

Preferential Regimes of Established Local Growth Points and Its Impact on the Economy of the Far East



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Abstract. The successful experience of France in implementing the concept of “growth poles” by F. Perroux led to the widespread usage of polarized development ideas in the elaboration of spatial strategies. The Russian Far East (FE) has accumulated considerable, and rather contradictory, experience of creating local growth points. The purpose of the study is to analyze the Far East’s experience of forming local zones with preferential economic regimes, to identify problems of its implementation, and to assess the impact of special local zones’ regimes on the economy of the macro-region. The analysis of the performance of local zones’ functioning was based on the assessment of the degree of achieving targets for creating local “growth points”. The assessment of the impact of local zones on the economy of FE was based on a comparative analysis of enterprises’ demographics, changes in the revenue structure of consolidated budgets of Far Eastern regions, and the quality of regional finances for 2013–2019. The implementation of these approaches showed that the business climate of Far Eastern local zones has a positive nature for its residents, but it has not yet been established; in the absence of a clear position of the state concerning the formation of propulsive industries in most local areas, anchor projects do not have a propulsive nature, and a significant number of small and medium enterprises is loosely connected with enterprises-leaders of zones. Orientation of specialization of Far Eastern local zones toward domestic demand and import substitution, which is objectively formed within the sanctions war, can slow down its export specialization; preferential climate of local zones has no obvious positive impact on the business climate of Far Eastern entities of the Federation, and the growing number of residents with preferential

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business conditions in local zones dissonant with demographics of FE enterprises. There is a deterioration of the quality of regional finances and the decrease of the taxable mass of profits. It implies the reduction of the number of profitable enterprises in FE as the result of the economic situation deterioration and the introduction of a preferential tax regime in region's local areas.

Key words: territories of advanced development, free port of Vladivostok, Far East, development efficiency.

Introduction

Economic development of any macro-region is always accompanied by a significant regional polarization, which is the result of the territorial division of labor, and it is a stable form of differentiation of productive forces in time and space [1].

Theoretical justification for the inevitability of regional polarization was given in the middle of the 20th century by a French researcher F. Perroux, who departed from the principle of homogeneity (uniformity) of territorial development in his constructions [2, p. 123–138]. With the concept of “growth poles”, he abstractly reviewed the economic space – as a certain force field of different intensity where centripetal forces, directed at certain centers (poles), and centrifugal forces, emerging from the latter, act [3]. This approach interprets “growth poles” as points of the concentration of economic, investment, and innovation activity that are formed around “propulsive” industries and capable of generating the economic growth on vast territories [4; 5], because new productions are more likely to provide agglomeration savings, benefits from the usage of common infrastructure and expansion of export-oriented markets [6]. At the same time, it is important to create a list and conditions for creating propulsive industries in a problematic region.

The most interesting results in the implementation of “growth poles” were obtained in France, where 69 growth poles, which are formed considering national, regional, and

local interests in the process of defining its specialization, are currently identified [7; 8].

The successful experience of France has led to the worldwide usage of theoretical provisions of the “growth poles” concept in the elaboration of spatial development strategies. At the same time, unsuccessful examples of this idea's implementation are often ignored, although it is obvious that the concentration of productive forces at a specific point in space may contribute to the outflow of labor and material resources to a growth pole, exposing the lack of resources and entrepreneurial activity in peripheral areas. Moreover, as noted by M. Aglietta and R. Boyer, “it would be a mistake to try to import foreign models, even if they seem efficient: we are talking about creating original forms of the economic organization that would be adapted to the French (national – noted by us, S.L.) socio-economic context” (cit. from [9, p. 92–93]).

In the view of these provisions, the purpose of this study is to analyze the experience, accumulated in the Russian Far East (FE), of forming local zones with special economic conditions, identifying problems of its implementation, and assessing the impact of special legal regimes for stimulating entrepreneurship in local zones on the economy of the Far East.

The usage of methods for evaluating the efficiency of local zones and its impact on the state of the regional economy is currently complicated by unsolved theoretical problems

of evaluating the efficiency of regional policy instruments [10; 11]. Evaluation of the efficiency of the usage of state regional policy tools is performed only at the stage of justification of the need to use specific tools; monitoring of the implementation of projects and programs is conducted according to indicators of allocation and development of investment resources. However, it is not enough.

In the theory and practice of regional economics, there are, at least, four different approaches to assessing the efficiency of regional policy instruments: measurement of costs and benefits; comparison of actual results of using regional policy tools with possible development results without its usage; evaluation of certain indicators identified by the authors for an analysis; evaluation of the degree of goals' achievement. Each approach has its own strengths and weaknesses [12; 13; 14], but none of them is fully developed, and, therefore, none of them is generally accepted.

Two methodological approaches are used in this research:

- while evaluating the performance of local zones' functioning, attention is focused on assessing the degree of achievement of targets that are directly or indirectly declared as goals in the process of creating specific local zones (“growth points”) in the Russian Far East;

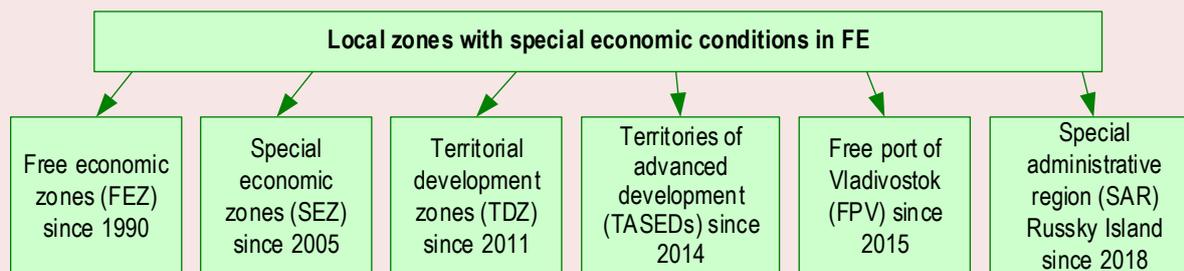
- while evaluating the impact of local areas on the economy of FE, a comparative analysis of organizations' demography in FE entities and local zones was carried out; the change in the structure of incomes of consolidated budgets of Far Eastern regions and the quality of regional finances during the studied period were taken into account (2013–2019).

