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**The Institute Of Current World Affairs**

*Bezvlastia: Adrift At The Edge Of Russia*

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Petropavlovsk-Kamchatsky  
Russia

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Dear Peter,

One snowy day not long ago I bumped into my friend Sasha on Komsomol Square, near Petropavlovsk-Kamchatsky's Central Market. Sasha is a talented chief ship's mechanic for *Okeanrybflot* (also known as *BOR--Baza Okeanskogo Rybolobstvo*, or the Ocean Fishing Base). <sup>1</sup>

I've known Sasha since last summer. We went on a few good hiking trips together--a climb up Avacha Volcano, a backpacking trip in the wilds of central Kamchatka and five days' hiking around the calderas of Mutnovsky Volcano. We got to know each other well in the course of many nights together sitting around the campfire, swilling vile alcoholic libations and swapping mariners' tales.

The course of our friendship, however, was rudely interrupted one day in the fall. Sasha and his wife were driving through town when the car behind them suddenly lost a wheel and rear-ended them. They emerged from the accident without a scratch, but their Honda Civic was demolished.

Living without a car in Petropavlovsk-Kamchatsky means banishment to the city's public transportation system, a hell of filthy, overcrowded, slow buses. "I suffer enough at sea," Sasha told me. "There's no way I'm going to suffer once I get to shore." He began scheming to get a new set of wheels as fast as possible. A round, jolly man with laughing eyes, a fast tongue and an encyclopedic knowledge of off-color anecdotes, Sasha has friends and acquaintances in fishing ports all over the Russian Far East.

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Since 1925 the Institute of Current World Affairs (the Crane-Rogers Foundation) has provided long-term fellowships to enable outstanding young adults to live outside the United States and write about international areas and issues. Endowed by the late Charles R. Crane, the Institute is also supported by contributions from like-minded individuals and foundations.

He put the word out that he wanted to go overseas as soon as possible. As luck would have it, he didn't have to wait long.

"I got a call from a friend in the city of Korsakov, on Sakhalin," he told me as we stood squinting into the blowing snow. "He begged me to come down and work on his transport ship. 'We're going to Japan to bring back a load of cars,' he said, 'but we can't sail without a mechanic. We'll give you a car and pay you for the trip if you come.' Great, I thought, here's my chance"

Sasha took off from his regular job at *Okeanrybflot na sharu*, as locals say--completely irresponsibly and spontaneously, without telling his bosses where he was going, or even that he was going somewhere. He just stopped showing up from work. "So I went to Japan, we got the cars and brought them back. Now I've got a Mazda four-wheel drive, some extra money, plus I even got a car for a friend," he chortled. He was gone for two months.

But what about his former job at *Okeanrybflot*? "Can you believe it," he goggled with astonishment. "I came in the other day and nobody said a word. They didn't even notice I was gone! I got my boss to sign my work sheet, went down to the bookkeeper's office and collected two months' back pay. Five hundred thousand rubles!" He laughed happily. "*Durdom!*" he said--it's just plain crazy. "Of course it's not that much money for two months' work, but can you imagine?! It's the same kind of *tufta* we've always had here in Russia--they pretend to pay us, we pretend to work."

*Tufta*, the practice of systematically falsifying economic or labor performance, is the ultimate alibi system, employing a conspiracy of cleverly papered-over mistakes in planning by management to satisfy the demands of higher-ups or mask low worker productivity. *Tufta* flourished in the Soviet Union in almost every industry, including fishing, and hasn't yet fallen out of fashion in free-market Russia. Except now the huge income gap between management and workers, rather than fear of some Communist Party *apparatchik*, drives the deceptions. Sasha says *tufta* abounds at *Okeanrybflot*. His regular job--repairing a fishing vessel at a nearby boatyard--has stretched on for over a year now, with no end in sight. "We've been 'working' on it for a year but our crew doesn't really do anything," he told me. "Maybe we show up for a day or two a week, tinker around a bit, but we'll never finish the repair at this rate."

*Tufta* doesn't bother Igor's conscience much. It all seems like a big, dumb game to him. He has worked on joint ventures with American and Japanese companies, and knows how much a qualified marine mechanic earns in those countries. "They make thousands of dollars. I've got a friend who works as a second mechanic," he told me. "He worked three months at sea and came home for his pay--only 600,000 rubles. Who wants to work for those wages?"

'Pay issuance' degrades *Okeanrybflot's* workers; Russia doesn't have direct deposit. Instead workers line up, plantation-style, for cash. They return from sea and run to the *bukhgalteriya* (accounting office) to get their pay in cash. Since *Okeanrybflot* is

chronically short of cash, money sometimes runs out before everybody gets paid. "It's a complete brawl," said Sasha. "Dozens of cursing men in a tiny room, all struggling to get to a tiny window, pushing their passports at the cashier. Fistfights break out all the time. *A kto ne uspel, tot opazdal*--if you didn't make it, you're too late, you don't get any money at all. Then you get your wages and find out that, because of inflation you're bringing home 30 or 40 per percent less than you agreed to in your contract when you set out."

So Sasha and his work crew spend their time scamming *Okeanrybflot's* management, figuring out ways to waste time and avoid work. The bosses are completely out of touch with the lives of its workers. Sometimes this has ridiculous consequences.

"One of our bosses came around with imported Korean Christmas presents for us during the holidays, trying to be nice," Sasha told me. "They asked me if I had a kid. I told them sure. 'How old is he?' they asked. 'Two' 'What's his name?' 'Fisher. Fisher Alexandrovich.' 'Strange name. Do you have his birth certificate?' 'Not with me' 'Well, bring it by later--happy holidays!' And he gives me a present." And so Sasha's two-year old cat, Fisher, got imported Korean Christmas presents for the holidays. "*Durdom!*" he roared.

Unfortunately, the wide gulf between workers and management frequently has far less amusing consequences. In late January, the captain of an *Okeanrybflot* transport vessel, the *Kazalinsk*, radioed the fishing enterprise's general director to inform him he was coming into Petropavlovsk-Kamchatsky two months earlier than scheduled.

