

Neoliberal governance, sustainable development and local communities in the Barents Region

MONICA TENNBERG *Research professor, Arctic Centre, University of Lapland*

JOONAS VOLA *Researcher, Arctic Centre, University of Lapland*

AILEEN A. ESPIRITU *Director, Barents Institute, University of Tromsø*

BJARGE SCHWENKE FORS *Researcher, Barents Institute, University of Tromsø*

THOMAS EJDAMO *Researcher, Department of Business Administration,*

Technology and Social Sciences, Luleå University of Technology

LARISSA RIABOVA *Head of department, Luzin Institute of Economic Studies,*

Kola Science Centre, RAS

ELENA KORCHAK *Researcher, Luzin Institute of Economic Studies,*

Kola Science Centre, RAS

ELENA TONKOVA *Director, Institute of Social Technologies,*

Syktvyvkar State University

TATIANA NOSOVA *Researcher, Institute of Social Technologies,*

Syktvyvkar State University

ABSTRACT

There are currently high hopes in the Barents Region for economic growth, higher employment and improved well-being, encouraged by developments in the energy industry, tourism and mining. The article discusses these prospects from the perspective of local communities in five locations in the region, which spans the northernmost counties of Finland, Norway, Sweden and Northwest Russia. The communities studied are remote, relatively small, multicultural, and dependent on natural resources. The salient dynamic illuminated in the research is how ideas of sustainability and neoliberal governance meet in community development. While the two governmentalities often conflict, they sometimes also complement one another, posing a paradox that raises concerns over the social aspect of sustainable development in particular. The article is based on international, multidisciplinary research drawing on interviews as well as

statistical and documentary analysis.

NEOLIBERALISM, LOCAL COMMUNITIES AND SUSTAINABLE DEVELOPMENT

The political rationality of our time is neoliberalism, an approach to governing that has spread in different variations across the globe in the last three decades (Harvey 2005). In simple terms, neoliberalism means the extension of market relations and competition throughout society, including the realm of social interactions. Neoliberalism is not an ideology, nor is it a policy; it is a governmentality for advanced liberal societies, a set of governance practices which, as a political rationality, also endeavours to impart sense to those practices (Larner 2000; Cotoi 2011). Neoliberalism is based on the idea of active use of freedom: the role of the neoliberal state is to secure proper conditions for markets to function instead of letting them operate freely as classical liberalism urges. The main elements of neoliberal governance are support for free movement of goods, people and capital; re-distribution of authority between governmental and non-governmental entities; pro-market regulation; and an emphasis on social innovations that will advance individual freedom and responsibility (Cerny et al. 2005).

Neoliberalism in practice has been woven into a broad range of international, national and regional plans, programmes and strategies in the form of de-regulation, privatisation and rationalisation. However, it is many times paradoxical, a combination of old and new practices of governance. The Nordic countries have adopted neoliberal policies (Kuhnle 2000; Abrahamson 2010; Dahl 2012), but the popular support for welfare-state thinking has led to the states adopting a policy of containing rather than cutting social benefits and related costs. As a result, the countries have entered a new era, that of the “post-welfare state”, characterised by Kuhnle (2000, 118) as providing “a less generous state welfare and with a different mix of welfare provisions”. In Russia, a new model of welfare is under construction, characterised firstly by a considerable reduction of the state’s part in social policy, secondly by an increased role for the regional and local authorities in the provision of social services, and thirdly by substantial changes in the social position of citizens in relation to the state. As a result, individual participation and responsibilities, as well as the role of non-governmental organisations, have grown in providing social services. The role of the state is still important in that it guarantees minimal social standards. (Konstantinova 2009, 51.)

The practical and local manifestations of neoliberal governance depend upon existing social relations and state practices. Yet, neoliberalism cannot be reduced to specific

local organisational practices or policies in municipalities. It works as “an extra-local regime” of rationalities and practices (Raco 2005) changing the nature of interactions between various levels of authorities (Agrawal 2005, 6–17). In practice, municipalities are local units of self-government with decision-making and financial powers of their own but are often dependent on governmental support and decision-making. Municipalities are *regulatory communities* in which social interactions take place locally. Communities are localities comprising a combination of people, resources and practices within or beyond the limits of a municipality. *Governmentalisation of communities* means, as Schofield (2002, 675) suggests, that the discourse of community is presented as one explicit solution to some of the many problems of government. Its insertion into government relations with local people in the form of a managerial technology called “community development” enables the otherwise separate institutional worlds of local and national government to be aligned with the particular interests and needs of specific localities. Community as a new technology of government is used to “shape, normalise and instrumentalise the conduct, thought, decisions and aspirations of others in order to achieve the objectives [authorities of various sorts] consider desirable” (Miller and Rose 1990, 8). The neoliberal “social” is governed by invoking “community as a means to collectivise and organise subjects of government” to facilitate governance itself (Summerville, Adkins, and Kendall 2008, 696–711).

Communities have been a central theme in discussions of sustainable development. In the Rio +20 Earth Summit in 2012, commitment to sustainable development locally was reaffirmed in the final document:

Sustainable development requires the meaningful involvement and active participation of regional, national and subnational legislatures and judiciaries, and all major groups (women, children and youth, indigenous peoples), non-governmental organizations, local authorities, workers and trade unions, business and industry, the scientific and technological community, and farmers, as well as other stakeholders, including **local communities**, volunteer groups and foundations, migrants and families as well as older persons and persons with disabilities. (Report of the UN conference on sustainable development 2012, 8; emphasis added)

In addition, the final document calls for “[communities’] active participation, as appropriate, in processes that contribute to decision-making, planning and implementation of policies and programs for sustainable development at all levels” (Report of the UN

conference on sustainable development 2012, 8).

National strategies for sustainable development in the Barents Region are also committed to sustainable development at the local level. The Norwegian strategy for sustainable development (2008, 87) stresses the responsibility of local communities for supporting sustainable development: “The counties and municipalities exercise authority, provide services and, in their capacity as democratically elected bodies, are responsible for community development. They are therefore important partners in the work on environment and sustainable development.” In corresponding Finnish strategy (2006, 18–19), the stated aim is “to attain functionally diverse and structurally sound communities and a good living environment”. The strategy (2006, 95) also refers to “social inclusion and the opportunities to develop into an active citizen who bears responsibility will be promoted by supporting empowerment”. In the Swedish strategy (Strategic challenges 2005, 22), “sustainable communities” are understood as “[communities that] promote and develop decent living conditions for everyone” in terms of physical planning, regional development and infrastructure. Moreover, sustainable communities are “to encourage participation and co-determination in a society where all have equal rights, opportunities and obligations” (Strategic challenges 2005, 22).