The Far East as the example of the growth points concept implementation

Throughout the history of economic development, the region has served as some kind of an economic laboratory, where, since Soviet times, attempts to create free economic zones as growth poles with special economic conditions have been made. In modern Russia, this experience was supplemented by controversial attempts to create several local zones with special economic conditions [15, p. 24–36]:

- free economic zones (FEZ) since 1990;
- special economic zones (SEZ) since 2005;
- territorial development zones (TDZ) since 2011;
- territories of advanced social and economic development (TASED) since 2014;
- free port of Vladivostok (FPV) since 2015;
- special administrative region (SAR) Russky Island since 2018 (*Fig. 1*).

Figure 1. Types of zones with special economic conditions that have been implemented, or being implemented, in FE



We would like to note that attempts to implement the growth pole concept on Far Eastern soil in the form of free and special economic zones, as well as territorial development zones, were unsuccessful for a number of reasons:

- the territorial scale of the Soviet-era FEZ was huge; the status of FEZ was often assigned to entire Federal entities (FEZ “Eva” covered the entire territory of the Jewish Autonomous Oblast, and FEZ “Sakhalin” – the entire Sakhalin Oblast) which did not fit into dimensional requirements of the Perroux’s growth pole model, and it was one of the reasons why the state could not provide required huge investments for territories’ infrastructure preparation [16];

- while creating FEZs in Soviet Russia, the need to provide efficient regulatory and legislative support for the process of forming zones, proven by foreign experience, was not considered. Poorly developed legal framework of Soviet FEZs in terms of creating favorable tax, customs, and currency preferences for FEZ residents was worse than conditions in neighboring countries [17];

- while creating FEZ, the Russian government focused on the implementation of the fiscal function. It was aimed at quick replenishment of the budget’s revenue share, which contradicted potential investors’ interests and did not contribute to the growth of investment activity of zones’ residents [18, p. 292–295];

- an attempt to revive the idea of growth poles under the guise of special economic zones, undertaken in 2009–2014, was thwarted by a protracted search for investors in formally created SEZs of the Far East, it was complicated by an ongoing crisis on the background of more significant benefits offered to investors on territories of advanced development, which,

in total, led to the liquidation of all Far Eastern SEZs, which have not really begun to function, in 2016 [19];

- state support measures in territorial development zones (2011) were significantly lower than in special economic zones, or TASEDs, and it was not recorded in corresponding sub-legislative acts. Thus, despite the preparatory work in the Amur Oblast and Kamchatka, no TDZs were formed in the Far East [20].

Currently, in the Far East, three types of local zones, which correspond to the growth poles ideology, are implemented – territories of advanced social and economic development (TASEDs), free port of Vladivostok (FPV), and a special administrative region Russky Island (SAR Russky).

Problems of the formation and development prospects are different for each of types of Far Eastern local zones. Currently, the future of SAR Russky is uncertain.

Special administrative region (SAR) on Russky Island is the youngest tool of the spot impact among ones used in FE. Information about it is sparse and controversial. This special region was created in 2018¹, simultaneously with SAR on Oktyabrsky Island in Kaliningrad. In fact, these are two offshore zones of the Russian Federation formed to save Russian companies that were under sanctions of the United States [21]. JSC “Far East Development Corporation” (FEDC) was chosen as the management company of SAR, which would help applicants to find a place for registration in SAR and support their further work in Russia.

At the beginning of 2020, only two residents were registered in SAR Russky in Primorye (for comparison, there were 12 residents in the

¹ See Federal Law no. 291-FZ “On Special Administrative Regions in the Territories of the Kaliningrad Region and Primorsky Krai”, dated August 3, 2018.

Kaliningrad Oblast in SAR Oktyabrsky)². The first company to register in the Russian “offshore” in Vladivostok was “Finvision Holdings”, which previously was under Cyprus jurisdiction. The company is the main shareholder of “Vostochny Bank”, one of the main banks in the Far Eastern Federal District. “Donalink” is a company that operates in the coal and energy business, it became the second resident of SAR Russky.

According to CEO of JSC “FEDC”, investors of both companies preferred registering in Primorye because its main actives are centralized in the Far East³. Moreover, creation and functioning of SAR Russky has a political nature. It is no accident that the Ministry of Economic Development suggests not to disclose names of owners of companies from special administrative regions in the Unified Public Register of Legal Entities (UPRLE) for protection from sanctions⁴. The corresponding draft law is published on the federal portal of draft normative legal acts⁵. Although, according to available information, FEDC is in talks with three new companies about redomiciling, FEDC employees note: “It is impossible to miss a certain caution toward SAR from business”⁶.

Considering everything mentioned above, it is difficult to talk about positive experience

while implementing SAR Russky project and the significance of the impact of this local zone on the economy of the Far East. We can only refer to the opinion of the presidential plenipotentiary representative in the Russian Far East Yuri Trutnev that the regime of a special administrative region, introduced on Russky Island, did not give any advantages to the region⁷.

Preferential regimes of Far Eastern local zones

Unlike SAR Russky, TASED and FPV projects are constantly discussed, in mass media too. However, before analyzing development features of TASEDs and FPV, it is necessary to understand similarities and differences of preferential regimes of residents’ functioning in these territorial entities (*Tab. 1*).

FPV regime appeared a little later than TASED, but the main difference between these zone regimes, which is noted by the members of the Association of TASED and FPV residents, is an opportunity for FPV residents to get land for their projects without burdensome and expensive procedures. According to the results of a survey, conducted among residents of FPV in 2019, 86% of respondents said that the preference for land acquisition is a key for the implementation of their investment projects. If such a benefit was not available,

² Another company was registered in an offshore on the Russky Island. Available at: <https://www.newsvl.ru/vlad/2019/03/15/178977/#ixzz6JLYLdpCZ>

³ In a special administrative region on Russky Island, international companies will receive additional benefits. Available at: <https://erdc.ru/news/v-spetsialnom-administrativnom-rayone-na-o-russkiy-mezhdunarodnye-kompanii-poluchat-dopolnitelnye-lg/>

⁴ The Ministry of Economic Development suggests not to disclose names of owners of companies-residents of TASED and offshore on Russky Island for protection from sanctions. Available at: <https://www.newsvl.ru/vlad/2019/10/11/184551/#ixzz6JLZhVExy>

⁵ On amendments to the Federal Law “*On limited liability companies*”, and certain legislative acts of the Russian Federation (in terms of accounting for rights to shares and maintaining a list of participants of the registrar public). Available at: <https://regulation.gov.ru/projects#npa=95528>

⁶ The Ministry of Economic Development will increase the attractiveness of Russian offshores. Available at: <https://primamedia.ru/news/896923/>

⁷ The “offshore zone” on the Russky Island did not bring anything to the region. Available at: <https://www.newsvl.ru/vlad/2019/01/14/177130/#ixzz6JLaWnyNJ>