The *Kazalinsk*, a retired factory trawler pressed into service as a transport ship, had brought fish to Japan, Korea and China. It was then scheduled to go north to resupply *Okeanrybflot's* pollock fleet in the Bering Sea, calling on the port of Nakhodka for a load of packaging materials and other cargo on the way. But alas, the *Kazalinsk* came out of the Orient laden with used cars, televisions, and other goodies. The crew feared going into Nakhodka. Nakhodka, declared a 'free economic zone' by government decree in 1991, now apparently bears a closer resemblance to a free-fire zone. The port is controlled by ferocious mafia groups that shake down the crews of visiting vessels. The *Kazalinsk's* crew categorically refused to go to Nakhodka and telegraphed an ultimatum to *Okeanrybflot's* management:

"In connection with the difficult criminal situation in the port of Nakhodka the entire crew refuses to come to work or stand watch. They have posted an ultimatum and threaten a collective hunger strike."

The *Kazalinsk* drifted for a few days while its captain and *Okeanrybflot* traded angry radiograms. Finally, the *Kazalinsk* captain claimed a wave broadsided seriously damaged the vessel. Then he steamed her home, an eight day trip across winter seas. The *Kazalinsk* arrived in Petropavlovsk-Kamchatsky with empty holds--and 43 used Japanese cars for its 33-man crew.

*Okeanrybflot* management was furious. "The crew knew what it's assignment was, they were only out for two out of four months," said one *Okeanrybflot* spokesman during a televised broadcast. "Their trip is now a total loss, and we've got to find a spare vessel to supply our pollock fleet. There was nothing unsafe about the *Kazalinsk*--the only thing in danger was the junk the crew bought overseas. And sending us an ultimatum! How dare they send us an ultimatum, when we are the ones feeding them and giving them work!" *Okeanrybflot* estimated the *Kazalinsk's* unfinished journey lost them over 50 million rubles, not including downtime for the pollock fleet. <sup>2</sup>

Management promised to reckon harshly with the *Kazalinsk's* rebellious crew. But an *Okeanrybflot* worker I spoke with later had a different point of view. "Management has got to understand that we need protection in these situations," he said. "What's the use of going overseas if the goods you buy there get stolen once you come back to Russia? We don't get paid enough on our trips as it is. Inflation eats up our wages to nothing by the end of a voyage. We have to somehow make money by trading, buying cheap goods overseas and selling them at home, whatever. Nobody looks out for us anymore. We have to take matters into our own hands."

The desperation workers feel as Russia enters its fourth straight year of economic depression makes matters worse. *Okeanrybflot* suffered a drastic drop in productivity in 1993. An official press release from the fishing enterprise tells a depressing tale.

"[In 1993] 218,330 tons of fish were caught, and another 47,132 tons were bought (including 5,817 tons of salmon). 265,462 tons of raw fish were processed, including 208,779 tons of pollock and a lesser amount of squid, crab, cod [and other species]. 166,299 tons of fish were produced. All of the above numbers are far less than for the previous year. Mainly, this has to do with the reduction of our fishing fleet--some old vessels were retired, and some were converted into transports to take product for export and for the internal market. Downtime also influenced the year's results--especially the sporadic fuel supplies for fishing expeditions. A reduction in the volume of purchased fish, particularly during the second half of the year, was also a forced measure: the price of *sirets* [unprocessed, whole round fish] the collective farms asked for was unacceptable. So the processing fleet only took profitable species from shore-based fishermen. This approach will likely continue for the upcoming year." <sup>3</sup>

*Rybkhodflot* is another one of Kamchatka's 'Big Six', the region's largest fishing enterprises with a significant ocean-going fleet. <sup>4</sup> *Rybkhodflot*, like most of the Big Six, is staggering from a catastrophic drop in productivity. Workers there partly blame the drop in performance on the enterprise's ancient fishing fleet. Also shore-based fishing collectives, traditional suppliers of *sirets* for the big enterprise, have either begun to process fish for themselves or sell 'their' resources to the highest bidder. Writes one *Rybkhodflot* engineer,

"Now the work we did during any 'stagnation' year [note: the 1980s are commonly as the 'period of stagnation' in Soviet history] looks far more effective than 1993. For example, we caught 180,000 tons of fish in 1980, but only 60,000 tons in 1993, using practically the same number of registered vessels.

"Our own fishing fleet supplies only about 10 percent of our floating processors' needs, and is being used poorly because our fishing limits have been cut back. Unfortunately, our demand for the allocation of fishing limits and for [access to] processing entities without their own fishing fleet was not supported at the [Far East] Regional Scientific-Industrial Council in September. Now marine resources are only distributed to [enterprises with] fishing vessels. But *Rybkholodflot*'s fishing limits were taken away without considering the fact that we've got two new processors coming in late January. Then they cut back our crab and pollock limits since we didn't catch all of them. Nobody considered all our objections and justifications that this wasn't our fault. First of all, the fact that last year we were forced to give *Dalryba* 1,000 tons of pollock to pay for deliveries of the fishing fleet's fuel wasn't taken into consideration. We never got a single ton of that fuel. Secondly, we and our fishing fleet honored the scientific council's [*KOTINRO*] and fish inspectorate's [*Kamchatrybvod*] demands to cease crab fishing during molting period. Our fleet left the fishing grounds for port, but it turns out we shouldn't have done that. All the other resource users left their fleets at the grounds and, when all was said and done, they caught their limits in time after getting the right--at our expense--to fish under the 'olympic system', that is, everybody catches as much as possible before the end of the year. How's that for fairness?

"And how about the lackeyish ripping off of fishing limits for interregional and intergovernmental agreements? That's how our overseas colleagues conduct 'legal' fishing in our waters nowadays, while we're barely surviving. Because if there aren't any fishing limits, there isn't any work.

"The general impression is that our enterprise is candidate number one for bankruptcy..." <sup>5</sup>

*Rybkholodflot*'s woes continued into January, when its fleet managed to catch just 330 tons of pollock--compared to 5,737 for the previous January! <sup>6</sup>

The troubles experienced by *Rybkholodflot* and *Okeanrybflot* reflect in miniature the overall drop in the Russian Far East fishing industry's productivity. *Dalryba*, [the

*Dalnevostochnoye Basseinovoye Proizvodstvennoye Obyedineniye*, or Russian Far East Basin Industrial Fishing Association] reports,

"The *Dalryba* Board of Directors reported the yearly totals for the activities of the association. Unfortunately, they offered little comfort. The reports heard definitely confirmed that fishing has become unprofitable...

