## ROLE OF STATE LEGAL REGULATION IN ENSURING THE EFFICIENT USE OF FOREST RESOURCES IN THE FAR NORTH AND EQUIVALENT AREAS

## PAPEL DA REGULAMENTAÇÃO LEGAL ESTATAL PARA GARANTIR O USO EFICIENTE DOS RECURSOS FLORESTAIS NO EXTREMO NORTE E ÁREAS EQUIVALENTES

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**Abstract:** The paper analyzes the role of state regulation in ensuring the efficient use of forest resources in the Far North and equivalent areas. The study examines a set of measures for the development of an efficient state regulation mechanism for the development of depressed forest areas in the Far North and equivalent areas based on the example of the Komi Republic, Russia. Such a mechanism will increase the efficiency of the use of the region's natural resource potential and turn it into a factor of economic growth. As a critical component of the mechanism for efficient state regulation of the development of natural resource and infrastructure potential of forest territories, the authors propose to incorporate a comprehensive program to create and develop small and medium forest enterprises, improve corporate governance, develop innovation infrastructure, and introduce a process approach to management, considering the specifics of traditional occupations and trades of the forest population in the Far North and equivalent areas, based on traditional and modern approaches. The underdevelopment of state regulation with respect to the efficient use of natural resource and infrastructure potential of depressed forest territories and its impact on the conditions of stabilization of reproduction processes raises the need improvement further of the theoretical. methodological, and organizational-economic approaches to improving the regulation mechanism for advanced socio-economic development.

**Keywords:** State regulation. Efficiency. Regional policy. Public authorities. Forest resources. North. Forest entrepreneurship. Corporate governance. Infrastructure. Economic growth.

Resumo: O documento analisa o papel da regulamentação estatal para garantir o uso eficiente dos recursos florestais no Extremo Norte e áreas equivalentes. O estudo examina um conjunto de medidas para o desenvolvimento de um mecanismo eficiente de regulamentação estatal para o desenvolvimento de áreas florestais deprimidas no Extremo Norte e áreas equivalentes, com base no exemplo da República Komi, Rússia. Tal mecanismo aumentará a eficiência do uso do potencial de recursos naturais da região e o transformará em um fator de crescimento econômico. Como um

componente crítico do mecanismo de regulamentação estatal eficiente do desenvolvimento do potencial de recursos naturais e infra-estrutura dos territórios florestais, os autores propõem incorporar um programa abrangente para criar e desenvolver pequenas e médias empresas florestais, melhorar a governança corporativa, desenvolver a infra-estrutura de inovação e introduzir uma abordagem de processo para o manejo, considerando as especificidades das ocupações e comércios tradicionais da população florestal no Extremo Norte e áreas equivalentes, com base em abordagens tradicionais e modernas. O subdesenvolvimento da regulamentação estatal com respeito ao uso eficiente dos recursos naturais e do potencial de infra-estrutura dos territórios florestais deprimidos e seu impacto sobre as condições de estabilização dos processos de reprodução levanta a necessidade de melhorar ainda mais as abordagens teóricas, metodológicas e organizacionais-econômicas para melhorar o mecanismo de regulamentação para o desenvolvimento sócio-econômico avançado.

**Palavras-chave:** Regulamentação do Estado. Eficiência. Política regional. Autoridades públicas. Recursos florestais. Norte. Empreendedorismo florestal. Governança corporativa. Infra-estrutura. Crescimento econômico.

#### 1. INTRODUCTION

Public administration has a special place among other types of administration. On the one hand, public administration is a mechanism of implementation of the state's authority to lead, organize, and purposefully influence society and all its subsystems. On the other, it is a special type of professional activity on the implementation of the legislative, executive, judicial, and other powers of the state to implement its law-making, law-executive, law-enforcement, and upbringing functions.

A basic condition for Russia's development is the formation of an effective system of governance, which would be able to address the modernization of the economy. The state of the system and its institutions is a major element in the country's organizational capital, which directly affects its competitiveness. Thus, public administration is effective if it ensures stability and progressive development of the public system.

Public administration is interpreted as a process of implementation of state policy, as the process of government authorities influencing the private sector and the public in the spheres important for the state through specific administrative tools that maximize the efficiency of such impact to achieve the desired result (Mukhaev, 2016).