Russian legislation mentions the term “sustainable development” quite often, but its interpretation and relation to the activities of local communities can be found only in the documents dedicated to the development of rural areas. The term “community” in the Western European sense is not used, but some of its aspects are reflected in the notions of “local initiatives”, “local self-governance”, and “activation of civil participation”. The Ecological Doctrine of the Russian Federation (2002) states that “priority should be given to development serving the needs of the local population”; it also refers to “public participation in development and enforcement of the state ecological policy, including the public environmental control”; it aims “to provide support for public participation in discussion and making of decisions that affect their rights and freedoms, their interests, health, life and environment”; and “to provide Russian citizens with the level of information and education that allows active participation in the sustainable development process and provides for environmental safety”. In addition, the document “The Basic Principles of State Environmental Development Policy for the Period through to 2030” (approved 30 April 2012) refers to the increasing role of local communities in terms such as “participation of citizens in the decision-making process as it concerns their rights to a healthy environment” and “the participation of citizens and NGOs in solving environmental and ecological security issues considering

their viewpoints on the decisions about planning and realizing economic and other activities which can cause a negative impact on the environment”. On 20 February 2013, the document “Development Strategy of the Arctic zone of the Russian Federation and National Security for the period up to 2020” was approved by President V. Putin. The new strategy defines “the basic mechanisms, ways and means to achieve the strategic goals and priorities for the sustainable development of the Arctic zone of the Russian Federation and national security”. The strategy mentions sustainable development in relation to social, economic and ecological aspects of development in the Russian Arctic, and claims that in realising the strategy “consolidation of the resources and efforts of all stakeholders of the state policy of the Russian Federation in the Arctic (the federal bodies of state power, bodies of state power of subjects of the Russian Federation, whose territory includes all or part of the Arctic zone of the Russian Federation, local authorities and organizations)” will be effected. The emphasis in the strategy is not on the local level, but rather on multilevel consolidation of all stakeholders to address key issues of the Arctic zone of the Russian Federation and the national security in the Arctic.

Sustainable development has been one of the main aims of Barents regional cooperation, which started in the early 1990s across the northern parts of Sweden, Norway, Finland and Northwest Russia. The relationship between sustainable development and neoliberal governance is a problematic one. According to Mike Raco (2005, 329), “sustainable development is a chameleon-like discourse which has been (re)interpreted and deployed by a range of interests to legitimate and justify a range of often contradictory and divergent agendas”. In the view of some, sustainable development is a good example of neoliberal governance, while others maintain that the democratic and participatory elements in sustainable development thinking have the emancipatory potential to allow new alternative policy agendas to develop. Within sustainable development discourses, “a sustainable community” is able to cope with various economic, social and environmental changes in less drastic and more equitable ways while maintaining social cohesion (Raco 2005, 331). However, as Raco (2005, 330) also points out, “the greater attention given to social justice and inclusion which characterized the original foundations of the sustainability movement sit uneasily with neoliberal, trickle-down economics in which development capacities are to be maximised with scant regard for redistribution or social justice” (Raco 2005, 331).

There is no single accepted definition of sustainable communities (Roseland 2005; Marsden, Mazmanian and Kraft 2010). Among their many characteristics, such communities minimise consumption of essential natural resources, diversify economic

opportunities, increase human, social and cultural resources and maintain social cohesion. The literature on sustainable communities reveals different approaches to assessing community sustainability: analysing the different types of capital needed for community development (Roseland 2005); identifying coping strategies (Coping strategies in the North 1998; *The Reflexive North* 2001); studying community well-being (Aarsaether, Riabova and Barenholdt 2004); and, more recently, resilience leading toward sustainable development (Magis 2010). Resilience has become a popular catchword recently in studying the social dimension of sustainable development. According to the recent interim report on Arctic resilience (2013, 80), “social relations and their underlying social networks are (...) endowments that define the sensitivity of a household, community, and society to risk and vulnerability”.

A number of indicators have been created to assess sustainable community development, but measuring those forms of capital, resources and aspects of well-being or resilience is in itself an instance of neoliberal governance in practice. The extension of market relations makes both communities and their inhabitants’ lives “economical” and calculable, characterised by competition over scarce resources, with assumptions of rational and responsible behaviour. The rationality behind these calculative and evaluative measures is to make life in general less uncertain and more predictable. The resilience approach as a neoliberal governance strategy expects that “communities can and should self-organize to deal with uncertainty, that uncertainty is a given, not something with a political dimension, and the role of government is limited to enabling, shaping and supporting but specifically not to direct or to fund those processes” (Welsh 2012, 6).

REMOTE, RELATIVELY SMALL, AND NATURAL-RESOURCE-DEPENDENT NORTHERN COMMUNITIES

In the Barents Region, “most people live in relatively big urban places, but most places where people live are small” (Aarsaether, Riabova and Barenholdt 2004, 139). The population of the Barents Region is some 5.2 million people (2010), most of whom live in Russia. Communities in the region share a number of characteristics, development issues and challenges. The areas discussed in this article have been selected as representing major economic activities: tourism, the energy industry and mining. They are remote and relatively small, but possess resources that have economic significance or potential. These communities have a mix of population groups, with different languages and traditions, and all have suffered out-migration in recent times, or are still

affected by it today.

Sør-Varanger Kommune is a frontier in terms of nature and culture; it is an area where Norwegians, Russians, Finns and Sámi meet. It has a population of approximately 10 000 people, mostly Norwegians, but many can still claim to be of Sámi and/or Finnish/Kven descent. In recent years, there has been considerable immigration to the municipality from Russia. Most of the population, about 7000, live in the administrative centre of the municipality, the town of Kirkenes. Characterised by boom-and-bust economies throughout its history, Sør-Varanger's economic development has rested on natural resources such as iron ore, fishing, and agriculture; more recently, it has come to rely on tourism (Sør Varanger Historielag 2005). The present vision of Norwegian politicians is one of the High North as a future petroleum province and transport corridor of global importance in which Kirkenes will serve as a hub for the processing and transport of oil and gas or the shipment of goods from Europe to Asia.

Pajala, a municipality with 6 289 inhabitants in the county of Norrbotten, Northern Sweden, comprises a central town and several villages. The loss of employment in forestry since 1950 has led to a 60-per-cent decline in the population (ÅF Infraplan 2011). One of the problems caused by depopulation is a deficit of women and difficulties in keeping the population growth sustainable. The main economic activities have historically been Sámi reindeer herding, agriculture, iron works and forestry (Elenius 2008). Currently, the main sources of employment are public services, agriculture, forestry, manufacturing and natural resource extraction. The region has a long history of mining on both sides of the Swedish-Finnish border, in the communities of Gällivare, Kiruna and Kolari. Recently, an international mining company, Northland Resources, has begun work on developing two mines, one in Kaunisvaara (Sweden) and the other in Hannukainen (Finland). The rise of the mining industry is expected to improve the demographic situation in the community as mine workers move to the region. The municipal vision is to have 10 000 inhabitants again by 2020 (Pajala Municipality 2012).

Inari is a community in northern Finland with 6 700 inhabitants, who comprise three groups, each speaking a different Sámi language, and Finns. The village of Inari is the centre of Sámi administration and education in Finland: the Finnish Sámi Parliament, the Sámi museum Siida and the Sámi Education Institute are all located there. The region is also part of the Sámi Homeland in Finland, but the Sámi are a minority in the region. The reliance of the local economy on forestry has declined, and nowadays the community relies heavily on the tourism industry for income and employment. The

Lemmenjoki National Park (established in 1956) and a local gold-panning tradition dating back to the 1940s are important resources for the tourism industry, as are nature and the local cultures (Lehtola 1999; Partanen 1999).