"The fishing plan for [Russian Far East] basin enterprises, including results for collective farms, was fulfilled by 82 percent. The actual catch totalled 2,540,000 tons out of a planned [catch] volume of 3,065,000 tons, which is 525,100 tons less. The catch volumes for all commercial species were down by 394,000 tons, or 13.4 percent less than for the previous year. Out of 16 joint stock fishing enterprises in the fishing association only 4 exceeded the previous year's catch volume indicators." <sup>7</sup>

Less overall production means less money to go around for everyone--and these days fishermen stand in line last for their pay and pine for the good old days of stable prices and stable pay. Privatization has hit them hard. When privatization began, giving workers vouchers and making them the part owners, even the partners in joint-stock companies, seemed like a good idea. It was presumed workers would get a real stake in their enterprise's economic performance, participate in its decision making processes, and no longer (to quote a favorite Marxist formulation) be 'alienated from the means of production'.

But the plan backfired. Nobody could have predicted just how bad Russia's economic crisis was going to be two years ago. Nobody thought the old Soviet ways of management and labor organization would turn out to be so deeply ingrained and persistent.

As one fisherman told me, "*Nachalniki* [bosses] only know how to do two things--*raspredilit i vorovat* (distribute and steal)." The best way to do this is the same old way it's always been done. Practice *tufta*, fake statistics and economic performance, and pocket the difference. The old Party *nachalniki*, deft in back-room dealings from their halcyon days in the administrative-command system, took to economic reforms like crocodiles to water. Access to hard currency and an easily-exportable commodity only sweetened the pot.

Privatization has turned into an almost feudalistic capitalism for the *nachalniki*. Workers in a joint-stock company have gotten *aktsii*--stock--in exchange for the vouchers issued under privatization. The *aktsii* theoretically give workers a share in their enterprise and, consequently, a say in what happens to the company they work for. But in reality *aktsii* are just pieces of paper. The really important things in one of these fishing enterprises are the perks *nachalniki* dispense as favors--everything from trips abroad, hard currency bonuses and deficit goods to housing and plumbing services. The perks

inspire worker loyalty or buy their silence and assent, and assure real material harm--being left off the crew list on a vessel calling in Seattle, for example--to anybody dumb enough to raise his voice.

Meanwhile, *nachalniki* make their decisions about what to do with the enterprise's assets pretty much as they want. Workers almost no idea what management is up to behind closed doors. One fishing trade journal writes,

"An analysis of the information received by the Central Committee of the the Fisherman's Union regarding the operations of privatized enterprises founded on the basis of government enterprises raises serious questions. Unfortunately, having nominally become *aktsioneri* [stockholders]--generally insignificant ones--union members have not achieved any representation in joint-stock company management, thereby losing [the chance to get any] necessary and hard information about the state of affairs at their enterprises, partipate in decision-making and so forth...

"In many cases, this has created a situation whereby the former government managers, having now become hired managers for the *aktsioneri*, have seized all the authority in joint-stock companies and, using the absence of proper legislation, conduct the privatization...of the privatized. The managers of joint-stock companies then create their own private subfirms along with the joint-stock company, and these sell deficit goods for low prices, taking the profits and means for reconstructing the enterprise away from the *aktsioneri*. And the enterprise's capital and financial means then get transferred into these 'storefront subfirms'.

"Keeping false records is another widespread practice in joint-stock companies. As a rule, records are hidden during the necessary inspections carried out by taxation agencies. The main abuse in this regard is hiding profits (especially hard-currency profits) from tax-collecting: the benefits here are non-disclosure and non-compliance with normative acts [in the joint-stock company's charter and in Russian Federation tax codes], permitting [managers] to run roughshod over them. The good intentions of administrators hiding profits also brings a sad result for the *aktsioneri*. As a result of this practice, some enterprises...wind up owing the government sums that exceed the worth of their joint-stock companies by many times.

"Similar cases have reached such proportion that massive bankruptcies among enterprises, with all of the attending negative consequences, can be expected in the beginning of the year." <sup>8</sup>

Workers in the Russian Far East fishing industry are as much at the mercy of their bosses' whims as they ever were under the old Soviet system. Bear in mind that, although an enterprise many have changed its form of ownership on paper during the past year, privatization hasn't much changed the social relationships between workers and management. The general directors, bookkeepers and executives that now run Kamchatka's big fishing enterprises all came from the old Soviet system, they are in charge of the same grubby fishermen, and they see no real reason to change the status quo.

Dispensing perks is the carrot, and the threat of unemployment is the stick; this way the *nachalniki* keep a lock on their power. Meetings of the *aktsioneri* to elect management differ little from the old meetings of the 'workers collective' to confirm Party appointees. "It's still rubber-stamping the same old people," one fisherman told me. "Only now if you raise your voice, they can fire you."

The *nachalniki* hide their financial shenanigans predictably and effectively. The most common gambit for *nachalniki* is to get a partner, say from a joint venture, to pay them hard currency into a foreign bank account. This hides their income from the prying eyes of Russia's tax inspectors and Russia's 110 percent profits tax. Another ruse is to keep an enterprise's fiscal resources *v oborote*--"turning around" in high-interest bank accounts in Russia, many of which can earn up to 200 percent yearly interest on large deposits. A worker's pay gets withheld for a few months--easy enough to do when a fishing vessel crew is out for three or four months at a time--and the *nachalniki* pocket the profits made on the interest. Even then the fun need not end. When the crew comes back to port, a smart *nachalnik* can always claim that the pay is *v oborote* for the good of the enterprise, being used to finance the purchase of fuel, a new boat or building.

Late payment for workers, not surprisingly, has reached catastrophic proportions in the Kamchatka Region. The incidence of delay for workers' pay (over 20 days) increased by 26.6 times during 1993. Fishing industry workers sometimes get their pay 3 months late--for example, the Korf Fish Cannery owes its workers 68.9 million rubles in back pay, and Petropavlovsk-Kamchatsky's *UTRF* fishing enterprise owes workers 1000 million rubles.<sup>9</sup>

Tolik, an independent entrepreneur in the *kuplya-prodazha* [buy and sell business] gave me a good example of how things work *v oborote* in Petropavlovsk-Kamchatsky's fishing industry. Tolik doesn't particularly like his job--he buys things cheaply in one place and resells them elsewhere more expensively. Tolik doesn't confuse *kuplya-prodazha* with 'real capitalism'. "I'd love to produce something, build something, but the taxes and mafia would eat me alive," he said. "So I'm forced to do what everyone else does--run around buying and selling."