Table 1. Features of TASED and FPV regimes

	TASED (2014)	FPV (2015)
Period	70 years with the possibility of extension	70 years with the possibility of extension
Infrastructure	Provided by a Management company (MC)	Independent connection
Land	Provided by MC	Received in a municipality without auction
Place of implementation	Defined by cadastral blocks for each TASED individually	Limited by municipalities' borders
Tax benefits for residents	<ul style="list-style-type: none"> - 7.6% social deductions in the first 10 years - 0% mineral extraction tax for the first 2 years, with a gradual increase of the reduction coefficient to 100% over 10 years - 0% income tax for the first 5 years, 12% for the next 5 years (2% - to the federal budget and 10% - to the regional budget) - 0% property tax for the first 5 years and 0.5% - in the next 5 years - 0% land tax (first 3-5 years)⁸ 	<ul style="list-style-type: none"> - 7.6% social deductions in the first 10 years - 10 days accelerated VAT refund - 5% income tax (0% - in the federal budget and not more than 5% to the regional budget) - 0% land tax for 5 years - 0% property tax for the first 5 years and 0.5% - in the next 5 years
Required investments	500 thousand rubles	5 million rubles over three years
Special obligations of a resident	Responsible for failure to use requested infrastructure	None

According to: "On the free port of Vladivostok": the Russian Federation Law no. 212-FZ, dated July 13, 2015. Information and legal base "Konsul'tantPlus". Available at: http://www.consultant.ru/document/cons_doc_LAW_182596/; "On the Territories of Advanced Social and Economic Development in the Russian Federation": the Russian Federation Law no. 473-FZ, dated December 29, 2014. Information and legal base "Konsul'tantPlus". Available at: http://www.consultant.ru/document/cons_doc_LAW_172962/ (accessed April 2, 2020).

more than 40% of respondents would refuse to implement projects because of the long registration of land plots, and more than a third of respondents would do the same because of the high cost of land plots formed at auction⁹.

Dynamics of the number of zone residents

TASED project has been underway in FE since December 2014, and it has the most advanced economic, regulatory, and organizational history among local preferential regimes in the Far East. To date, the experience of Far Eastern TASEDs is replicated in 154 Russian municipalities [22], where territories of advanced socio-economic development, positioned as potential growth poles, have been created.

⁸ Exact term is set by a representative body of the municipality.

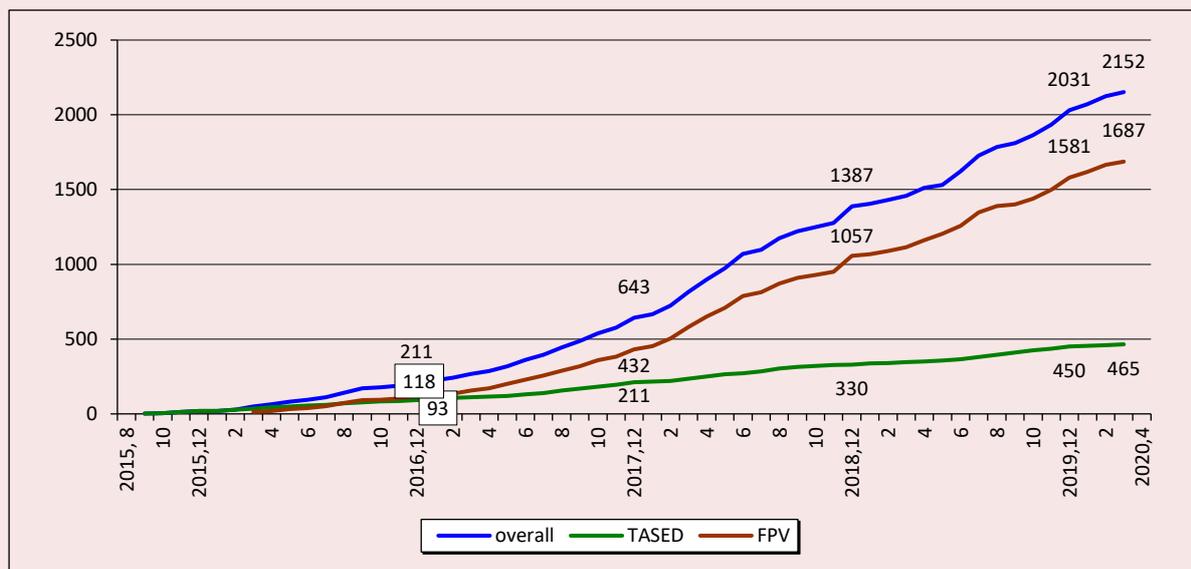
⁹ The Association of residents defended the key preference of the free port of Vladivostok. Available at: <https://primamedia.ru/news/927383/>

At the beginning of April 2020, there were 465 active residents in 20 TASEDs (Fig. 2).

The idea of FPV creation emerged as the continuation of TASED idea, and it acquired legislative features extremely fast. It could be explained by the intention to introduce potential investors to this project at the 2015 Eastern Economic Forum (Vladivostok). To implement this idea, on December 4, 2014, in the Address to the Federal Assembly, V. Putin suggested granting Vladivostok the status of a free port. In March 2015, the draft of a federal law was ready; it was adopted in June, and, in October 2015, Federal Law no. 212 "On the free port of Vladivostok"¹⁰ came into force. The first residents of this FPV were registered in March 2016.

¹⁰ "On the free port of Vladivostok": the Russian Federation Law no. 212-FZ, dated July 13, 2015 // Information and legal base "Konsul'tantPlus". Available at: http://www.consultant.ru/document/cons_doc_LAW_182596/ (accessed April 2, 2020).

Figure 2. Monthly dynamics of the number of TASEDs and FPV residents, 2015–2020, units



According to: “Register of residents of territories of advanced socio-economic development”. Available at: <https://erdc.ru/upload/reestr-tor.pdf>; “Register of residents of the Free port of Vladivostok”. Available at: <https://erdc.ru/upload/reestr-spv.pdf> (accessed April 2, 2020).

As of April 1, 2020, the FPV project had 1.687 residents (see: Fig. 2).

As it could be seen in the presented data, FPV was formed later than TASEDs, but it had more residents in August 2016. Although quantitative analysis of practical results of FPV and TASED projects in the region is hindered by a relatively short term of the existence of special legal regimes and the absence of sufficient empirical information on the performance of zones’ residents, let us review the features of creation and functioning of TASEDs and FPV in FE.