The current conditions actualize the problem of developing an efficient public administration system capable of quickly responding to external challenges. The development of a balanced system of performance indicators and criteria for the efficiency of public authorities is becoming a clear necessity.

There is a variety of scientific approaches to the concept of public administration mechanism in the literature that emphasize different aspects of its functioning. In theory, the concept of public administration mechanism denotes a process of the subject influencing the object of public administration to achieve the set goal, and the efficiency of this process depends on the nature and factors of such influence. P.A. Bogorodetskii and V.N. Titov (2016), in particular, define administration mechanism as a complex category of administration with a well-defined structure, methods, levers, and instruments of influence on the object of administration with appropriate support (organizational, legal, informational), designed for the practical implementation of public administration and the achievement of its intended objectives.

Regional development and administration of territorial formations are explored by Russian and foreign scientists alike. Several works investigate this complex and multifaceted problem researching the theories of regional development, the reasons for territorial differentiation, and the issues of anti-crisis administration of territories. The most prominent foreign researchers who have made a great contribution to the study of interregional differentiation and stood at the origins of the basic regional growth theories are H. Siebert (2003), W. Isard (1966), I. Wallerstein (2011), N. Mankiw (2009), F. Perroux (1954), T. Hägerstrand (1962), R. Solow (1956), and others.

Regional growth theories are of interest because of their ability to explain the nature of regional differences and reveal the factors affecting the dissimilar development of regions. The main theories of regional growth are neoclassical theories, cumulative growth theories, new theories of regional growth, and others.

Nonetheless, this multitude of approaches to the problems of administration organization does not provide a proper development of these issues in the aspect of the current transformation of state power and its influence on the efficiency of the market management mechanism of the regional complex as the most important condition for the formation of stable reproductive regional processes.

The least theoretically investigated are the issues of forming the rational regional policy for depressed territories, the determination of production and investment potentials of the region, and structural and system analysis of the region's production complex management through investment to form an integrated management model of agroindustrial and other complexes at the regional level. There is no unanimous definition of a depressed region and its main characteristics, the concept of the anti-crisis management

mechanism is not formalized as applied to depressed regions, and the order of interaction between federal and regional authorities in this process is not specified.

The above-described problems equally apply to the forest industry as a whole and the vast majority of depressed forest regions. All depressed forest regions are marked by such negative aspects of the forestry complex as low technical level and imperfect structure of production, low investment activity, and the production of uncompetitive products. In this context, research relating to the development of the economy of the forestry complex in depressed regions presents a highly topical and opportune objective.

A priority of state policy at present is to create the conditions for entrepreneurial activity. The provision of favorable conditions for entrepreneurship (availability of qualified personnel, transport and logistics, commercial infrastructure, etc.) is researched by P. Reynolds, D.J. Storey, and P. Westhead (1994), A.V. Vilenskii (2014), and L.V. Voronina (2017).

The development of the mechanism for regional state regulation of the use of natural resource and infrastructure potential of depressed forest territories consists of the justification of the strategic model of socio-economic development of the region. Such a model must have a long-term potential for dynamic growth that can ensure the effective reproduction and modernization of the production apparatus, improve the region's competitiveness, increase revenues to the budgets of all levels, and provide a consistent rise in the well-being and quality of life of the population.

The economically assessed part of the natural resource potential of a region can be regarded as an element of its socio-economic potential and is therefore part of the national wealth of the country. However, the concept of the natural resource potential of a territory is not limited to those natural resources that can be easily quantified but is much broader. It is more appropriate to consider socio-economic potential as a derivative characteristic of the magnitude of the territory's natural resource potential. It is the natural resource potential of the territory that serves as the material carrier (substrate) of any type of human activity, including socio-economic policy. In other words, the value of socio-economic potential is strictly limited by the value of natural resource potential in several factors.

A logical development in nature management relations in the current situation would be the redistribution of some powers of the federal center in favor of the subjects of the Russian Federation. This approach would involve regional authorities in the active economy, optimize inter-budgetary relations, reduce the dependence of the socio-economic

situation of the regions on subsidies from the federal center, and secure financial resources for the recovery of depressed territories.