Tolik told me his story one night over beers in the kitchen. "I went to the Petropavlovsk Fish Cannery [the joint stock company *Rybakom*] the other day and talked with their Director of Commercial Operations to see about buying some fish," he said. "What do you think they're doing there? They're processing fish, marking it with an



artificially high price, and then putting it aside in their freezers. Of course, nobody buys their fish at first, it's too expensive."

"But in a few months, because of inflation, the price becomes acceptable for buyers. Then they sell the fish. They think they're making money," he went on. "But the only problem with the scheme is that the cannery workers don't get paid until the fish gets sold. So they're waiting months for their salaries, and then by the time they get paid, inflation has eaten up their wages. They're losing money hand over fist. The place is falling apart. It's a vicious cycle."

Tolik refused to do business with the Fish Cannery after hearing about the scheme. "I just wonder how much longer they can keep going like this," he said. "They can't just keep doing what they're doing forever. Their workers [mostly women] are only working half-shifts now as it is. And here they are, offering to sell me a bunch of old fish at inflated prices. It's not business, it's *durdom*."

According to Tolik, most big enterprises on Kamchatka run their business *v oborote*. "They inflate the value of their goods on paper and then go to the bank to get credit based on the inflated value. Then they take the money they got for credit and send it *v oborote*...finally, when inflation catches up with the declared value of their goods, they can sell the goods and pay off the credit." Or an enterprise will use the credit to buy hard-to-get, imported goods and sit on them until it needs cash to pay its workers. "Then they dump the goods on the market," said Tolik. "And they come up with the money to keep their workers going. But none of the enterprises are paying their debts to each other."

Take a stroll down the dimly-lit corridors of *Kamchatrybprom*, one of Petropavlovsk-Kamchatsky's biggest fishing enterprises, and you get an idea of how far removed Kamchatka's fishermen are from the decision-making process in their joint-stock companies. *Kamchatrybprom*, formerly a monstrous government enterprise controlling all of Kamchatka's fishing industry, from collective farms to factories, was officially dismantled last year. But its pre-reform management is still firmly in place.

*Kamchatrybprom* has all sorts of joint venture companies behind closed doors. There is *Oktai*, with a Korean partner. There is the export firm *Japro*, the salmon hatcheries company *Kamchatka-pilengo-godo*, and *Marukha*. All are with Japanese partners. Then there is *Kamavto*, an automobile importing firm, and *Krona*, an association (within a joint stock company). *Kamchatrybprom's* workers and *aktsioneri* entered into these joint ventures on trust for the management. The *nachalniki* in turn selected their sons, daughters and in-laws, or those of prominent local politicians, to do business with partners from abroad.

When I mentioned all of *Kamchatrybprom's* joint ventures to a highly-placed member of the Kamchatka Region Committee for the Fight Against Economic Crime (*Komitet po Borbe s Ekonomicheskoi Prestupnostyu*) during a recent meeting, and asked whether or not they disclose their financial activities to the committee, I ran into another

closed door. "They haven't been too forthcoming. I'm not too sure what they're all up to over there. We don't really have any way to investigate these ventures," said the official, who asked for anonymity. "We're not a big agency and we're new at this. Maybe someday..." The official also revealed the Yeltsin Administration is extremely concerned with crime in joint ventures and in staunching the outflow of hard currency profits from Russia.

Igor Popov, the Director of the the Kamchatka Branch of the Russian Federation Security Directorate [*Upravleniye Ministerva Bezopastnosti Rossisskoi Federatsii*, formerly know as the *Komitet Gosudarstvennoi Bezopasnosti*, or KGB] had this to say about economic crimes and joint ventures in the Kamchatka Region.

"Ensuring economic security is a matter of serious concern. According to the available data, the extent of economic damage suffered by the region has reached colossal proportions.

"Hard currency earned by joint ventures is going overseas, new joint ventures are springing up abroad and there's no way to tell where the bank accounts are or where the money winds up in overseas bank accounts. Right now the [total sum of hard currency abroad] is more than the total worth of humanitarian aid we receive.

"We are concerned about the state of affairs in our economic zone, and how officials regard these matters. Offloads and suspicious deliveries [of fish and other goods] occur in our [exclusive] economic zone. [Marine] products are being shipped abroad.

"We must bring order to this into this state of affairs. This depends on the legislative regulation of the situation.

"Even now, no [system exists] for declaring goods caught or offloaded in the 200-mile [exclusive] economic zone. Customs only operates in the 12-mile territorial zone. A law is needed. There is no legal regulation regarding the entry or exit of vessels from the [exclusive economic zone]. Maybe we need to create a [coast] guard, a mobile system of control like the American Coast Guard. We must protect our zone.

"Criminal structures are now entering administrative and governmental agencies, intent on gaining the upper hand...we need a legislative base. First of all, we need a law on corruption, a law on government service and a law on organized crime. Without them, it's very difficult to fight [economic crime]." <sup>10</sup>

Corruption is a game everybody can play in the 'new Russia.' *Kamchatrybvod* -- the Kamchatka Regional Administration for Security and Reproduction of Fish Resources and Fisheries Regulation--found itself in a difficult financial situation following the breakup of the Soviet Union. Suddenly the Russian Federation Committee of Fisheries Management ran out of money to pay for fisheries enforcement.

"From a Resolution of the Russian Federation Committee of Fisheries Management:

"...the collapse of the centralized budgetary system has particularly effected the financing of budgetary enterprises and organizations in fisheries management...due to the absence of the necessary finances the work of fisheries enforcement agencies has been paralyzed and Russia's fisheries resources remain without enforcement and massive poaching is taking place, which will lead to the loss of billions of rubles and fisheries resources in a very short time..." <sup>11</sup>

Russia's fisheries bureaucrats came up with a novel solution for Kamchatka's enforcement agency: put *Kamchatrybvod* in business. Give it a quota of 8,000 tons of fish, and let 80 percent of the hard currency it earns finance its budget.