Features of creation and functioning of TASEDs in FE

The first three territories of advanced development were created in FE in June 2015 (Khabarovskaya and Komsomolskaya in the

Khabarovsk Krai, Nadezhdinskaya – in the Primorsky Krai)¹¹. In the period from August 2015 to August 2018, 15 more TASEDs were formed in 8 Far Eastern regions of the Federation. In 2019, two territories of advanced development were created in regions newly affiliated with the Far Eastern Federal district – “Buryatia” and “Transbaikal”.

As of April 1, 2020, there were 20 TASEDs operating in the Far East, the total number of active residents was 465, with a total enterprise mortality rate of 9.5% for 2015–2020 (Tab. 2).

As it could be seen in the table, the first created TASEDs might be described as “complex” since the total number of activities, which have a special legal regime for conducting business in these zones, was 50–53. Since 2016,

¹¹ “On the Territories of Advanced Social and Economic Development in the Russian Federation”: the Russian Federation Law no. 473-FZ, dated December 29, 2014. Information and legal base “Konsul’tantPlus”. Available at: http://www.consultant.ru/document/cons_doc_LAW_172962/ (accessed April 2, 2020).

Table 2. Structure of Far Eastern TASEDs (as of April 1, 2020)

Region	TASED's name	Date of creation (m.y)	Specialization	Number of priority activities*	Number of registered residents since the formation	Number of terminated agreements since the formation	Number of active residents
Primorsky Krai	Nadezhdinskaya	06.15	Industrial and logistics, food, agriculture	53	80	12	68
	Mihaylovskaya	08.15	Agricultural industry	53	19	1	18
	Bol'shoy Kamen'	01.16	Shipbuilding, tourism	51	25	4	21
	Neftehimicheskaya	03.17	Oil processing	33	2	-	2
Khabarovsk Krai	Komsomol'sk	06.15	Industrial, production of components for the aircraft industry	53	37	7	30
	Khabarovsk	06.15	Industrial and logistics, agriculture, metallurgical production	53	52	11	41
	Nikolaevsk	04.17	Ship repair, processing of water biological resources, extraction of minerals	7	7	-	7
Jewish Autonomous Oblast	Amuro-Khinganskaja	08.16	Mining, tourism, light, and food industries	13	6	1	5
Amur Oblast	Belogorsk	08.15	Agriculture, food production	53	10	1	9
	Priamurskaya	08.15	Industrial and logistics	55	10	1	9
	Svobodnyy	06.17	Gas processing plant, petrochemical industry	20	8	-	8
Sakhalin Oblast	Gornyy vozduh	03.16	Tourism	16	27	-	27
	Juzhnaya	03.16	Agriculture, food production, tourism	23	10	1	9
	Kurily	08.17	Fishing industry, mariculture, tourism	6	4	-	4
Kamchatka Krai	Kamchatka	08.15	Tourism, industrial and logistics, agriculture, fishing and fish farming	50	104	5	99
Republic of Sakha (Yakutia)	Kangalassy (industrial park)	08.15	Industrial (production of chemical, plastic and rubber products), crop production and animal husbandry	51	26	4	22
	Southern Yakutia	12.16	Mining, coking coal mining and processing	33	18	-	18
Chukotka Autonomous Okrug	Chukotka	08.15	Mining, fishing	47	55	1	54
Republic of Buryatia	Buryatia	06.19	Crop production, animal husbandry, construction of engineering structures	6	2	-	2
Zabaykalsky Krai	Transbaikal	07.19	Crop production, animal husbandry, forestry and logging, mining of coal and metal ores, production of food products, coke, oil, and chemical products, construction, water, air and space transport	24	12	-	12
Total	20			700	514	49	465

* Types of economic activities subjected to a special legal regime of entrepreneurial activity on the territory of advanced socio-economic development.
According to: "Register of residents of territories of advanced socio-economic development". Available at: <https://erdc.ru/upload/reestr-tor.pdf> (accessed April 2, 2020).

the federal government has changed the policy of creating TASEDs with focusing on “narrow-profile” zones, where the number of permitted activities ranges from 5 to 24.

Investors’ activity greatly varies in different zones. At the beginning of April 2020, TASED “Kamchatka” was the largest among all zones according to the number of active residents (99). It is followed by “Nadezhdinskaya” (68), “Chukotka” (54), “Khabarovsk” (41), and “Komsomol’sk” (30). Among TASEDs with the smallest number of residents, as of April 1, 2020 – “Neftehimicheskaya” (2) and “Kurily” (4) lead. Among newly created TASEDs, “Buryatia” stands out: it had only two residents at the time of the study.

It could be assumed that the significant discrepancy between TASEDs according to the number of residents might be explained by several factors [23]. TASEDs, which are leaders in terms of the number of residents, were opened in 2015 and, as the result, they have a longer history than ones created later. “Complex TASEDs” are objectively opened to more entrepreneurs, and they are more

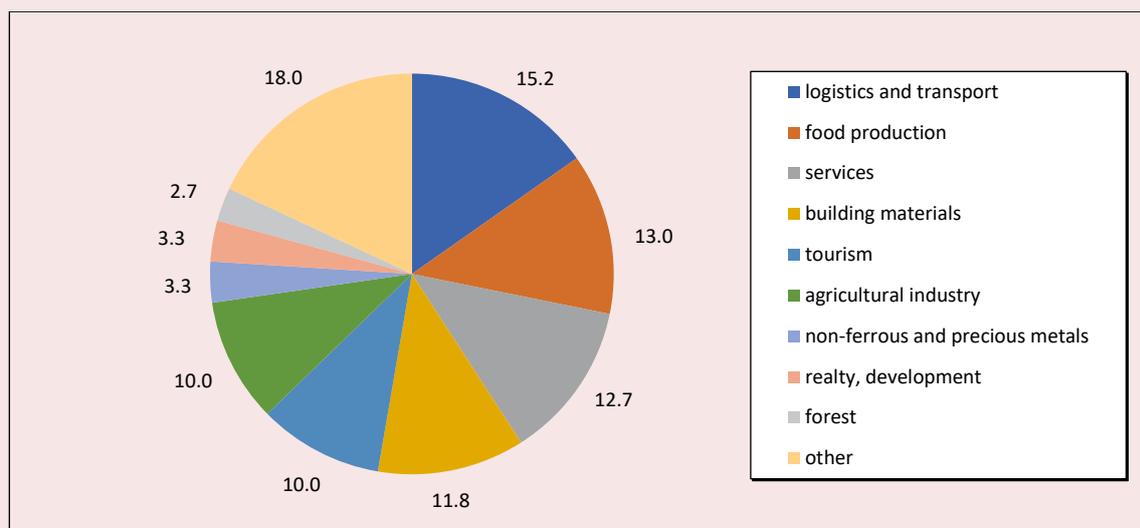
attractive. It is no accident that 5 largest TASEDs are “complex”. On the other hand, we may hypothesize that the size of large TASEDs (“Nadezhdinskaya”, “Khabarovsk”, and “Komsomol’sk”) is positively affected by proximity to large cities (“Nadezhdinskaya” is in Vladivostok’s suburbs). However, this assumption is disputed by the “Kamchatka” TASED: it is the leader according to the number of residents among all territories of advanced development in the Far East.