The study includes two research sites in Russia, **Ust-Tsylma**, in the Komi Republic, and Teriberka, in the Murmansk region. Ust-Tsylma has 12 656 inhabitants (2012). Its capital, together with many villages, is located on the Pechora River. It is one of the oldest settlements in the Russian European North and is known as one of the main centres of a group known as “the old-believers”, who escaped persecution by the Russian Orthodox Church in the 17th and 18th centuries and developed a culture and traditions of their own that were distinct from those of the neighbouring Nenets and Komi-Izhma populations (Dronova and Averyanov 2007). The basic economic activities in Ust-Tsylma have been farming, as well as some industries such as dairy and leather production and logging, but in the 1990s the factories underwent multiple reforms and reorganisations. These economic activities are still important, although there are hopes to develop tourism on the basis of the local cultural features.

Teriberka is a village of 974 people on the Barents Sea coast. It is one of the oldest and historically one of the richest fishing villages on the Kola Peninsula. It has been inhabited for about 500 years by Russian (among them Pomor), Sámi, Norwegian and Finnish peoples. In the Soviet period, specifically the 1950s, Teriberka’s development peaked and its population was at its highest, 12 000 inhabitants. Since the early 1990s, the village has experienced a deep socio-economic crisis caused by the Russian socio-economic transformation and the introduction of strong international regulation on fish resources (Aarsaether, Riabova and Barenholdt 2004). Its population has declined by almost half since 2000. The village economy is based on fisheries, fish processing and agriculture. In recent years, the plans for developing the Shtokman gas field dominated the discussion about Teriberka and its future. Today, after the recent decision to postpone the development of Shtokman, the community is struggling with economic transformation and a recession in coastal fisheries, and trying to find new solutions to community development.

Some of the communities chosen have their own local strategies for sustainable development. In **Pajala**, for example, a local project has been set up to engage the community through participation in local development activities and to promote social development across the board. Some examples of activities include events with people



Map 1: The research sites

moving back to the community; activities for local youths; events with students at Luleå University of Technology; an activity week for the long-term unemployed, held jointly with education providers and businesses; and organising visits to local businesses with immigrants participating in a course in “Swedish for immigrants” (SFI). The project seeks to promote social development in Pajala’s many villages, for example by increasing awareness about possibilities for cooperation and promoting networking, by enabling the residents in all villages to feel that they participate and are able to influence local development and by increasing awareness about the importance of social capital in local development. (Pajala Municipality 2011 and personal interviews)

Sør-Varanger has a general long-term development plan for the years 2004–2016. The plan refers to sustainability as one of the key elements of local development, the stated goal being “community development that ensures life quality and resources not only today but also for future generations” (Sør-Varanger kommune: Kommuneplan 2004–2016). The municipality has signed the *Fredrikstad Declaration* of 1998, joining the other signatories, who represent “local authorities, regional authorities and organisa-

tions who wish to ensure that local communities in Norway contribute to sustainable development, and who therefore endorse this declaration". The declaration was an answer to "the call by the UN Earth Summit held in Rio in 1992 for local authorities to mobilise residents, organisations and businesses through local action plans for sustainable development (Local Agenda 21)". The idea was to empower the local level and increase its abilities and responsibilities in ensuring sustainable development. The municipal plan states that Local Agenda 21 "shall be a natural and integrated part of the municipal planning on all levels" and that its principles "shall contribute to the mobilization of the residents and encourage responsibility" (Sør-Varanger kommune: Kommuneplan 2004-2016).

One goal that the Municipality of **Inari** (2012) has set for itself is "to maintain well-being and to foster sustainable development". It has no plan or strategy that directly addresses sustainable development, but its general goals include providing good services, achieving a balanced economy and an employment situation that is better than the average for Lapland and making the municipality a good working environment and an entrepreneurship friendly community. Inari's strategy where welfare policy and management are concerned is to promote the growth of mental and economic well-being in the municipality through its services, co-operative networks and work as a partner improving the conditions for the municipality's inhabitants, entrepreneurs and other economic agents. The development of infrastructure has received particular consideration as a responsibility of the municipality. (Inarin kunta 2013, 5.)

In **Teriberka**, perceptions of sustainable development vary considerably (Riabova and Korchak 2012). The representatives of the regional authorities put a clear emphasis on neo-liberal ideas that urge economic liberalisation, deregulation, distribution of responsibilities between levels of power, and inter-sectoral collaboration. The representatives of the local administration associate sustainable development with long-term planning, stable financing, the availability of working places in the municipality and strong, effective leadership. Questions of social justice, cultural continuity and preservation of the Pomor way of life based on coastal fishing, ecological concerns, and problems of preserving fish stocks for future generations are recurring issues in the community debates. Although these themes are on the local agenda, neither the people nor even the representatives of regional and local authorities associate them with the "classical" concept of sustainability. This is a typical situation for many Russian municipalities, where the concept of sustainable development is either hardly known or is misinterpreted as meaning stable economic growth. Hopes in Teriberka are now

focused on the development of the fishing industry and tourism, as the Shtokman plan has been postponed.

The municipality of **Ust-Tsylma** follows the logic of the federal and regional documents on socio-economic development. Its main goal is “growth of life quality of the local population and development of a spiritually, physically and intellectually rich local community which preserves its own authentic culture and is integrated into the social and economic domain of the Komi Republic and Russia” (Plan of socio-economic development of the municipality of Ust-Tsylma for the period to 2020). The concept of sustainable development is not mentioned in the main municipal documents, which shows that the idea of sustainability has not been fully understood, assessed and accepted by the local authorities as one of the guiding principles of the strategy for municipal development, although some aspects of sustainability are included in the aims and tasks to that end. However, among the principal tasks faced by the local authorities the documents cite a struggle with the lack of financial, human, and infrastructural resources, making it seem that those tasks involve survival rather than sustainable development.

RESEARCH COLLABORATION IN THE REGION

The present study was carried out by five research teams in the Barents Region. The partners in the project are the Luleå University of Technology (Sweden), the Barents Institute at the University of Tromsø (Norway), the Luzin Institute of Economic Studies, affiliated with the Kola Science Centre of the Russian Academy of Sciences (Russia), Syktyvkar State University (Russia), and the Arctic Centre at the University of Lapland (Finland). The present project, *Neoliberal governance and sustainable development in the Barents Region from local communities' perspective* (NEO-BEAR project 2012-), is a collaborative effort that grew from the discussions in the Barents International Political Economy (BIPE) researcher network project (2010–2012 Nordforsk; Tennberg 2012). In the initial stage of NEO-BEAR, researchers analysed local and regional policy documents and plans, as well as information on national and international development policies relevant to the study region, to identify the key discourses and practices of sustainable development. The research also involved participation in five selected communities in the Barents Region, with this including the study of local discourses and practices of sustainable development. The project also organised a series of meetings in the communities in which local stakeholders and researchers could exchange ideas on sustainable development. In the future, more interviews and participatory observation will be conducted at the selected research sites to deepen the understanding of sustainability issues in local communities. The overarching aim of NEO-BEAR is to under-

stand the relationship between neoliberal governance and sustainable development at the community level across the Barents Region. The project also seeks to expand the understanding of sustainability and emphasise local understandings of sustainable development. This article is a report from the first phase of research collaboration, which has comprised the collection of statistical data, analysis of documents and a first round of interactions with local stakeholders.