The situation at *Kamchatrybvod* was indeed serious. The organization's budget requirements for 1993 were 6.5 billion rubles--as much as the Russian federal budget allocated for fisheries enforcement for all 26 management basins in Russian territorial waters. Fines are levied in the same amounts as before 1989, without accounting for inflation. For example, illegal fishing in the Peanut Hole costs an offender 10 thousand rubles, or about \$7, while seal poaching sets you back 1000 rubles a hide, or about \$.50! According to *Kamchatrybvod* Director N. N. Markov, only the quota allocations kept the organization working last year. With only two enforcement vessels, built in 1968 and 1971, *Kamchatrybvod* also hoped to use some of the money it got from its quota to purchase new, modern vessels. <sup>12</sup>

However, in late January agents of the Kamchatka Region Tax Inspectorate and the City of Petropavlovsk-Kamchatsky Tax Inspectorate arrested *Kamchatrybvod's* bank account. They claimed that since *Kamchatrybvod* (a governmental organization funded by the central government) selling fish through joint ventures, it was engaged in commercial activity and therefore liable for taxes. The City Tax Inspectorate hit *Kamchatrybvod* with 4 billion rubles in back taxes and fines.

*Kamchatrybvod* abruptly found itself paralyzed again. Markov cried foul, accused the tax inspectors of being unfit for service and demanded their resignation. *Kamchatrybvod* hit the tax inspectors with a personal counter-suit and called in representatives from Moscow to sort out the mess. <sup>13</sup>

The case is now under arbitration in the Kamchatka Region Arbitration Court. The accusations tax inspectors levelled at *Kamchatrybvod* may be far more serious than just a few tax violations. According to a local newspaper,

"Citing the legality of the taxes, L. Andreiko, the Director of the Regional Tax Inspectorate, accused the fisheries enforcement agency [*Kamchatrybvod*] with the fact that, along with the 8,000 tons of fisheries quota (permitted by the Committee of Fisheries Management), [it] sold 18,000 tons of fish to the joint ventures *Ekipacific*, *Kamchatimpex* and *Most Druzhbi*. It was noted that, [although] it has a hard-currency account, *Kamchatrybvod* held the hard currency earned from selling the quotas in the [aforementioned] joint ventures' accounts and hid them from taxes. Andreiko demanded a public apology [from Markov] 'for subjecting tax inspectors to public humiliation.'" <sup>14</sup>

Andreiko, responding to *Kamchatrybvod*'s attacks in the press, did not raise the delicate question of allowing an enforcement agency to go into business by selling the resources it is empowered to protect. Rather he concentrated on the dispute's legal aspects.

"The essential matter is not whether *Kamchatrybvod* sold a quota or in the amount--there are other agencies supposedly controlling those things. The essential matter is that, by rendering the service of selling quotas to the aforementioned joint-ventures, *Kamchatrybvod* was engaged in entrepreneurial activity (which is not prohibited by law). This form of economic activity falls under articles 3-4 of 'The Law on Added Value', according to which budgetary organizations selling goods, labor and services, become liable to pay taxes on the added value from that economic activity"

<sup>15</sup>

No wonder the Kamchatka's average citizens have such a negative impression joint ventures. "All they want is to buy our resources cheaply, make some kind of sleazy deal and leave," one cynical worker in a Russian-Japanese joint venture company told me. A worker in the Regional Tax Inspectorate, who asked that her name not be used, said, "Joint ventures are really out of control now. And we're just learning how to do our job. We feel we'll be fine in a few years, but now it's very difficult for us."

The impression that fishermen and citizens get from Kamchatka's press regarding the activities of joint venture companies reinforces the idea that foreigners are up to no good in Kamchatka's waters, and that Russia suffers from the dollarization of its economy. Boris Kopilov, a senior inspector and administrative assistant for the Kamchatka Region Branch of the Governmental Natural Resources Committee [*Kamchatgoskomprirodi*], recently spent a month and a half on the American fishing vessel *Arctic Orion*.

The vessel apparently worked this fall on the crab fishery in the Sea of Okhotsk. Operating under the auspices of the joint-venture *Vostok USA*, the *Arctic Orion* worked on a crab quota received through the *Vostok-1* fishing collective (Kamchatka) and sold its product to Japan through a 'daughter company', *Vostok, Ltd.* (Seattle, Washington). According to Kobilov, the *Arctic Orion* received a quota for 127 tons of crab for approximately \$2500/ton. Kopilov told the press,

"Two crews worked side by side on the *Arctic Orion*--ours and an imported one. The latter was few in number but occupied all the key positions: the captain was an American, the first mate (the captain's father) was an American [as were] their countrymen--the trawl deck boss, the factory manager, a Japanese technologist and a Chinese cook. The Russian crew went from the captain on down to the second mate and all the rest, who hustled on deck and in the factory.

"Ours worked as the 'niggers' [*negri*--in Russian meaning Negro or black--has extremely negative connotations], including the captain. Officially, the American captain was considered to be an advisor to ours. But only the Americans ran the ship and gave the orders: the son-captain and father-first mate stood 12-hour watches. Ours only filled out the ship's documentation and very, very rarely were trusted to haul up a few crab pots during good weather.

"But for all the responsibility was on our captain. The Americans made all the decisions, but if anything happened, they fled the bridge like rats and left the Russian captain to choke on it."

Kopilov was impressed with the technical prowess of the *Arctic Orion*--"It could find a crab pot on autopilot from 80 miles away to within 20 meters," he marvelled. But he was less than impressed with the crew's concern for Russia's ecology, and expressed serious concerns that the vessel discharged its sewage and discarded its garbage directly into the Sea of Okhotsk. According to Kobilov, the *Arctic Orion* brought all of its produce from Seattle.

"Every day a huge pile of refuse and packing materials would gather...My recommendation would be to store all the garbage in the holds. But it cannot be ruled out that, following the expedition, all the garbage was thrown into the sea."

Kobilov said that the American crew ensured the survival of incidental by-catch of young crab far better than the crews of Russian vessels working nearby in the crab expedition. However, he noted that the ratio of standard crab (crab that by size and weight answer production requirements) to non-standard crab was 25 percent to 75

percent. Kobilov concluded that this bodes poorly for the state of crab resources in the Sea of Okhotsk.

"I consider that the general allowable catch for crab was exceeded, ie, the biology has been very poorly studied and the resources not ascertained...Under the present system of quota distribution and exploitation of crab reserves, there is enough crab left for 5 years, no more."

The article concluded on a dark, xenophobic note:

"Not only on the *Arctic Orion* and not only in the Sea of Okhotsk, but on the 'bridge' of the whole Russian economy a 'green devil' stands at the helm--the dollar. And *negri*--from Moscow to the farthest edges of the realm--are ready to fulfill any of its orders with dispatch and joy. But, as with the [*Arctic Orion*]'s 'mixed' Russian-American crew, only we answer for the consequences." <sup>16</sup>

Resentment against the intrusion of foreign business has built steadily in Petropavlovsk-Kamchatsky during the past year. Not long ago I was at the city's Fishing Port loading my personal belongings onboard an American transport vessel for return to the United States. The American vessel was off-loading food from Seattle for the *Holkam* supermarket, which is run by the Kamchatka Regional Administration. A local television journalist filming the offload came up (the presence of any foreign vessel is still quite novel here), noticed I was speaking both English and Russian, and asked to interview me.