TASEDs’ specialization

Main areas of specialization and the number of economic activities, which could be conducted in each TASED, are shown in *table 2*. Since one resident can carry out several types of economic activity, total number of registered types of economic activity (700) is 1.5 times higher than the number of operating residents (465), as of April 1, 2020.

On the basis of registers, maintained by “Far East Development Corporation”, which contain data on residents’ economic activities, we will evaluate the sectoral structure of residents of Far Eastern TASEDs (*Fig. 3*).

Figure 3. Sectoral structure of TASEDs’ residents, according to data as of January 1, 2019, % from total number



Calculated according to: “Register of residents of territories of advanced socio-economic development”. Available at: <https://erdc.ru/upload/reestr-tor.pdf>

As it could be seen in the figure, the sectoral structure of territories of advanced development includes more than a half of enterprises from four groups of industries: logistics and transport (15.2%), food production (13%), services (12.7%), and building materials (11.8%).

Gas, petrochemical, and shipbuilding companies form only 0.6; 0.6; and 1.2% of the number of enterprises, respectively. However, according to declared investment amounts (949, 784, and 200 billion rubles, respectively), it will have formed 83% of the investment portfolio of Far Eastern TASEDs by 2029.

In practice, residents of TASEDs have a relatively low mortality rate – 9.5%, and, given that 75% of enterprises in Far Eastern TASEDs are small and medium-sized, it could be considered an indicator of a generally favorable microclimate for residents.

However, the issue of the efficiency of the impact of TASEDs' preferential regimes on recipient regions requires independent consideration. Currently, benefits are mainly related to taxes and a number of material benefits for businesses on a significant number of sites in TASEDs (see: Tab. 1), which often leads not to a competition between residents for an opportunity to be on a particular site but to a struggle of preferential regimes for residents. It is no accident that the deputy minister of economic development noted at the 5th Eastern Economic Forum in 2019 that “benefits in TASEDs become even more extensive, regions offer conditions that do not always have a positive impact on the economy of a region itself”¹².

Due to its importance, the issue of assessing the impact of preferential regimes of local zones

on the economy of the Far East requires more detailed consideration. After analyzing features of the creation and functioning of FPV as another type of local zones in FE, we would like to return to the issue of assessing the impact of local zones' regimes on the economy of the macro-region.

Features of creation and functioning of FPV in FE

First residents of free port of Vladivostok were registered in March 2016. Currently, the project is implemented in 22 municipalities of five Far Eastern entities of the Russian Federation (Tab. 3). Total number of FPV residents increases quite dynamically. At the beginning of 2019, FPV had 1057 residents, and this number increased to 1687 quite fast. Overall mortality rate of enterprises in this FPV is lower than in TASEDs, and it was 4.1% during the project implementation period.

As it could be seen in data, given in the table, the territorial core of FPV is made up of residents of the Primorsky territory. This is where 85% of the total number of residents are located, and 82% of investments, out of declared 582 billion rubles, is expected to be spent by 2029. Primorye will also account for 92% of new jobs, out of 60 thousand, that are planned to be created in FPV.

Current high concentration of zone's residents in Vladivostok, which has more than 600 thousand people, with an established building, set town-planning zoning, with a limited number of free land plots in state, or municipal, ownership, and simultaneous high demand for these lands has led to the fact that the key benefit of this type of local areas (land without auction) becomes a significant problem in implementing FPV mode. There is a competition between FPV residents claiming the same land. As the result, in Vladivostok city district, at the beginning of April 2020, more

¹² They lowered it but did not raise it. The deputy head of the Ministry of economic development went through preferential regimes. Available at: <https://konkurent.ru/article/24200>

Table 3. Territorial structure of FPV residents

Federation entity	Territorial distribution of FPV residents	Number of residents, un.	Investments, billion rubles		Jobs, un.	
		As of January 1, 2019	Plan (2029)	Fact (January 1, 2019)	Plan (2029)	Fact (January 1, 2019)
Kamchatka Krai	CD* Petropavlovsk-Kamchatsky	116	7	1	1668	135
Chukotka AO	CD Pevek	5	0	0	24	0
Sakhalin Oblast	Uglegorskiy MR**; CD Korsakovskiy	26	12	0	1046	155
Khabarovsk Krai	Vaninskiy MR and Sovetsko-Gavanskiy MR	15	82	14	2102	156
Primorsky Krai	16 adm. regions: CD Artem, CD Vladivostok, CD Bol'shoy Kamen', CD Nahodkinskiy, CD Partizanskiy, CD Spassk-Dal'niy, CD Ussurijskiy, Nadezhinskiy MR, Shkotovski MR, Oktyabr'skiy MR, Ol'ginskiy MR, Partizanskiy MR, Pogranichnyy MR, Hasanskiy MR, Lazovski MR, Hankajskiy MR	895	478	38	55189	6144
Total		1057	582	54	60029	6590

* CD – city district, ** MR – municipal region.
According to: *The results of 2018: report*. Far East Development Corporation. Moscow, 2019. 153 p.

than 70% of FPV residents, who applied for land plots, did not receive it¹³.

Given the high demand for land plots on FPV territory, a draft of a Federal Law was submitted to the State Duma of the Russian Federation on March 24, 2020, in which the problem of a competition between FPV residents, claiming the same land plot, is proposed to be solved by returning to auction procedure¹⁴.

It is quite difficult to assess consequences of such law. It was noted above that, in 2019, during the survey, 86% of FPV residents, in order to address the issue of placing production in FPV, spoke out about defining importance of preferences in obtaining land plots. In such

¹³ The Association of residents defended the key preference of the free port of Vladivostok. Available at: <https://primamedia.ru/news/927383/>

¹⁴ Draft of the Federal Law no. 928822-7 "On recognizing certain provisions of legislative acts of the Russian Federation in relation to changes in the procedure for leasing land plots in state or municipal ownership to residents of the free port of Vladivostok as invalid". Available at: https://sozd.duma.gov.ru/bill/928822-7#bh_note

circumstances, the adoption of the proposed draft of a Federal Law by the State Duma may dramatically affect the number and industry structure of FPV residents.