The project researchers have worked in the focal communities before. The **Inari** region has been a research site for the Arctic Centre for many years, recently for research on climate change adaptation (MISTRA Arctic Futures 2011–2013, Community adaptation and vulnerability in Arctic regions CAVIAR 2007–2009, and ECOREIN 2008–2010). Eleven interviews were conducted for the present study. These comprised semi-structured interviews either in the area of the municipality (the villages of Ivalo, Inari and Saariselkä) or in Rovaniemi, where companies have their regional offices chains and many other regional actors were located as well. One person in Inari was interviewed on the telephone. A stakeholders' meeting was arranged on 24 October 2012 in Ivalo.

As local and national political interests have arguably positioned **Kirkenes** as the centre of the Barents Region, it has become one of the most intensively researched and studied towns in the region. Studies of sustainability and quality of life were begun there by Espiritu as early as in 2007, with a series of open-ended interviews of local business and political actors carried out in 2008 and 2009 in anticipation of the re-opening of the Sydvaranger mine. The Kolarctic-funded project entitled *Public-Private Partnership in Barents Tourism* (BART) also looked at questions of economic sustainability in comparative perspective among the Barents countries. For the *Barents International Political Economy* (BIPE) project, we looked at Kirkenes within the context of globalisation and the global economy, examining the discourses that dominated in the then-current speculation about the new mining boom in Sør-Varanger (which has yet to happen) and gas extraction in the Shtokman field in the Barents Sea (now suspended for the foreseeable future). With these as a backdrop and foundation for the project, we have thus far directed questions regarding sustainable development to three stakeholders in the mining industry, with more interviews planned in the coming months. These studies of the Sør-Varanger region, centred on Kirkenes, have the potential to be a baseline indicating how this part of the Barents is (or is not) attaining community, social, and economic sustainability.

In **Pajala** a modest number of interviews (5) were conducted with local tourism industry actors in December 2012. The interviews focused on challenges for and obstacles to the tourism industry and naturally led to discussion of the new mine and the impacts of mining on the local community. A small stakeholder workshop was also organised. Previous studies (e.g. Auty, 1998; Eggert, 2001) have emphasised the need for strategies to achieve economic diversification, which can reduce vulnerability to individual markets and enhance the long-term sustainability of the community, even after mining ends.

Teriberka has been studied since the mid-1990s, first in the project *Innovation and adaptability of the Murmansk region fishery kolkhozes*, carried out by J. O. Bærenholdt of the Roskilde University Department of Geography and International Development Studies (Bærenholdt 1994) and later, in the period 1996–2002, as part of the work of several international and interdisciplinary research projects, these being *UNESCO MOST CCPP (Management of Social Transformations, Circumpolar Coping Processes Project)* (1996–2002), *Coping Under Stress In Fisheries Community: comparative study on Iceland, Russia and the Faeroe Islands*, *UNESCO MOST CCPP subproject no.A3220* (1999–2000) and *Local coping processes and regional development - Social capital and economic co-operation in Russian and Norwegian coastal communities* (1999–2001). The current study has two aims: on the one hand, it attempts to contribute to a better understanding of the problems and prospects of sustainable development in Teriberka; on the other, it is designed as a longitudinal study that can grasp changes and continuity in socio-economic life in the village over a period of almost 20 years and maintain a tradition of socio-economic research there whose results could benefit the community. Data for the study have been obtained from existing literature, statistics and media sources, as well as through semi-structured interviews conducted during fieldwork in Teriberka and Murmansk on 16–18 December 2012. A total of 12 in-depth interviews were conducted with representatives of the regional government and local authorities, managers and workers at the private fish processing factory “SeaFoodRus”, the head of the House of Culture, members of the Pomor People’s Choir, a handicraft teacher and librarian at Pomor Library, the leader of a Sámi “obshina” (sida), a kolkhoz worker, “grey” tourist guides, a school pupil and others.

The municipality of **Ust-Tsylma** has been an object of research quite often and for a number of reasons, such as the remoteness and pristine nature of the area, one very rich in natural resources, the uniqueness and closeness of the region’s culture, and the self-construction of ethnicity in the community. The current research adds a new dimen-

sion to the knowledge about the municipality by focusing on the ideas of sustainability and neoliberalism implemented in the socio-economic practices of a local community. The study of Ust-Tsylma was based on an analysis of the normative base of the municipality and its main strategic documents, as well as fieldwork including interviews with the individual representatives of various groups in the local community. Plans were then made for more than ten additional interviews and a workshop. These took place on December 21–23 December 2012, but the final number of participants fell to nine, as a severe snowstorm prevented people from remote villages reaching the municipal centre. Among those interviewed by the research team were representatives of the local authorities, the business community and employees.

The following three sections present the findings of the first phase of the NEO-BEAR project. The first describes the recent neoliberal governance practices that affect the local communities of interest, that is, the changes influencing tourism, mining and industrial development in general; the second analyses the increasing economic responsibilities of municipalities; and the third examines the social consequences of neoliberal governance in practice at the local level.

NEOLIBERALISM IN PRACTICE

Neoliberal practices of governance influence economic activities locally in many ways across the Barents Region. The basic idea of neoliberalism is to reduce direct governmental intervention in economic affairs while maintaining governmental support for the economy through legal, administrative and social measures. The experiences of this in different locations in the Barents Region are mixed.

In **Finland**, in the case of Inari, neoliberal strategies in the tourism industry have changed the nature of the sector in many respects. In the past, the role of the state in supporting tourism was prominent. Before the 1990s, a state-owned tourism company, *Matkailuliitto ry* (1887), promoted tourism and developed infrastructure for tourism in Finnish Lapland under the name *Matkailuyhdistys*. Outcomes of this work include Hotel Ivalo in Ivalo and Tradition Hotel Kultahovi in Inari. The depression during the 1990s led to economic difficulties in *Matkailuliitto* and to privatisation of its hotels and ultimately, in 2001, to bankruptcy. In addition, the National Board of Forestry (now *Metsähallitus*) had some 30 cabins for tourists to use in hiking in Lapland. These were sold off and the trademark “Villi Pohjola” was eventually sold to a private company, Lomarengas, in 2012 (Metsähallitus 2012). The role of the state in marketing tourism

has also diminished. Marketing efforts have become fragmented due to rationalisation measures, with the activities of the state-run *Finnish Tourism Board* (MEK) transferred to *Finpro*, a project export agency, in the late 2000s. The interviewees considered this a failure. The loss of the Tourist Board's marketing compelled individual tourism entrepreneurs to build their own marketing strategies and networks, which took resources away from developing other aspects of their businesses.