The journalist asked me strange questions--"Can you confirm the rumor that the Snickers bars we get in Russia have high concentrations of heavy metals?" "Is it true that the food the *Holkam* buys in America is very poor quality and often sold past its expiration date?" and "Is American produce radioactive?"

His concern was understandable. Imported Chinese food and liquors are usually of very poor quality and have poisoned and or even killed unsuspecting consumers throughout the Russian Far East. Most Russians can't read foreign labels, so they don't know what they're getting--and they hardly trust the good intentions of the bosses importing the food. My assurances that the food was fine were met with a knowing smirk.

Just as foreign investment was widely regarded as Russia's salvation two years now it is derided as false hope. "Yeltsin really lowers himself by constantly asking for foreign credits," one local journalist for the newspaper *Kamchatsky Komsomolets* told me. "Just like Kamchatka's politicians lower themselves by asking for foreign money for regional development. It casts Russians as poverty-stricken beggars."

For all the scepticism at the foreign presence, Kamchatka's citizens find themselves forced to fulfill the green devil's orders. Kamchatka is truly on its own as 1994 begins. Subsidies and credits promised from the federal government by the Law of

the North have languished in Moscow's distant bureaucracies since the summer, victims of political upheaval and administrative paralysis. Now there are even rumors that the Law of the North will be entirely rescinded to help reduce the Russian federal government's huge budget deficit.

The prospects for improvement at the regional level are equally dim. The Kamchatka Region is beginning 1994 with a 29 billion ruble budget deficit. The Koryak Autonomous Region is 34 billion rubles in arrears. The detailed numbers for 1993 offer scant comfort of a recovery.

"The region's economy continues to remain in critical condition. The total level of industrial production for the oblast in 1993 held at a point approximately close to 1992's maximum decline. This tendency 'of the stable minimum' defined the additional total production volume [drop] for the year at yet 15 percent more to the 30 percent [drop] that took place in 1992. And so, since the beginning of radical reform, that is 2 years ago, the volume of manufactured goods [produced in the Kamchatka Region] has been reduced by 40 percent.

"The volume of the fish catch fell by 12 percent, the output of finished marine products by 17 percent and the production of fish conserves by 2.2 times. This significantly differs from the situation with fish processing enterprises in the Koryak Autonomous Region, whose catch volumes increased by 41 percent and whose production of finished marine products increased by 34 percent..."

Selling fish to foreigners is the only viable way to keep the regional economy afloat. In keeping with the official policy of the Kamchatka Regional Administration--maximizing fish exports to generate hard currency earnings for the region--foreign trade increased significantly for 1993. Unfortunately, the region's 'new economic policy' resulted in a serious, negative trade balance for the region.

"The region's foreign trade turnover for 1993 amounted to 278 million American dollars and increased by 3 times in comparison with the previous year. The export of products increased by 4 times compared with 1992 (from 43 to 182 million American dollars), and imports increased by 2 times (from 47 to 95 million American dollars).

"The region's main exporters were the joint stock company *Akros*, the joint venture *Fish Rain*, the joint venture *Holkam* and the TOO [Limited stock company] *Inplein*. The share of exports by special exporters [enterprises with exclusive export rights] amounted to half of the total exports for the region.

"Fish exports amounted to 55,000 tons (excluding crab) for 100 million dollars..." <sup>17</sup>

Irina Gromovaya, the Director of the Kamchatka Region Commission for Foreign Economic Trade, offered the press a more detailed picture of Kamchatka's economy for 1993. During the past 11 months, she said, exports amounted to 174 million dollars and imports, 74 million dollars. Note the discrepancies between the dollar export and import figures Gromovaya cites and those in the aforementioned Kamchatka Administration report. Along with the statistics, Gromovaya explained some changes in the rules for exporting fish.

"Let me explain the situation. Everybody used to be able to export goods. All you needed was to get a licence to export goods or raw materials. But now we have only 5 'special exporters' in the region. So this means that, to export anything, you've got to conclude a contract with them.

"...the [region's] largest special exporter is *Kamchatimpex*, followed by *Akros*, *UTRF*, *Sovrybflot* (a filial of the Moscow firm *Koopvneshtorg*). For the past half year, Kamchatka residents can only send products for export through them [note: Gromovaya overlooked the *Holkam*, which also enjoys export rights].

Gromovaya all but admitted the new export policy failed miserably. Instead of regulating the export of fish, the Kamchatka Region has lost control over its export situation.

"The idea was probably good: bring order to exports. But the result in the everyday import-export picture was that we have completely lost the ability to regulate exports. Until August, fish could be exported independently by joint venture enterprises. But now they can only do this with a license which, once again, is only issued to a special exporter.

"Let's take *Akros* for example. *Akros* exports only its own product. Over 11 months the exports total was \$40 million (out of \$170 million for the region). [The enterprise] imported \$15 million [worth of goods], mostly spare parts...*UTRF* exported \$30 million and *Kamchatimpex*, \$20 million.

"I must say that many private companies have appeared on Kamchatka that...basically only export our goods and don't bring us what we need. This includes the ecological enterprise [!] *Tri brata*. It exported \$85,000. The trade house *Massiv* exported \$45,000. The firm *Rust*--\$20,000 The private company *Galinus* exported \$90,000 and the farming company *Nadezhda* exported



\$69,000. All the above-mentioned companies and enterprises export fish. I can't tell whether this is good or bad since there's no way so far to know what they've gotten in return."

Enterprises with a positive trade balance include the joint venture *Holkam*, which exported \$7,000,000 in fish and imported \$12,000,000 in consumer goods and a new fish processing plant for the village of Ozernoi; and the Russian-Korean joint venture *Ichi-Chan*, which imported \$700,000 worth of goods and exported \$400,000 worth of fish. Both of these joint ventures have stores selling consumer goods in Petropavlovsk-Kamchatsky, and so are able to increase their earning ability. Gromovaya pointed out some of the joint ventures that most hurt the Kamchatka Region's trade balance.