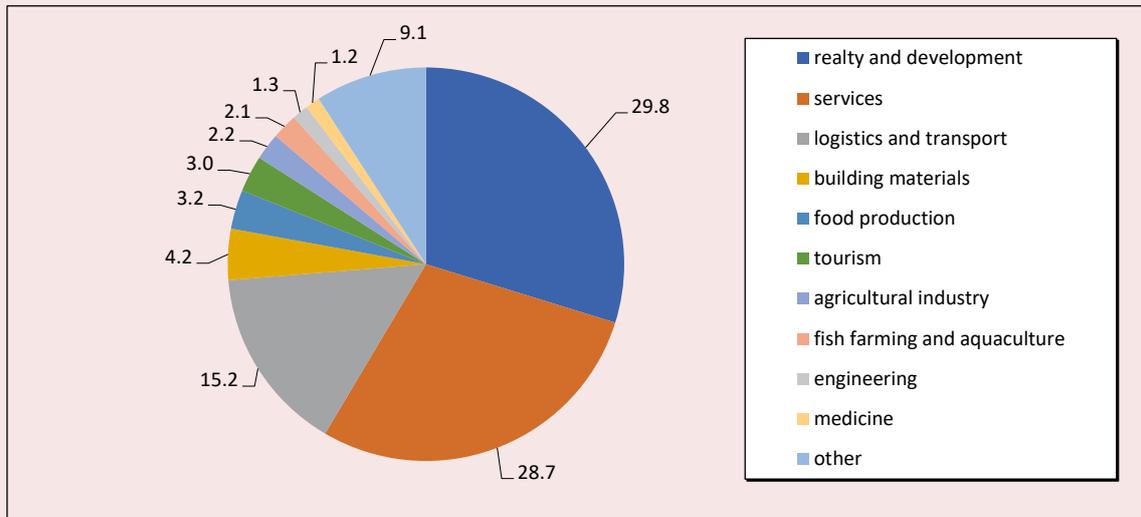
FPV specialization

The sectoral structure of residents in the free port of Vladivostok that is currently being formed, according to the information from the register of FPV residents, maintained by FEDC, is shown in *Figure 4*.

The fact that, in the sectoral structure of FPV residents, group of transport and logistics companies takes only the third place (15.2%), out of total number of FPV enterprises, is somewhat unexpected. It is significantly lower than the largest group of businesses related to realty and development (29.8%) and sphere of services (28.7 %).

The analysis of potential investments' structure, declared for development by residents of the zone, changes the situation with leading sectors in FPV. Out of 582 billion rubles of potential investments, announced

Figure 4. Sectoral structure of FPV residents, as of January 1, 2019, % out of total number of enterprises



According to: "Register of residents of the Free port of Vladivostok". Available at: <https://erdc.ru/upload/reestr-spv.pdf> (accessed April 2, 2020).

for development until 2029, 42.2% will be invested in logistics and transport enterprises, 33.4% will be in realty and development, 6% will be in the service sector, 3.8% will go in fish farming and aquaculture, 2.1% will be in tourism, 1.2–1.4% of investments will be in building materials, food production, and forest. The contribution of other industries to the potential investment portfolio of FPV is less than 1% [24].

An interesting fact is the high share of small and medium-sized enterprises (SMEs) among residents of local zones. Thus, 92% of the number of FPV residents are SMEs, which is 17 p.p. higher than the share of SMEs among TASED residents. Moreover, among SMEs, registered in the free port of Vladivostok, more than 97% are micro-enterprises. Such a high percentage of SMEs is neither good nor bad. The subordination of small enterprises and enterprises-leaders of propulsive industries in terms of the formation of the induced system effect is important. This issue requires separate

consideration, and it is only postulated here, due to the current absence of data on the economic activity of SMEs in local areas of the Far East.

In summary, we would like to note that the business climate, which emerges within local zones of TASEDs and FPV, is generally positive for its residents, but it has not yet settled (the latter is evidenced by attempts to revise provisions on the declarative principle of land allotment to FPV residents or the competition of TASEDs preferential regimes in the struggle for residents).

Assessment of the impact of local zones on FE economy

Such analysis is complicated by the absence of comprehensive assessment of zones' performance from the point of view of all parties concerned. Infographics of the Ministry of Development of the Far East and Arctic and FEDC reports consider this issue only from the standpoint of the efficiency of using budgetary funds, but it does not analyze the achievement

of declared goals of creating local zones in FE, the impact of these areas on the region's business climate, and the quality of regional finance.

To assess the impact of preferential regimes of local zones on the economy of FE, it is necessary to answer, at least, three questions. First, do Far Eastern models of TASEDs and FPV formation correspond to provisions of F. Perroux's classical model of growth poles and, as the result, do anchor companies, which form in zones, have a propulsive nature to form local zones of international level in the region?

Second, how do preferential conditions for zone's residents stimulate development of business environment in Far Eastern regions of the Russian Federation, and do such conditions pose a competition for non-residents of zones?

Third, how did the creation of Far Eastern TASEDs and FPV affect the quality of regional finance and the structure of the revenue base of regional budgets?

The answer to the first question is important, because, according to F. Perroux, it is propulsive industries that determine the nature of the emerging growth pole¹⁵. As global experience shows, in successful cases of implementing ideas of the "growth poles" theory, the correct choice of propulsive industries, or its combinations, had a key importance [6; 7; 9].

In this regard, we would like to note that transport and logistics, which occupy a significant share among enterprises-residents among Far Eastern local zones, are infra-

structural sectors. Its propulsive effect is small and rather induced, when, for example, capacities for product refinement are created on port territories, etc. [25; 26; 27].

In addition, the analysis of the specialization of created TASEDs and FPV shows that most projects are designed for local Far Eastern market or the organization of import substitution. Forming specialization of Far Eastern local zones, supported by statements of federal authorities' representatives that "the Far East needs all investors"¹⁶, causes doubt that the Russian Government will be able to implement main idea of creating local zones in the region – to form an industrial cluster in FE which will be able to integrate in the international industrial network of countries in the Asia-Pacific region.