One of the recent local concerns, and a sign of neoliberalism in practice, is the accessibility of Inari by air. Finnair is one of the main carriers of air passengers to the region and the long distances involved mean that bus and train transportation are not really viable alternatives for tourists coming to the area from Central Europe and Asia. According to the interviewees, Finnair, as a state-owned company, does not appear to be as flexible as it was earlier in providing flights to remote northern locations. According to the local entrepreneurs, Finnair and its actions determine the prices for the services and products of local tourism enterprises. Moreover, the constantly changing schedules make the service unreliable and tourists cannot plan their travel in detail. This leads to tourism entrepreneurs in Inari doubting their own capability and skills to work successfully in the tourism industry.

In **Norway**, the mining renaissance has led to new legislation and to new governmental strategies where sustainable development is concerned. The Minerals Act (2009) represented a considerable simplification of the law, reducing the number of relevant legal documents on mining from five to one and making the legislation less complicated, less fragmented and more transparent. In 2013 another document of importance for the national mining industry, the government's Mineral Strategy was presented (Norwegian Ministry of Trade and Industry 2013). From the point of view of the Norwegian government, promoting mining is good regional policy. It is a way of supporting the Norwegian periphery, which in some places is threatened by depopulation and brain drain. It cannot be emphasised enough that the major reason that the Sydvaranger mine re-opened after its 13-year closure was the Chinese demand for iron ore. This put Sør-Varanger, on the northern frontier of the country, at the centre of the world economy that has led to the rise of China's enormous economy and to the drive of all mineral-rich countries globally to either re-open or establish mines.

Mining in Norway today is in many ways different from what it was before. Here we can speak about a "neoliberal" development, defined by the changing role of the state. Whereas the state previously had an important role in the sector, and in many cases

owned the mines, the industry today is very much privatised and much more international. The role that the Norwegian state plays cannot be underestimated, however. It was the Ministry of Industry that commissioned a 100 million NOK study to map the minerals in northern Norway, with the report and detailed map soon to be available. The intention of the state is clear: if it knows what minerals lie beneath the land, then it can grant licences to private companies to exploit those resources. In fact, exploration is underway in some cases – even before the official maps have been released – with some private prospectors acting on their own analyses.

A survey done by the newspaper *Finnmarken* in 2012 showed that 60 per cent of the population of Sør-Varanger supported an increase in the production of iron-ore concentrate. In Kirkenes, the reaction to the re-opening of the mine has remained mixed. Overall it is welcomed because of the jobs that it has brought to the municipality, with many of the workers who used to work at Sydvaranger enthusiastically going back to their old jobs if they could. Another reason for this positive response is probably that people in Sør-Varanger were familiar with mining; it was nothing new to them. They had also had good experiences of mining and expected that the new era of mining would bring many of the benefits that the old one had. Yet, by 2010 some questions concerning mining and local sustainable development had already been raised in the community. These mostly relate to issues of economic and ecological sustainability that have been debated in the municipality in the last three years. Very few people oppose mining but many would like to see more positive effects locally. Contrary to what many believed initially, the mining did not have an immediate positive effect on the municipal economy. The sale of the mine itself has also been discussed. The local view was, “We are talking about a resource worth hundreds of billions of krone that in practice was sold for 50 million”. The former mayor admitted that the price was “perhaps was too low, but noted that in 2006 [selling the mine] this seemed like the right thing to do” (TV2 2010).

In **Sweden**, the liberalisation of the Swedish Minerals Act (SFS 1991:45) is an example of neoliberal policy formation. The new act opened up Sweden to exploration and mining by foreign companies and, in addition, abolished taxes and royalties on mining (except the normal corporate tax), thus removing regulatory barriers to the entry of foreign capital. The state's participation in mining enterprises was also discontinued (Mining Journal 2005; Plachy 1994), which enhanced the role of the private sector in accordance with neoliberal principles. This liberalisation of the policy on natural resources can be interpreted as an example of neoliberalism's tendency to release assets

that were previously held by the state onto the market, where capital can invest in, upgrade and speculate in them (Holden et al. 2011). The liberalisation of the Minerals Act contributed to an important increase in exploration for minerals in Sweden through an influx of foreign capital. One and a half decades later, it also enabled Northland (a foreign company) to acquire and explore the properties that would ultimately become the Kaunisvaara Iron Ore Project. In this view, the liberalised Minerals Act has contributed significantly to development.

A global commodity price boom that began in 2004 sparked renewed interest in local mineral deposits and brought with it the promise of industrial expansion and major employment opportunities in Pajala. The mining company *Northland Resources* is developing an iron ore mine in the village of *Kaunisvaara* (Sweden) and planning an additional mine in *Hannukainen* in Kolari (Finland), Pajala's neighbour. The mining plans have generally received a very positive response in Pajala according to our interviews, which is further supported by coverage in regional news media. Some recent financial problems experienced by the mining company may, however, have impacted the local support. A shortage of liquidity forced the company's Swedish subsidiaries to file for reorganisation in February 2013, which created uncertainty about the future of the project until late May, when a new long-term financing plan was agreed upon (see *Northland Resources* 2013). Our interviews, which were conducted in late 2012 and thus prior to these recent problems, suggested that a sense of resignation regarding Pajala's future had prevailed throughout most of the population; this has now essentially been abandoned in favour of a more optimistic view about the future, which in itself has to be considered a significant contribution to social development. Much of this optimism can be attributed to the rise of the mining industry. The familiarity with mining in the area and the anticipated employment opportunities have led to a very high degree of acceptance for the project locally, which is reflected throughout most of the public discourse about the project. Another observation, which is supported by interviews with local people, is that the mining company has maintained a close dialogue and involvement with the community, which has contributed to keeping stakeholders informed throughout each stage of the project.

Russia has seen significant changes over the past decade, in the country at large as well as in small coastal municipalities in the Barents. These changes have been caused by general socio-economic and political transformations, some aspects of which were the extension of market relations in society, devolution of a growing number of tasks and responsibilities to the regional and municipal levels (processes associated with neo-

liberalism), and constantly changing policies and situations in the fishery sector. The interviews in **Teriberka** suggested that representatives of regional and local authorities, as well as ordinary people in the village, increasingly associate the prospects for development in Teriberka with the heightened role of the regional government in solving the socio-economic problems of the village. This development does not resonate very closely with the neo-liberal ideas expressed in the interviews by the regional officials, who stated that sustainable development of Teriberka means, first of all, as little intervention as possible in the village economy, the distribution of responsibilities between levels of government, as well as inter-agency and inter-sectoral collaboration in order to ensure the inflow of people to the village. People and the village authorities are very much satisfied with these new developments, which involve more attention and actions from the regional level, obviously feeling that they are better governed than before and better supported by the regional authorities. The neoliberal model of governmentality is hardly welcomed by the people of the village. This is understandable, considering the institutional obstacles created, mainly at the federal level: the most serious is the federal tax policy that transfers a considerable part of a region's wealth to the federal level and often creates an artificial dependence of the municipalities on subsidies from the federal and regional levels. Such a situation prevents the village authorities and local people in Teriberka becoming more responsible for the community's socio-economic development and for their personal well-being.