"Some joint ventures really don't like publicity. For example, there's a Russian-Japanese-Panamanian joint venture *Vulkan*, now called *Fish Rain*. It exported \$9,000,000 worth of fish and imported goods worth \$40,000.

"Or there's the joint venture *Eko-Pacific*, which is building a hotel next to *TsUM* [the Central Supermarket, or *Tsentralniy Universalny Magazin*]. It exported marine products worth \$2,500,000, the same as *Kamsing* [a joint venture between *Okeanrybflot* and a Singapore-based firm], or *TOO Implain*, which exported \$4,500,000." <sup>18</sup>

The lack of clear, consistent laws regulating the export of fish further hampers efforts by regional administrators to bring order to the system. Russian export law as it stands now is a confusing welter of Presidential decrees, orders and outdated Soviet laws--hardly adequate to handle the task of the Russian Far East's burgeoning outflow of natural resources. High national taxes and the unpredictable economic and political climate assure that hard currency profits wind up overseas in secure, off-shore banks.

The Kamchatka Region Standing Legal Commission is working on laws for the region's Foreign Trade Commission. But Legal Commission Chairman Viktor Yershov told me during a recent interview, "They haven't shown much interest in the process and don't pay much attention to my requests for help in writing the legislature. Right now, it's chaos."

The Kamchatka Regional Administration's attempt to bring the region out of its nosedive by increasing foreign trade is meeting with scant, temporary success. For example, the administration's efforts to head off the region's fuel crisis led to the purchase of 2 tanker loads of fuel at 15,000 tons each from Singapore in December, and a possible contract to buy 50,000 tons of fuel from the United States. Since the Ministry of Finance and the Russian Foreign Trade Bank refused to grant Kamchatka credits to buy the fuel, it took out high-interest loans from banks amounting to over 39 billion rubles. The Administration covered the money owed by local debtors to *Kamchatenergo*, the Kamchatka Region's energy administration, and kept citizens from freezing in their

apartments during the winter. But doing so doubled the region's budget deficit with the new year barely begun and no guarantee that in another three months, the regional administration will be scrambling to find fuel once again.

The Administration is also pressing forward with a plan to supplement energy supplies by tapping into reserves of natural gas near the village of Sobolevo, about 300 kilometers from Petropavlovsk-Kamchatsky. Since Russia's industrial supply system has broken down, the Administration is arranging to buy piping and equipment from foreign companies. Regular supplies of natural gas are scheduled to arrive in Petropavlovsk-Kamchatsky beginning in 1995-6. Planning and preparation, we are told, continues at the grandiose Mutnovsky Thermal Generating Plant, on a volcano 100 kilometers from Petropavlovsk-Kamchatsky.

But the success of these plans depends on finding money for them somewhere in the depleted coffers of the federal or regional government. Although Prime Minister Viktor Chernomyrdin claimed he liked the Mutnovsky project when he visited Kamchatka last summer, the Russian federal government has not paid construction subsidies. Work is slow. The fact that the Mutnovsky plant has been 'under construction' for the past ten years with little to show for it but rows of rusting pylons and some holes drilled in the ground inspires little confidence in the wisdom of these projects. And then, building a natural gas pipeline through the mountainous terrain from Sobolevo to Petropavlovsk-Kamchatsky may take more much longer than the two years regional administrators project. Grand plans die ignominious deaths in Russia.

Petropavlovsk-Kamchatsky's *Vostochnaya* Broiler Factory is another example of how regional administrators' well-intentioned plans backfire. During the summer, the Kamchatka Regional Administration arranged the purchase of a large quantity of chicken legs from *Tyson Foods, Incorporated*. The chicken legs--known locally as *nogi Klinton*, or Clinton legs, in honor of the American president--were paid for by allowing *Arctic Alaska Seafoods* (Seattle, Washington) to fish for substantial pollock quotas in Russian waters.

It seemed like a good deal all around. Kamchatka's fishing enterprises can't catch all of their quotas. The region would get high-quality protein in return. Except it turned out that the cheap *nogi Klinton* flooding the market drastically undercut the demand for more expensive, locally-raised chicken. Now the Broiler Factory may close down entirely. Its workers face unemployment and grumble about foreigners putting them out of business. And the city has been swept by the usual rumors--citizens suspect that the *nogi Klinton* have passed their expiration date and that average Americans won't eat the chicken because its dosed with dangerous additives.

Legal confusion presents a daunting challenge to the entire Russian fishing industry. There is still no new law on fishing--just a jury-rigged, rickety framework of outdated legislation, governmental decrees and presidential orders. Soviet power has turned into *bezvlastia*--a roaring power vacuum in the Russian government. And *bezvlastia*, not some kind of 'new wealth', has trickled down to the Russian fishing

industry from Moscow. The newly-enacted Yeltsin Constitution doesn't provide a system for easily turning legal leftovers from the Soviet Union into a coherent legal system. Instead, each decree and order must be reviewed separately by the new parliament. The new fishing laws for Russia seem destined to become fodder for political infighting, rather than the basis for a rational system of marine resource use.

January's government reorganization also denied fishermen powerful representation in Russia's new federal system. Instead of being included in the Council of Ministers (along with the Ministry of Agriculture, for example), the Committee of Fisheries Management has been left with lower executive committee status--the latest insult since August 1991, when the Ministry of Fisheries became a sub-agency of the Ministry of Agriculture. It languished in that unhappy status until spring, 1992, and once again became independent. But the political squabbles and years of fruitless economic reforms took a heavy toll. Committee Chairman V. F. Korelsky remarked,

"Everything's and everybody's gotten all muddled up...First of all, the financial situation is difficult. There's no money, and now enterprises are owed over 300 billion rubles in unpaid debts. Destructive credit policies and the imperfect, ruinous tax system have put many important fishing enterprises on the verge of bankruptcy. And privatization 'of the second variant' [whereby workers get controlling stock] has resulted in the egoism of certain bosses for their own benefit..."<sup>19</sup>

*Bezvlastia* means Kamchatka's fishing industry is forced to go it alone. During a recent interview, Mikhail V. Dementyev, who heads the Kamchatka Region Fisheries Department, told me,

"We haven't had much direction from Moscow during the past year. We've had to make a lot of policy ourselves.