Thus, the socio-economic development of the region cannot be achieved without consideration of changes in the natural environment caused by its impact, without purposeful management of its condition, without ensuring optimal compliance of the state of the natural environment with long-term development goals, and, finally, without continuous improvement of the development management system itself.

The described approach to the tasks of improving the socio-economic situation is especially relevant for the depressed regions of the Russian North. Here preconditions should be created for the forms of coexistence of modern market production and the traditional economy of indigenous peoples that would be adapted to the unfavorable natural and climatic conditions and poor transport accessibility.

State regional policy should be aimed at ensuring balanced socio-economic development, reducing the level of inter-regional differentiation, and improving the quality of life through greater competitiveness and integrated economic development. The balance should be achieved primarily through the implementation of the following regional policies:

- creation of new centers of economic growth based on competitive advantages;
- coordination of infrastructure investments of the state and business, considering the priorities and limitations of the region's development;
- development of human potential and reduction of differentiation in the level and quality of life of the population.

The proposed approach relies on the innovative scenario of development of the country and its regions, at the core of which lie two fundamental directions: the development of high-tech production and increased efficiency of the use of human potential. The innovation scenario will enable the Russian Federation to move to the level of developed countries, thereby performing a systemic modernization of the economy.

In this connection, the balanced socio-economic development and the transition to the scenario of innovative development of Russian regions call for the development of mechanisms providing the competitiveness of small and medium entrepreneurship.

The strategic goals and main objectives for the development of small and medium forest entrepreneurship in the Republic of Komi are defined. A necessary factor is the creation of favorable conditions for the accelerated development and growth of the competitiveness of small and medium-sized businesses. Small and medium-sized

enterprises are the most effective agents of new technologies and innovations, which stems from the characteristics of small businesses and their advantages in research and development. These advantages include:

- enthusiasm, cohesion, and initiative of the staff;
- relatively low capital intensity;
- minimal bureaucracy in discussion and decision-making, the ability to take risks;
- effective communication channels within the organization, which leads to rapid response to internal problems;
  - prompt response to changes in demand.

This particular type of business can increase its turnover by tens and hundreds of times, make much better use of the achievements of scientific and technological progress, and be aggressive in its export policy. Moreover, the spending of small and medium-sized enterprises to improve their products and technologies is about 6 times greater than that of large enterprises in relation to their turnover.

Furthermore, a wide network of small and medium-sized businesses forms a favorable market environment through the development of fair and free competition in the market and builds the right pricing policy. Small and medium businesses are also a part of the infrastructure to support big businesses.

Thus, ensuring the competitiveness of small and medium-sized businesses should become one of the leading focuses of state regional policy to achieve a balanced social and economic development of a depressed region and improve the well-being of its residents. The high level of business competitiveness is what enables businesses to develop innovatively and effectively perform their role as socially responsible employers and taxpayers.

Improvement of the competitiveness of small and medium businesses in the region should be the objective not only of businesses themselves but also of state power. The government and businesses should cooperatively work out mechanisms to ensure the competitiveness of enterprises (Shikhverdiev et al., 2012).

In the current context, Russia is experiencing increased competition. As a consequence, the management of enterprises is in constant search of new instruments of enterprise management and levers to improve competitiveness that would be appropriate to the competitive environment. Among such tools, corporate management has special importance.

Despite several advantages, an influential role in the economy, and numerous measures of state support, small and medium-sized businesses in the northern region remain unattractive to large investors. This reflects on the competitiveness of small and medium-sized enterprises, as well as their survival and growth. Possibly, not only quantitative but also qualitative directions of development of such companies are needed. One such direction is the development of corporate governance systems or their elements as a factor in improving the quality of doing business, increasing the market value of the company, and attracting investment (Shikhverdiev, 2012).

Small and medium enterprises face the task of increasing their manageability and efficiency. In this sense, the process-oriented approach implies management based on previously defined principles, compliance with which in itself can significantly enhance the efficiency of an industrial enterprise.

The process approach to enterprise management has significant advantages over the functional approach, which contributes, first of all, to the realization of its systemic properties. Whereas the functional approach focuses on optimizing the performance of functions themselves, the process approach focuses on optimizing the interaction of functions in terms of how the implementation of the functions of cost centers affects the effectiveness of the functions of other cost centers and, consequently, the overall effectiveness of a particular type of business (Blinov et al., 2013).