Problems in achieving postulated goals of creating local zones are also indicated by the emerging mechanism for managing its activities. Thus, in Russia, the organization of regional management of advanced development territories is based on the idea of a functional approach, starting with the organization of infrastructure creation, aim at the production of finished products within the zone, and ending with criteria for the success of TASED activities (the number of jobs created, the volume of attracted investments [24]). It does not take into account the proximity of Far Eastern TASEDs to dynamically developing countries of the Asia-Pacific region, which are characterized not by a functional but organizational structure of production management, in which responsibility for the output of the final product is distributed among several countries (regions). For example, the share of intra-industry trade between the Republic of Korea and the PRC has grown significantly in the past decade, especially with industrial

¹⁵ In the model of "growth poles" formation, F. Perroux classified production sectors according to development trends into three groups: degrading, with a tendency to reduce its share in the structure of the region's economy; with a high growth rate but not significantly affecting development of other sectors of the territory; propulsive industries, which are characterized by the significant increase of production, and the generation of a chain reaction of growth of industrial centers, stimulating industrial development of the region [2, p. 123-138].

¹⁶ Deputy minister: "FE needs all possible investors". News@mail.ru, March 1, 2017.

goods and intermediate products [28]. It confirms advantages of a process approach to organizing production, especially in conditions of high competition and frequent changes in business processes. Therefore, objectively emerging focus of Far Eastern TASEDs, as well as FPV residents, on domestic demand and import substitution may hesitate its export specialization.

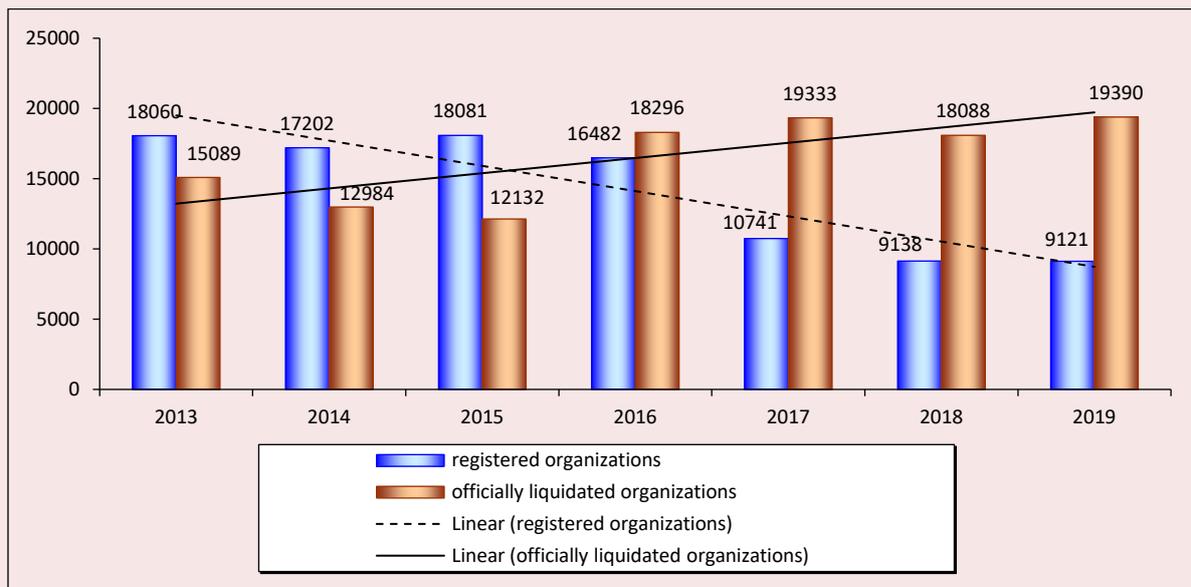
Highly likely that, for Far Eastern TASEDs and FPV, it may mean a repeat of the situation recorded by experts in special economic zones. Thus, during inspections of the accounting chamber, it turned out that, in 2013–2018, 80% of the value of exported SEZ products was intended not for export but for sale on the domestic market of the Russian Federation [29]. At the same time, the assessment of the availability of similar production facilities in the Russian Federation showed a significant number of enterprises with similar production characteristics that operate normally, without applying the benefits provided within SEZ.

In other words, the export of goods from SEZ territories, moved by SEZ residents within the framework of free customs zone procedures, did not have an export orientation during the studied period. That is, most firms sought to be located in special economic zones only to obtain tax preferences in comparison with other “non-regional” enterprises that produce similar products.

To answer the second question – how preferential conditions for zones’ residents stimulate development of the business environment in FE, let us analyze the demographics of organizations in the Far Eastern Federal Okrug (FEFO).

Comparative analysis shows that, for 2015–2019 period (the period since the beginning of the functioning of local zones in FE), on the background of increasing number of residents in TASEDs and FPV (see: Fig. 2), general economic situation for enterprises in the macro-region as a whole has become extremely unfavorable (Fig. 5).

Figure 5. Number of registered and officially liquidated organizations on the territory of FEFO, 2013–2019, un.



According to: data of Federal State Statistics Service. Available at: www.gks.ru/ (accessed April 7, 2020).

If in 2013–2015, while analyzing demographic indicators of FEFO enterprises, it was possible to talk about their expanded reproduction, when one liquidated enterprise accounted for 1.2; 1.32, and 1.49 newly created enterprises, respectively; from 2016 to 2019, the opposite trend was observed – in the Far East, the number of liquidated enterprises exceeded the number of newly created ones. This gap increases. Since 2016, the general situation has begun to resemble the “Russian cross”, well-known for its demography.

On the background of growing number and low mortality of resident-enterprises in TASEDs and FPV, the demographic situation with Far Eastern enterprises may be interpreted as the emergence of some kind of a “vacuum cleaner” that sucks resources from problem regions to potential growth poles (TASEDs and FPV). Existing empirical studies confirm this fact [11; 23].