In **Ust-Tsylma**, neoliberalist trends can be found in a growing local small entrepreneurship, which for the local community is becoming a way to survive, given that the municipal trade market almost died in the 1990s, when a market economy was introduced in the country. The small business sector in the area is mostly a developing one. On 1 January 2012, there were 548 individual entrepreneurs, 45 micro enterprises and 17 small enterprises. The scope of small entrepreneurship covers in practice all the main branches of the local economy: agriculture, logging and timber production, the wood industry, the food industry, building, transport, trade and services. It should be pointed out that small enterprises and individual entrepreneurs are entirely responsible for distribution of their products and services to the population in the region. However, there is an imbalance territorially and among the branches of the economy: free enterprise is strongest in the area of trade, and an insufficient level of entrepreneurship is observed in tourism, real estate, production of souvenirs, and the medical and educational sectors. Locally, entrepreneurship is the biggest resource for the fullest realisation of the social and economic potential of the municipality, as it provides employment, job creation and stable income in the municipal budget. (The report of the administration of

the municipality of Ust-Tsylma 2012)

INCREASING MUNICIPAL RESPONSIBILITIES

Municipalities across the region have many and increasing responsibilities for local development. In **Inari**, tourism has been an important economic activity locally since the 1950s. Recently, it has played a major role as a source of income: 70 per cent of the municipality's tax revenues come from tourism directly or indirectly. In the 1990s, the National Board of Forestry (now Metsähallitus) started to privatise its activities, but it still has an important role in providing infrastructure, trails and other services for recreational activities in the nearby national parks. The municipality also plays an important part in city planning by advancing the development of infrastructure, services and products that support tourism. The division of responsibilities is not always clear between Metsähallitus and the municipality, and the question of who maintains the infrastructure remains a contested one as it needs long-term funding. One of the municipal responsibilities in Inari is to secure housing for temporary workers in local tourism businesses, but there are no rooms to rent to seasonal workers in hotels and other tourism facilities. The municipality builds very few rental units, which means that all those that are under construction have already been sold or rented. In addition, there is limited public transportation available to support the needs of the workforce. This is a problem, as the community structure is fragmented. Inari can be described as a group of villages, each with its own special features. The Saariselkä resort is a more artificial village, one which has been built for tourism. The other two main villages, Ivalo and Inari – Sámi and Finnish settlements, respectively – are more authentic. Ivalo is the administrative and economic centre, while Inari is the centre of Sámi culture, with a museum, parliament house and other services for the Sámi.

The Municipality of Inari is involved in two tourism-promoting organisations: *InLike Ltd* and *Northern Lapland Tourism (NLT) Ltd*. The municipality owns 100 per cent of *InLike Ltd* whereas *NLT Ltd* is co-owned with local tourist entrepreneurs. The municipality is highly active in many fields that are not commonly considered to be among a municipality's responsibilities, which can be seen in its support for air transportation, tourism marketing and tourism development in Saariselkä. The role of the municipality is that of a motor of the tourism industry. Its activities have a multiplier effect across the regional borders. In a sense, according to some local critics, Inari is behaving a bit too much like a private company as it tries to 'find its way' in a new situation. Then again, it is also claimed that the municipality has not fully understood the importance of the

tourism industry locally and that it does not treat all local entrepreneurs equally.

Pajala has established a public-private partnership in order to develop new opportunities in connection with recent developments. Known as *Pajala Utveckling AB (PUAB)*, the local business development organisation is owned jointly by the local private sector (51 %) and the municipality (49 %). *PUAB* has aimed at increasing national awareness about the employment opportunities and marketing Pajala as an attractive place to live and work, the goal being to attract an influx of population that can reverse the local demographic trends. *PUAB* has also contributed to increasing the understanding of social and economic issues in Pajala by commissioning a number of analyses which consider various aspects of social and economic development relating to the mining boom and underpin the initiatives launched by the partnership. This can be interpreted as “neoliberal urban entrepreneurialism”, which includes introducing new institutional structures of urban governance, changing the ways cities operate in the direction of business-like strategies, forming alliances to achieve competitiveness and engaging in public-private partnerships. (Sager 2011)

The municipality of Pajala is responsible for supplying a range of services to the public that are financed through tax revenues and government grants. In its budget for 2013, the local government reported that it has yet to see tax revenues increase due to employment at the mine, but that its costs have increased due to investment in new housing, for example (Pajala Municipality 2012). The consultancy ÅF Infraplan (2012) reported during 2012 that approximately 600 persons at the mine site were currently “fly-in fly-out” workers – literally – or commuted by car. Many were part of the temporary workforce during the construction phase of the project and are likely to move on to other projects after its completion. However, as the Kaunisvaara mine is expected to employ approximately 500 workers during full production, as well as several hundred truck drivers, as reported by for instance Ejdemo (2012), the municipality faces a challenge in increasing the supply of housing if a “fly-in fly-out” solution is to be avoided. This is central to the municipal government’s ability to garner tax revenues from the project, as Swedes pay tax in their registered municipality of residence.

In **Sør-Varanger**, the global demand for minerals also affects local development. For most of the 20th century, *AS Sydvaranger*, an iron ore mining company, dominated economic and social life in the region. From the mid-1980s, mining was gradually phased out and in 1996 the mine was closed. In order to compensate for the closing of the mine, Norwegian authorities funded an ambitious local economic restructuring

process. In 2006, ten years after the closure of the mine, the municipality decided to sell the remaining mine works - the mine itself as well as the harbour facilities - to the Oslo-based businessman Kristian Nordberg for 47 million krone (approximately 6 million euros). Four months later, Nordberg sold everything for the same amount of money to the Norwegian shipping magnate Felix Tschudi. He brought in Australian investors and formed the company *Northern Iron Ltd* (NIL), which listed on the Australian Stock Exchange. This company re-opened the mine in 2009 and has since been operating it through its Norwegian subsidiary, *Sydvaranger Gruve AS*. The company is already the largest employer and by far the largest economic actor in Kirkenes, with 350 people on its payroll. Mining is thus back in Kirkenes but in a new form. The global demand for iron ore has driven Sydvaranger to plan to double its operations in order to increase its revenue potential and stock market price. (Trellevik 2013.) The mine has received approval from the Sør-Varanger Municipality Board to do an impact assessment for a proposed doubling of production.

The company regards housing as the responsibility of the municipality, but local politicians have argued against this. The current mayor in **Kirkenes** urged the company to “take some responsibility for community development by taking care of housing for its employees”. The contrast between the old company, which actually made the entire town what it is, and the new company became very clear in the debate about housing. In Kirkenes, commuters and their contribution (or lack of contribution) to local development sparked a debate as early as 2009, when the local newspaper, *Finnmarken*, reported that as many as 50 per cent of the new employees at Sydvaranger Gruve were commuters, many of them foreigners. The newspaper warned about the danger of a “fly-in fly-out situation”, in which the influx of workers would have little or no local economic spinoff. Representatives of the company claimed, however, that the number of local employees would gradually rise. Sydvaranger’s ambition has been to have 80 per cent local employees (Hansen 2009; Jacobsen 2009). Since 2009 the number of local employees has been rising significantly and has now reached about 70 per cent. The commuter issue has thus been solved, according to an interviewee.