In today's situation, socio-economic development is dictated by the rate of implementation of the latest scientific and technological solutions and the development of knowledge-intensive industries, i.e. the intensity of innovation processes. The effective use of intellectual resources and the development of technological bases are the most urgent national tasks that demand new decisions and definitions of state priorities in the scientific, technological, and innovative development of the country and the transformation of high-tech industries into the main factor of economic development.

This goal necessitates the creation of an economic and organizational system for converting knowledge and the results of research and development into a marketable product. This can be achieved in the system of innovation reproduction, the most important element of which is the innovation infrastructure designed to ensure the flow of market signals to the research and development sector and stimulate its adequate response to them. The key task in the creation of the innovation system infrastructure is to fill the missing links, which implies the development of financial institutions and mechanisms to

finance innovation, production, and technological information and consulting infrastructure, the networks of which and, consequently, the entire innovation system are developing at an extremely slow pace.

Regional innovation policy should aim at organizing and stimulating innovation activity, turning it into a sustainable source of economic growth. A key direction in the development and stimulation of innovative activity in the Russian North is the creation of innovative infrastructure and enhancement of innovative activity on the part of small and medium-sized businesses (Vishniakov, 2017).

#### 2. METHODS

A scientific study of the role of state regulation in ensuring the effective use of forest resources in the Far North and equivalent areas (2021-2022) was conducted. The study involved 47 organizations in the forest industry of the Komi Republic.

The study substantiates the importance of the following elements to ensure the effective use of forest resources in the Far North and equivalent areas:

- state regulation and support of small and medium-sized enterprises;
- public-private partnership;
- system of corporate management;
- system of internal control and risk management;
- information support;
- HR policy;
- social and environmental responsibility;
- project management methodology.

The primary factors hindering the efficient use of forest resources of the Komi Republic are identified. Particularly noted are issues related to high taxes, imperfect legislation and administrative barriers (38%), and financial security (29%).

An important indicator is the inadequate level of corporate governance and corporate culture and the qualifications of employees (18%), which calls for the training of specialists with knowledge of the specifics of forestry. The competencies required for such specialists include modern financial management methods, risk management, project management methodology, creation of high-level corporate culture and conflict prevention,

strategy and change management, and adaptation to the demands of the external environment.

The analysis reveals an underperformance of state support tools and incentives for small and medium-sized businesses in the forest industry, which gives reasons for the underdevelopment of forest entrepreneurship in depressed forest areas.

The results of the study give evidence of the potential to improve the effectiveness of public regulation in ensuring the efficient use of forest resources and the development of small and medium-sized businesses. To this end, it is necessary to strengthen the role of authorized state bodies, improve the quality of their work, and expand the role of the Chamber of Commerce and Industry and public associations.

Among the most popular tools of state support and stimulation are subsidies (21%), concessional lending (15%), and leasing (11%). Apart from all else, the work of small and medium business support institutions should be improved, especially those created by the state.

Effective forms of interaction between the government and business for the effective use of forest resources can be consulting organizations under government agencies (32%), advanced personnel training (29%), as well as conferences, scientific and practical seminars, and round tables (21%).

There is a need to intensify the use of the mechanism of public-private partnership for the construction and development of an efficient system of forest resource use.

The study also addressed the following issues:

- analysis of internal and external factors that do not ensure the effectiveness of small and medium forestry entrepreneurship in the Far North and equivalent areas;
- analysis of factors limiting the growth of productive capacity of small and medium-sized enterprises;
- factors of creation and development of innovative enterprises in the forest industry;
- internal and external factors that ensure the competitiveness and development of the forest region;
- the most demanded mechanisms of state support for small and medium forest enterprises;

- constraints and problems hindering the development of small and medium forest entrepreneurship, including those in the development of labor, production, and infrastructure potential;
- directions for activation of the region's potential, which can solve the existing problems in the efficient use of forest resources through the development of small and medium entrepreneurship;
- the role of business development institutions, particularly the Chamber of Commerce and Industry, in the region.

