addition, unfavourable market prices for basic goods had a negative influence on the net financial results of all companies in the region. During these years the number of people in the work force decreased due to out migration and unemployment in the region.

Between 2000 and 2010 there was a period of economic development and restorative growth of the industrial output. Favourable price developments for the region’s main industrial items contributed greatly to this trend. But there were also some negative features, such as less diversification in the economy and the increasing use of non-renewable natural resources. According to the authors, during the years covered by the study, there was a relatively low rate of capital investment in the region, including a failure to invest in the modernization of the industry. It is obvious that investments are a prerequisite and a major driving force for future economic and social development. The researchers have noted the worldwide economic crisis and its negative effects on the economy of the Murmansk region; similar trends and effects were also observed in

other areas of Russia.

This book identifies the major trends in regional development, among them key trends that could lead to fundamental changes in the regional society in the short and long terms. It also identifies the most acute problems of socio-economic development in the Murmansk region requiring urgent solutions. Some results of the monitoring have already been used by the federal government, the government of the Murmansk region and local administration. One of the principle merits of this book is its long-term monitoring over a twenty-year period, its continuity and its regularity (twice a year). The researchers used a selected range of indicators throughout the period 1992-2012 and used a method that gives an accurate and useful picture of the development of the region. In addition, in 2010 the researchers, in cooperation with CEMAT, established a novel analytical framework for studying the regional economy and anticipating its future developments. This framework is called Dynamic SWOT Analysis (DSWOT). DSWOT provides a table with twelve different categories, some of which may be empty while others include several factors. This analytical tool helps the reader better understand further development in the Murmansk region.

The book discusses social and economic changes during the twenty-year period starting in 1992, and as Didyk and Riabova write, this is a relatively short historical period; however, it was extremely important for the region's socio-economic development, as well as socio-economic development in Russia as a whole. It is primarily associated with the implementation of a market economy in the Murmansk region and throughout the country. These changes have affected not only the economic and social spheres, but have also changed the political sphere.

According to the authors, some positive achievements are obvious, although some negative effects can also be found. For example, in the economic sphere, first of all, the launch of private business and the possibility to more freely implement private initiatives are essential positive achievements. In the political sphere, the development of democracy and civil society, the establishment of local self-governance, and the empowerment of regional and local authorities in promoting the interests of the region's population can be mentioned. As for the negative effects, the authors raise social issues especially: a sharp decline in the standard of living of the majority of the population and the social stratification of society in the 1990s. This includes such phenomena as the appearance of a social class of "new poor", including health care, education and culture workers, the growth of unemployment, a decline in fertility, increased mortal-

ity, and reduced life expectancy. These and other trends, which are analysed in detail in the book, show the high social cost of market reform for the residents of the Murmansk region.

Didyk and Riabova have presented an interesting period of Russian history, an era of chaos and restructuring. The detailed analysis of the transformational socio-economic processes and trends in the Murmansk region is impressive. Even though the book's text has previously been published in the form of separate articles and reports, the monograph gives readers an overall picture of the development and thus holds a well-deserved place among Russian-language publications. To my knowledge, this type of report, in which the development of one area is monitored for almost 20 years, has not been published previously in Russia. This book is therefore highly recommended, and I hope that someday it will also be published in English.