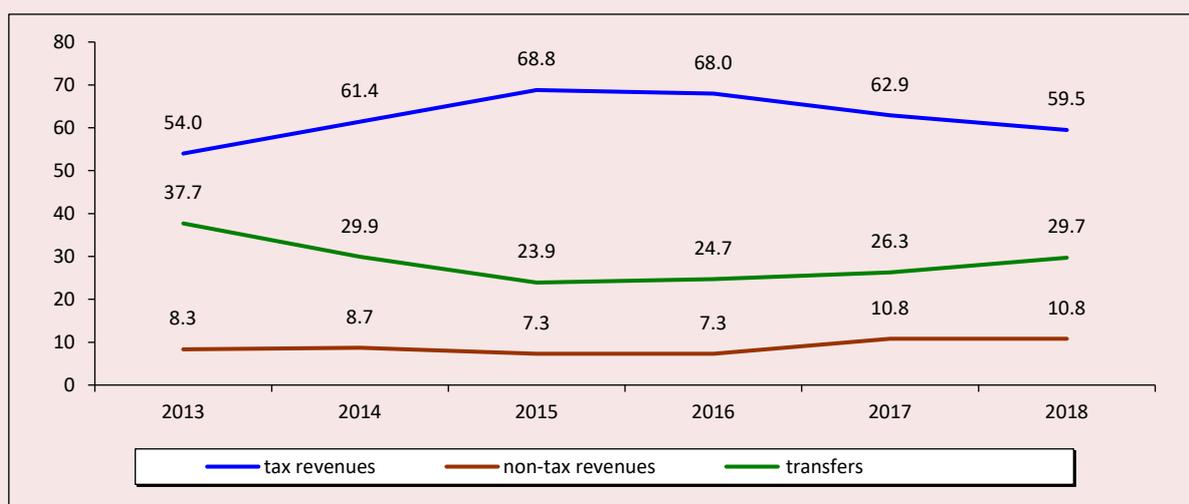
The third group of questions to be answered within the assessment of the impact on the economy of the macro-region of TASEDs and

FPV concerns the impact of local zones on the structure of the revenue base of regional budgets and changes in the quality of regional finances.

During the analyzed period (2013–2018), most noticeable changes occurred in the structure of revenues of consolidated budgets of Far Eastern regions of the Federation. Main sources of revenue for budgets of Far Eastern regions are traditionally tax and non-tax revenues, as well as transfers from other budgets (Fig. 6).

As it could be seen in the figure, the improvement in the structure of the consolidated budget of Far Eastern regions of the Russian Federation in 2014–2015 at the expense of the increase of the share of tax revenues was short-term, and it was not related to activities of local zones. On the contrary, during the period of local zones functioning (2015–2018), the structure of the consolidated budget of Far Eastern regions of the Russian Federation began to deteriorate, which is associated with the decrease of the share of tax revenues in budget revenues and the increase

Figure 6. Revenue structure of consolidated budgets of Far Eastern entities of the Russian Federation, %



According to: Information on the execution of the consolidated budget of the entity of the Russian Federation and the budget of the territorial state extra budgetary fund. Available at: <https://roskazna.ru/ispolnenie-byudzheto/konsolidirovannyye-byudzhety-subektov/> (accessed: February 4, 2020).

Table 4. Volume and structure of main tax revenues of consolidated budgets of Far Eastern regions of the Russian Federation in 2013–2018, bill. rub./%

	2013	2014	2015	2016	2017	2018
<i>Tax revenues</i>	349.0/100	432.6/100	544.9/100	526.5/100	488.2/100	540.2/100
Income tax	97.2/27.9	159.3/36.8	240.3/44.1	196.7/37.4	143.7/29.4	159.4/29.5
Personal profit tax	149.0/42.70	158.1/36.5	163.5/30.0	178.1/33.8	187.3/38.4	210.5/39.0

According to: Information on the execution of the consolidated budget of the RF entity and the budget of the territorial state extra budgetary fund. Available at: <https://roskazna.ru/ispolnenie-byudzhetoov/konsolidirovannyye-byudzhety-subektov/> (accessed: February 4, 2020).

of non-tax revenues and transfers. It could be assumed that this situation was influenced by changes in the qualitative structure of main tax revenues of the consolidated budget of Far Eastern federal entities (*Tab. 4*).

Data, presented in the table, show that, in the studied period, the share of profit tax in main tax incomes of Far Eastern entities of the Russian Federation significantly (by 14.1 p. p.) exceeded the share of personal income tax only in 2015. The worsening of the economic situation in 2016–2018 led to the decrease of the share of profit tax from 44.1% in 2015 to 29.5% in 2018 with simultaneous growth of the share of income tax in main tax profits of regional budgets from 30 to 39% for the same amount of time.

This situation could be interpreted as the reduction of the total number of profitable enterprises in the region as the result of a certain deterioration of the economic situation in the Far East and the introduction of a preferential tax regime in local zones, which also reduced the total taxable mass of profits.

Conclusions

1. Activity of residents' registration in local zones, low mortality rate of enterprises created in zones, and declared mood of zones' residents to increase investment activity and create new jobs are regarded by federal authorities and their affiliated organizations as positive signals to stimulate business in the Far East.

2. Business climate, emerging within local zones, is generally positive for its residents, but

it has not yet been established (as evidenced by attempts to revise provisions on the declarative principle of land allotment to FPV residents or the competition of preferential TASEDs regimes in the struggle for residents).

3. TASEDs and FPV, created in the Far East, do not fully meet the definition of F. Perroux on local points ("poles") of growth. There are no clearly defined propulsive industries, and a significant number (75–92%) of residents belong to the type of small and medium-sized enterprises, and they are poorly connected with enterprises-leaders of zones. The state is not concerned with the formation of propulsive industries in growth poles: it focuses on overall growth of attracting any investment to zones.

4. Objectively formed within the sanctions war, the specialization focus of Far Eastern local zones on domestic demand and import substitution may hesitate its export specialization, block endogenous economic growth in areas of local growth points, created in the Far East, giving it features of growth poles of, at best, local meaning, according to the terminology of F. Perroux.

5. Preferential climate that is being formed in local zones does not have a clear positive impact on the business climate of Far Eastern federal entities. With growing number of residents in local areas with favorable economic conditions, the demography of the number of established and liquidated enterprises in the Far East in recent years has been similar to

the “Russian cross” (the number of liquidated enterprises exceeds the number of newly created ones).

6. The analysis of the status of consolidated budgets of Far Eastern entities of the Federation with the goal of seizing the impact of the special regime of entrepreneurial activities in special zones on the economy of the Far East has shown that the improvement of the structure of the consolidated budget of Far Eastern entities of the Russian Federation, due to the increase of the share of tax revenues, which emerged in 2014–2015, have been short-term. Radical improvement of the structure of the

consolidated budget of constituent entities of FEFO in the studied period (2013–2018) has not occurred.

7. The quality of regional finances in Far Eastern entities of the Federation has deteriorated. When the share of profit tax in regional budgets begins to decrease, the share of personal income tax starts to grow. This situation could be interpreted as the reduction of total number of profitable enterprises in the region as the result of the deterioration of the economic situation and the introduction of preferential tax treatment in local zones, which also reduced the total taxable mass of profits.

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