#### 3. RESULTS AND DISCUSSION

The analysis conducted as part of the study demonstrates that in the current situation the development of depressed forest territories, the efficient use of their natural resource and infrastructure potential, and the development of proposals on overcoming their depression necessitates several government initiatives that would support the growth of gross national product and gross regional product, ensuring advanced socio-economic development of the regions and the country. The most vital of these are:

- Development and implementation of a mechanism for governing the use of natural resource and infrastructure potential of lagging and problematic forest territories through the creation and development of various forms of small and medium-sized forest entrepreneurship and traditional occupations and trades. This mechanism also has to be grounded in the model of a problem region, the model of effective government (power), approaches to identifying the potential for the development of territories based on correlations in the data sets:
- Development of a formalized model of a problem (depressed) region based on the analysis of the structure and dynamics of indicators: the index of the volume of shipped goods of own production, work and services performed; the ratio of monetary income to the subsistence level in the region, the unemployment rate, and/or other;
- Development of an optimization model of the financial flows of problem (depressed) forest areas that meets the criteria of minimizing the cost of capital and increasing budgetary, social, and environmental efficiency;

- Development of a mechanism to improve the sustainability of socioeconomic development of a region having lagging and problem territories (on the example of forest villages in the republic of Komi);
- Creation of preconditions for the forms of coexistence of modern market production and traditional occupations of indigenous northern minorities that would account for unfavorable natural and climatic conditions and poor transport accessibility.

We believe that these initiatives must be reflected in the concept of recreational and environmental support of depressed forest territories that would support efficient socio-economic change as a vital precondition for general development, which will allow for improving the efficiency of the interrelated systemic complex "nature – man – economy".

Implementation of the proposed measures will provide for the conditions allowing to form a favorable climate for the socio-economic development of the economy of depressed forest territories and activate small and medium entrepreneurship in the region overall.

It is necessary to use a comprehensive target-program approach to develop a mechanism of administration of the use of natural resource and infrastructure potential of depressed forest territories in the region based on strategic management of the potential of depressed territories as an integral system that has what is necessary for the effective functioning and development of the regional economy.

The basis of the mechanism of effective public administration for the use of natural resource and infrastructure potential of depressed areas (in the example of forest villages) includes a comprehensive set of measures to create and develop small and medium forest entrepreneurship, as well as traditional occupations and trades, considering both traditional and contemporary approaches, such as cooperation, clustering, and the cognitive approach.

Theoretical and methodological bases and organizational and practical tools of the concept of economic recovery growth of depressed territories based on strategic management have been developed in the formulation of the stated problem. To solve the problem, the directions to improve the system of state management of territorial development are proposed; based on systematic monitoring of the condition of the natural resource potential of the region's depressed forest territories, the functional and administrative components of the mechanism for managing their development have been developed.

The study specifies the theory of administrative organization as applied to the specifics of the depressed forest area of the northern region aimed at the restoration and development of its economy adapted to market conditions with a dosed degree of state impact on the interrelated spheres of the regional economic system: socio-economic, agricultural, industrial, recreational, environmental, and others.

We attribute paramount importance to the development of the concept of recreational and environmental support of depressed forest territories that would support efficient socio-economic change as a vital precondition for the general development of the region. The proposed concept will improve the efficiency of the interrelated systemic complex "nature – man – economy". Its practical implementation will promote the development of depressed forest territories in the municipal formations of depressed regions, the efficient use of their potential, overcoming their depressed state, growth of the gross regional product, and provision of the overall socio-economic development.

As an instrument of anti-crisis management of depressed territories, a comprehensive development program, which presents ways of solving the identified problems, can be of great importance.

To realize the potential of depressed territories it is proposed to use a two-level crisis management mechanism, the results of which will be evaluated by the indicator of productivity and its components. In this mechanism, the state authorities should be responsible for developing a methodology for drafting the anti-crisis program, monitoring and coordinating interaction with major infrastructure companies, and being the main supervisor of program implementation. Local authorities, in turn, must develop a specific action program to bring depressed areas to the stage of sustainable growth, considering the views of all stakeholders, constantly monitor the implementation of program activities, and make adjustments to the program.