In Kirkenes, another municipal responsibility - environmental protection - has been intensely debated. The discharge of chemicals into the fjord in Kirkenes, Bokfjorden, is a contested issue. Norway allows waste disposal in the sea as long as it has been approved by the Norwegian Climate and Pollution Agency. Dumping of waste from the mines has continued for a long time despite the fact that the fjord is what is known as a national salmon fjord, where salmon enjoy particular protection. The environmental

organisations oppose the dumping. The local protestors are not against mining as such but they want it to operate in an environmentally sustainable way. However, due to its shrinking budget the municipality has had to cut the number of persons working with environmental issues, and today only one person does this task full time. Recently, a series of interactions between the stakeholders have been held in Kirkenes to discuss the problem of pollution.

Teriberka has a long history of control by the military. For many years the village was part of the Severomorsk District, which had the status of a ‘closed’ territory, meaning that anyone who did not live in the village was required to have a permit from the military authorities to enter the settlement. Under a planned economy, the military regulations did not hinder the economic development of the village. In the beginning of the 1990s, the village faced a deep socio-economic crisis, caused by the transformation of Russia into a market economy together with the introduction of strong international regulation of fish resources. The new business initiatives since the 1990s have mainly been the result of ties between local and outside entrepreneurs who had either formerly worked in Teriberka or who knew about the village from business partners. The main strategy of the village has been to attract external, primarily foreign, capital to the traditional sectors of its economy. This effort saw the establishment of a joint Russian-Portuguese-Lithuanian fish-processing enterprise and a project of cooperation with the Norwegian municipality of Båtsfjord that included training and work for the villagers at fish-processing enterprises in the municipality. After several years, both projects were discontinued, due in large part to the negative influence of military regulations on possibilities for international business cooperation. Even after 1997, when Teriberka’s status as a ‘closed territory’ was discontinued, foreign visitors were still required for many years to obtain special permission to go there, and this situation continued to negatively affect possibilities for international cooperation in business development in the village. The situation in Teriberka over the past few years has been strongly influenced by high expectations relating to development of the Shtokman gas deposit and prospects for construction of an LNG terminal in the village. However, in 2012 the plan was postponed indefinitely and the expectations of the people in Teriberka were frustrated. The municipality is now looking for alternative, new opportunities for economic development. In the years of intensive preparations for the Shtokman project, the companies LCC “Gazprom Dobycha Shelf” (a 100-per-cent subsidiary of Gazprom created for the development of oil and gas fields) and “Shtokman Development AG” participated in the social development of Teriberka. Despite the fact that the Shtokman project was postponed in 2012 and “Shtokman Development AG” was greatly restruc-

tured, with its office in Teriberka closed, the social programmes of both companies are still at work.

The municipality of **Ust-Tsylma** has become active in promoting local development through various projects such as “Measures for the Developing of Economical Competition”, “Market Development in Ust-Tsylma”, “Development of an Agro-Industrial Complex in Ust-Tsylma”, and “Development of Tourism in the Municipality of Ust-Tsylma”. The most serious obstacle to the development of the tourist business in the area is the lack of modern infrastructure and services as well as connections to the community. Currently, the local entrepreneurs and the regional administration have joined forces for the improvement of infrastructure in the municipality in order to develop tourism. In 2010, investments were made in the development of a tourist base in Bugaev, the construction of tourist bases, the acquisition of machinery and technical equipment, and facilities for the parts of the local river suitable for fishing. In addition, a hotel was built in Ust-Tsylma – a part of the tourist project “In the footsteps of the old-believers” – and the hotel “Sportivnaya” was renovated.

In Ust-Tsylma, the local population is more and more actively involved in solving problems. This can be also interpreted as a practice of neoliberal governance. Members of the interregional NGOs “participate actively in addressing problems in the region.” The creation of “The Council of NGOs” under the administration of the municipality was a significant event in the year 2012. The major goals of the Council are regular and constructive interactions between the NGOs and the organs of local governance for resolving the most important problems of the socio-economic development of the region; providing assistance for fuller consideration of the interests of the local population and the support of their socially important initiatives; raising the level of civil activity in the community; attracting the local population and the NGOs to discuss the ways and means of social and economic development in the region; and providing informational and methodological support to the NGOs working in the region. In 2012, the Council gave priority in its work to the agenda for improving the region’s rural settlements. In April, in response to an initiative of the members of the NGOs, a roundtable was held on this issue. A plan of activities was drafted and part of that plan has been realised. In addition, a system of social partnership is being developed in the region. In the framework of annually renewable agreements between the administration of the municipality of Ust-Tsylma and “Lukoil-Komi Plc”, sponsorship is provided for the solution of social and economic problems. (Report of the head of the municipal region of Ust-Tsylma 2009).

LOCAL COMPETITION FOR RESOURCES

It is claimed that neoliberal policies lead to the extension of market relations and competition in all social affairs. The situation in this respect is mixed across the Barents Region, but this is typical of neoliberalism. It is full of paradoxes at the individual and community levels. One of implications of neoliberal policies is that the local people and communities should embrace development. In **Teriberka** there are very few people who can be proactive and capable of managing and operating in neo-liberal forms of living, which would involve suggesting and carrying out or, rather, in given conditions, fighting for new projects. But there are some who dare to try new, non-conventional things, such as the representative of the Kola Sámi's "obschina", "Mohkyok", who dreams about a "Saami village" in Teriberka. And there are those, too, who dare to maintain continuity and tradition, both socially and culturally, and in this way refuse to allow themselves to lose their unique identity, dignity and sense of community. One example is a young woman, Head of the Pomor Choir, who works day after day with older women and children in the cold House of Culture, smiling and singing Pomor songs with them.

Neoliberal policies support the emergence of local entrepreneurship. After the closing of the mine in **Kirkenes** in the mid-1990s, the Norwegian authorities' local economic restructuring process led to new business ideas and diversification of the economy. Prominent among the new actors were women who had lived in Kirkenes while it was still primarily a mining town. Independent of each other, they resoundingly asserted that they did not want a male-dominated society that offered very little space for women in business and the community. Local artists and cultural entrepreneurs worked enthusiastically to transform Kirkenes from a mining town into a post-industrial town of art and entertainment. Creative industries such as the *Samovar Teater* and the curatorial art group *Pikene på broen* began their activities in the early 1990s. There were also more women-led businesses that flourished after the mine had closed. (Espiritu 2009.) The recent industrial development in Kirkenes has raised some concerns among women. The community had been masculinised through 100 years of mining, and so there was real concern that once again Kirkenes would become a mining frontier society for men and their activities. Whether it is because the mine has not been a major economic boon to the municipality or because the community has guarded against it, no overt re-masculinisation of Kirkenes solely attributable to the mine has taken place. The common ills associated with mining towns, such as an increase in prostitution, rampant drug use and criminality, have not emerged in Sør-Varanger. Even the commuting workers seem to have very little impact on the everyday life of the community.