"Basically, we've handled most of it here. We get the general political line vertically from Moscow and implement it here horizontally with [Kamchatka Region Governor] Biryukov. As in the past, the total allowable catches for the Russian Far East basin are established at in Vladivostok by *Dalryba*, with participants from Kamchatka, Sakhalin, Magadan, Khabarovsk and the Primorye. What is different is that we have taken direct responsibility to distribute quotas to regional users."

The new state of affairs gives the Kamchatka Region Fisheries Department tremendous responsibilities--and great power over the economic health of the region's fishing enterprises. "We look at an enterprise's performance over the past year and see how it worked," said Dementyev. "If an enterprise can't catch all of the quota it was awarded, we may give some of that quota to another enterprise the next year. We want to support the most vigorous enterprises."

Dementyev reacted strongly to criticism from Kamchatka's new, independent fishing enterprises, such as *Kamsudo*, which claims it is being treated unfairly under the present quota distribution system. "We can't just go off and give these new companies as much fish as they want," he said heatedly. "We have to think about the traditional users--they have a lot of workers to support and large fleets to keep busy."

"The system can't be opened up that quickly. We want to take a balanced approach," he continued. "We'll give the new companies a little more quota each year, if they can prove to us that they can process it all and bring some benefit to Kamchatka."

Dementyev's poorly-lit, chilly office is in the Kamchatka Regional Administration's Main Building, the *Administratsiya*, in downtown Petropavlovsk-Kamchatsky. Next to it is a heroic statue of Lenin, a vast granite figure gesturing grandly over Avacha Bay; I can't see it, but I know it's there. My mind starts to wander as Dementyev talks about fishing quotas in the dim light.

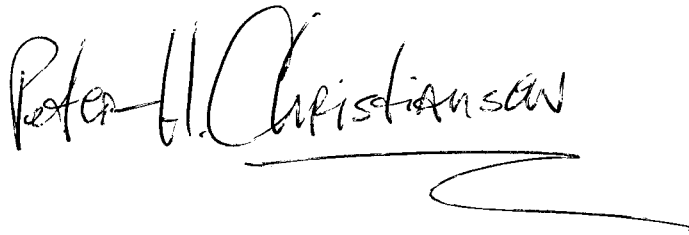
His words seem weightless--intelligent, forthright-sounding, but pure conjecture nevertheless. Nobody here moves much these days. Russia has been without a government for over half a year now, more considering the paralyzing standoff between the Congress of People's Deputies and President Yeltsin before the October shoot-out in Moscow. Nobody knows what will happen next, and so they wait. Kamchatka's government has been stripped down to its barest administrative functions. There won't be any local representative government until after elections in late March, 1994, and so policy will be made by proxy by Kamchatka's governor and his inner circle. But a sword hangs over them--a new political wind is sweeping Russia and the Kamchatka Region's politicians may live to regret their ardent support for democracy and free markets. *Bezvlastia* cast them all adrift on the edge of Russia.

*Apparatchiki* and *nachalniki* never got much credit for initiative under the Soviet system. They were appointed to take orders, not think. Now they protect their own and work the system, running a little *tufta* when they can get away with it; most only want modest rewards, a few good things in life. Some are criminal, most even honest; but events overtook them, and to survive in these new times, they act unscrupulous and ruthless. Now the game is survival, because nobody knows what will happen next. Corruption and dollar lust say more about confidence in the new Russia than any rhetoric.

I will explore many more topics in my next newsletter, which will be about the general conditions of life in Petropavlovsk-Kamchatsky and the Russian Far East, as I found them; I also hope to include notes from some interesting excursions I went on last summer. Until then, consider the Russian Far East's political situation in light of a saying from Kamchatka's native people, the Koryaks: "to fall under the bear." This is when you shoot a bear, and it falls on top of you, pinning you beneath its corpse. Somehow this unpleasant image reminds me of what I saw as I prepared to leave Petropavlovsk-Kamchatsky; people who killed communism, but can't get out of the mess made by its corpse. But my thoughts on this are muddy and emotional.

Best wishes,

Peter H. Christiansen



**Footnotes**

<sup>1</sup> *Okeanrybflot* employs 6000 workers and has 20 factory processing trawlers. It is one of Petropavlovsk-Kamchatsky's oldest and largest fishing enterprises.

<sup>2</sup> *Kamchatka Television* report, January 31, 1994; and 'Chronology of a Conflict,' *Rybak Kamchatki*, February 2, 1994.

<sup>3</sup> 'Weekly Report,' *Rybak Kamchatki*, January 7, 1994.

<sup>4</sup> Petropavlovsk-Kamchatsky's 'Big Six' is made up of *Tralflot (UTRF)*, *Okeanrybflot*, *Rybkholodflot*, *Seroglazka* (formerly the *Lenin Kolkhoz*) *Kamchatrybprom* and *Akros*. All of the Big Six have been privatized during the past two years and are now joint-stock companies.

<sup>5</sup> 'For Whom is this Advantageous?' *Rybak Kamchatki*, January 21, 1994.

<sup>6</sup> 'Seven Days in February,' *Rybak Kamchatki*, February 4, 1994.

<sup>7</sup> 'Page 2 Report,' *Rybatiskiye Novosti*, 47 (103), December, 1993.

<sup>8</sup> 'The Privatization of the Privatized,' *Rybatiskiye Novosti* 47, (103), December, 1993

<sup>9</sup> 'The Social-Economic State of the Kamchatka Region in 1993,' *Vesti*, February 5, 1993.

<sup>10</sup> 'It's Hard To Catch The Headmen,' *Vesti*, January 5, 1994.

<sup>11</sup> 'Theft in Broad Daylight,' *Vesti*, January 26, 1994.

<sup>12</sup> 'How Much is an Inspector Worth?' *Vesti*, January 25, 1994.

<sup>13</sup> 'Into the Hands of Poachers,' *Kamchatskaya Pravda*, January 27, 1994.

<sup>14</sup> 'Shall We Call A Second For A Duel?' *Kamchatsky Komsomolets*, February 2, 1994.

<sup>15</sup> 'Was It Theft?' *Vesti*, February 2, 1994.

<sup>16</sup> 'The Sea Of Okhotsk's Green Devil,' *Vesti*, January 26, 1994.

<sup>17</sup> 'The Social-Economic State of the Kamchatka Region,' *Kamchatskaya Pravda*, February 1, 1994.

<sup>18</sup> 'Go Ahead And Check,' *Vesti*, February 1, 1994.

<sup>19</sup> 'A New Time Has Come,' *Rybak Kamchatki*, January 14, 1994.