The conducted study on the role of state regulation in ensuring the efficiency of forest resource use in the context of the development of small and medium entrepreneurship in the forest sector (in the example of the Komi Republic) suggests the following conclusions and recommendations:

- 1. In the assessment of the factors affecting the development of entrepreneurship in the forest sector, an important aspect is the development of a comprehensive database.
- 2. The development of depressed forest territories should be guided by the relationship between the level of socio-economic development of forest areas and:

- the development of entrepreneurial ecosystems;
- the effectiveness of state support and incentives;
- the quality of the public administration system;
- the level of corporate governance and corporate culture;
- the effectiveness of the internal control and risk management system;
- active participation of the Chamber of Commerce and Industry and business development institutions;
  - the system of management training for the forest industry of the Komi Republic.
- 3. It is necessary to develop and implement institutional foundations and mechanisms to stimulate the forest industry with the involvement of market and state-regulated economic models.
- 4. It is advisable to improve the normative legal support for state regulation of the efficiency of forest resource use in the Far North and equivalent areas.
- 5. A necessary measure is the implementation of tools to improve the investment attractiveness of the forest industry in the Far North and equivalent areas.
- 6. Of importance is the introduction of mechanisms to stimulate small and medium-sized businesses to socially and environmentally responsible behavior, sustainable development, and the implementation of innovative projects.
- 7. It is expedient to develop special vocational education and retraining programs for both managers and staff of small and medium-sized enterprises, considering the specifics of the development of forest resources given the specifics of the northern region.
- 8. For the development of small and medium-sized enterprises in the forest industry, it is important to strengthen the interaction between state authorities and entrepreneurship using public-private partnership tools to attract investment and ensure corporate security.
- 9. It is recommended to develop mechanisms to increase the interest of large businesses operating in the forest industry in interaction and quality cooperation with small and medium-sized businesses.
- 10. To attract long-term financial resources for the effective exploitation of forest resources and the development of depressed territories, it is required to create and develop a securities market as a tool for transforming savings into investments.

- 11. It is advisable to introduce mechanisms to improve the quality of corporate governance as a pivot to increase the efficiency of small and medium-sized businesses in the forestry sector in the Far North.
- 12. Development of mechanisms to improve the effectiveness of risk management and internal control is recommended to ensure the investment attractiveness of forest entrepreneurship.
- 13. To reproduce forest resources, it is critical to ensure an appropriate level of social and environmental responsibility.
- 14. To ensure development according to the innovation scenario through the introduction of mechanisms of venture investment, the Venture for the Far North model is recommended for use as a basic tool for the development of innovation.
- 16. A realistic program should be developed for the development of ecological tourism, using the potential of the forest resources of the Far North.
- 17. To ensure the economic security of forest territories, it is important to develop criteria for the effectiveness of decisions made by state authorities and local governments in the development of forest resources, taking into account the specifics of the Far North and equivalent areas.
- 18. State power should be considered a key element in ensuring the effective use of forest resources in the Far North and equated areas. Consequently, it is important to introduce mechanisms to improve the efficiency of state and municipal governance and to adopt efficiency criteria for the decisions made by the authorities.
- 19. To ensure the efficient use of forest resources in the Far North and equivalent areas, it is important to use the methodology of project management.
- 20. A prominent part in ensuring the efficient use of forest resources needs to be played by the Chamber of Commerce and Industry of the Republic of Komi, public organizations, and associations of small and medium-sized enterprises.

#### 4. CONCLUSION

The principal role in ensuring the efficient use of forest resources in the Far North and equivalent areas should be assumed by the state.

The approach to the development of forest resources must be systemic, and all the constituent factors must be interrelated and interdependent.

The importance of the state in developing mechanisms for the efficient use of forest resources in the far North and equivalent areas is because a major role in this regard belongs to an efficient system of public administration, support for small and medium-sized businesses, instruments of public-private partnerships, especially with regard to small and medium-sized businesses, a high level of corporate governance and corporate culture, the use of stock market mechanisms to attract investment, ensuring innovation development, and the use of project management methodology.

The above will provide for the development of depressed forest territories, higher competitiveness and investment attractiveness and the due level of information and personnel support, the development of infrastructure, and stimulation of small and medium-sized forest entrepreneurship in the Far North and equivalent areas.

Along with the vital role of the state in ensuring the efficient use of forest resources in the Far North and equivalent areas, a significant role should be performed by development institutions and public and self-regulatory organizations to support small and medium enterprises, the most important of which are Chambers of Commerce and Industry. In our view, together with the state, chambers of commerce and industry can and should become a catalyst in ensuring the efficient use of forest resources in the Far North and equivalent areas.

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