Communities in the Barents Region embrace new opportunities brought by the recent development, but the positive impact of development projects locally is questioned by many. Though somewhat difficult to define, the focus on industrial resource extraction dominates the discourses in Kirkenes. Labeled ‘the centre of the Barents Region’, Kirkenes has become a political meeting place to discuss the region and its development. Meetings such as the Kirkenes Conference, held annually and organised by the Kirkenes Business Park, have strongly focused on resource extraction and the logistics of transport to support it, with participants likely speculating on the transshipment of cargo via the Northern Sea Route from Kirkenes to Asia or advocating a railroad between Rovaniemi and Kirkenes that would give industries in Northern Finland easy access to an ice-free harbour. Contrary to what many believed initially, mining has not had an immediate positive effect on the municipal economy in Kirkenes. As a result, some disillusioned local citizens have started to blame the company for “not giving enough back” to the community. Others have criticised the municipality for not being “tough enough” when dealing with the company.

The development of regional entrepreneurship sometimes leads to conflicts affecting both individuals and communities. In **Inari**, the local hotel operators offer different client groups alternative products, but the local culture remains a source of dispute. The Sámi culture, three languages and various cultural services, such as the Sámi museum, are special cultural features of the municipality of Inari. This cultural resource has been actively used in tourism marketing along with the Finnish gold-panning tradition. The ‘renaissance’ of Sámi culture in the mid-1990s created negative attitudes towards tourism that used traditional Sámi clothing and attractions, symbols and reindeer. In many respects, this was related more to past abuse than to the present moment. This negative reaction occurred primarily among some prominent Sámi politicians; those with personal connections to the tourism industry are very open to Sámi-oriented tourism. Nevertheless, the conflict over the use of Sámi culture in the tourism industry shows the value of culture as a local resource over which different actors compete. The local Finnish gold-panning culture has not been used as actively as Sámi culture in tourism marketing.

The major concern for local communities – also already a disappointment in some cases – has been access to new resources generated by development in the region. The communities are disappointed with the tax revenues from successful development projects. Attracting permanent inhabitants to work and live in remote northern locations brings tax income to the municipalities. In **Pajala**, one of the detriments of the “fly-in

fly-out” situation that has arisen in the case of temporary workers with temporary housing arrangements is that there is a risk of social problems that may cause costs for the municipal government that are not compensated by increased tax revenues. In Inari, the same issue is encountered. Some of the enterprises and workers in the region pay taxes to a different municipality, the former where their headquarters are registered elsewhere, the latter due to the temporary nature of their employment. In Kirkenes, the mayor has demanded the introduction of a national mining tax. As she said to *Finnmarken* in October of 2012, “If we manage to introduce a mineral tax it is important that most of the income goes to the municipalities. After all we are the ones who are left with all the rubbish after the conclusion of the extraction, with holes in the ground and pollution in the sea”. She added that “with such a tax we will be able to use the money for the benefit of the environment and for building a sustainable economy for the future” (Kandal 2012).

The same is true for the Russian communities. **The Ust-Tsylma** region today remains highly reliant on subsidies, as only 15 per cent of the regional budget is generated locally. At the same time, the municipality gets only about 6 per cent of the taxes paid by local businesses; the rest of the revenue goes to the federal and regional budgets. The local authorities underline the lack of finances, together with the unjust distribution of the taxes in favour of the federal level of the state. The problem is a lack of balance in the municipal budget. The vast majority of municipal finances go to support the social sector locally. Education, health care, social welfare, culture get 78 per cent of the municipal budget, but this does not seem to be enough to solve the present social problems in the municipality. The local communities have rather limited financial ability when it comes to regional development, a constraint stemming from the tax policies noted above and the current legislation. (Tonkova and Nosova 2012)

The vast majority of those who started a small business in Ust-Tsylma stress that their business is hardly profitable due to several reasons rooted in the shortcomings of the state legislative system and the lack of human resources and infrastructure in the municipality. The programmes offered to the business people by the federal, republic-level and municipal authorities are not sufficient to compensate for the obstacles to the growth of local entrepreneurship. Many of those who represent the small business sector in the area would like to see more support for business from the local authorities. In Ust-Tsylma, both local authorities and business people complain about Federal Law No. FZ-93. The law does not encourage investment in the development of the local business sector and market, since the authorities are forced to contract with companies

that can do the work for less money – and most of these come from outside the region. The strategy introduced and enforced by this law neither guarantees high-quality work nor develops local business in the region. The federal and republic-level programmes seem to be perfectly working *de jure*, but *de facto* they are not sufficient to rapidly and effectively improve the situation in rural areas. What is more, due to poor transport infrastructure, the remoteness of the municipality and its severe northern climate, the region needs preferential terms if its economy and social activities are to grow and develop. The general opinion, according to the local entrepreneurs interviewed, is that a neoliberal approach on the municipal level can be seen not as an advantage to the community but, on the contrary, as a liability.

The same applies in the case of **Teriberka**. One of main obstacles to development is the contemporary federal tax policy, which transfers a considerable part of the wealth created in the regions and municipalities and directs most of the taxes to the federal level; the ensuing redistribution of financial means back to the regions and municipalities is often unjust and creates artificial dependence on subsidies even in the regional leaders as measured by GDP per capita, such as the Murmansk region (Riabova 2012). Large industrial corporations normally register themselves in Moscow or in off-shore zones, which leads to tax outflow from the sites of production and leaves the municipalities with meagre budgets, making them unable to solve urgent socio-economic and ecological problems or to be active in implementing ideas of sustainable development. As a representative of the local administration in Teriberka complained, “The money flies away, to Murmansk, since some companies are registered there”.

CONCLUSIONS

Neoliberal policies at the local level are a mix of new and old government practices that sometimes lead to paradoxical situations. Neoliberal policies release the local natural resources for broader, often more international, exploitation. The policies also compel local communities and individuals to tackle an increasing number of new responsibilities to ensure the economic and social well-being of local communities. When the state relaxes the rules for natural resource extraction, leading to growing international interest, the income from this natural resource extraction leaves the local communities. This has many implications for efforts to secure human, social and material resources for maintaining sustainable community development. The cases from different parts of the Barents Region show the multiple ways in which national, regional and local practices, more or less inspired by neoliberal ideas, manifest themselves.

It becomes a challenge to combine neoliberal practices and socially sustainable development at the local level, especially when sustainable development is equated with stable economic development. Locally, it means increasing competition over resources, not only material in the form of natural resources, livelihoods and flows of money, but also immaterial, including cultures and traditions. The local interviewees emphasised several factors they consider important in tackling barriers to sustainable development: local social and cultural; access to economic resources, such as taxes; and innovations, such as new business ideas. Local communities and their inhabitants become “adaptive opportunists”, responding relatively quickly to new demands and opportunities.

The situation in the Barents Region from the perspective of local communities is paradoxical in many ways. While the popular image of the region is one of rich resources, with many opportunities for wealth and development, the local perspective is dominated by views emphasising a lack of resources and services and people and livelihoods that are struggling to benefit from regional development (See Duhaime and Caron 2008; Glomsrød et al. 2008). From the local perspective, the Barents Region seems poorer rather than richer: there are not enough resources to cover the expenses related to housing, environmental protection, social services, innovation and culture, among many other things. There is constant competition between peoples, livelihoods and resources, manifested in local conflicts between cultures, groups and various related needs. One explanation for the “poverty” of the Barents Region lies in neoliberal policies, with their national variations, which make natural resources accessible to international actors, add local responsibilities and extend competition to all social relations.

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