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AN END TO THE BATTLE OF THE BUREAUCRACIES, AND THE THE BEGINNING
OF A NEW ERA OF TRIALS FOR THE RUSSIAN FISHING INDUSTRY.

Dear Peter,

The battle of the bureaucracies came to an end during the last week of October, when the Committee of Fisheries was officially removed from Ministry of Agriculture control, and re-established as the Russian Federation Committee of Fisheries Management. According to an article appearing in 'Rybatskiye Novosti', the new Committee, (commonly referred to as a 'Ministry'), will be quite a bit different than the old, Soviet Ministry of Fisheries; "And what about this ministry? What kind of role will it have? Well, the Ministry, according to the industry reformers' conception, will carry out the coordination of activities between enterprises of all ownership types (note: the author has in mind holding companies, stock-companies, and private companies, forms of ownership presently encouraged by the Yeltsin Administration), on the basis of mutually-beneficial agreements and contracts with them, thereby ensuring the needs of the government."

"Do you feel the difference? The Ministry from 'the militant and dreaded center' becomes the fishermen's partner! All the fist-pounding on the table and angry glaring eyes of the ministerial leadership gets left in the past. Only mutually-beneficial cooperation! The reigns of influence are merely economic. At least, that's what the document (creating the new Ministry of Fisheries) says. Of course, thank God if it turns out that way in real life. The only question is, will they be able to incarnate these imaginings into reality in time. It may already be too late. After all, the situation in the national economy is becoming simply catastrophic."

The newly created Ministry of Fisheries will have three basic functions, according to the article. "(First) Official contracts between ministries and departments--the recipients of marine

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products and the Ministry of Fisheries--will be concluded for the delivery of these products. Upon so doing, the recipients transfer the means of payment to the Ministry for state needs and ensure favorable terms, as established by the government, for the delivery of these products. A joint-coordinating body should be created in the Ministry. The body should coordinate all orders for state needs which come from ministries and departments, and from the Ministry of Fisheries itself, as well as orders for raw materials, resources, means, material and technical resources, terms, and subsidies."

"The 'Second Step' states, that the Ministry will offer stock-companies and enterprises with other ownership forms, including fishing kolkhozes, to accept the task of delivering product for government needs, with a predetermined subsidy, on a competitive basis...the Ministry should assume the following contractual obligations: the issuance of special permissions (licenses) for fishing, and governmental control over the condition and control of marine resources; licensing for the construction, acquisition, and re-outfitting of fishing vessels; the apportionment of finances to producers of marine products for the purchase of material and technical resources facilitating the fulfillment of government contracts, as well as other terms and subsidies."

"And finally, a 'Third Step' (whereby) the Ministry concludes contracts with producers for the delivery of marine products for government needs, and bears responsibility for their fulfillment." (The Stages of a Grand Modernization, 'Rybatiskiye Novosti', Oct. 1992, #38)

The formation of the new Ministry is both good news and bad news. The good news is that the war between the Ministry of Agriculture and the Ministry of Fisheries is finally over, which should theoretically free both ministries from interminable quarrels and jurisdictional battles, and enable them both to devote their energies to solving Russia's food situation. The bad news is that the new Ministry of Fisheries, while on paper playing a strictly mediatory role between 'ministries and departments', will in fact wield tremendous influence in making sure the mediating gets done. The author of the article rather optimistically notes that the new Ministry of Fisheries will have 'only' economic influence; but this influence turns out to be quite considerable, as it includes not only licensing, but subsidising, fishing enterprises, as well as apportioning finances for technical and material improvement of fishing fleets which provide the government with marine products. So again, the decisions of who gets what, and how much, are to be solved by an enormous ministry in Moscow.

The other bad news is that the new, improved Ministry of Fisheries is, on the face of it, no improvement at all. Take

the 'joint-coordinating body', which will insure that all of the governments orders are fulfilled, as an example. How many people will be on this 'body', and how are they to cope with the tremendous job of coordinating all of the orders between the government and producers of marine products? And it is not just the enormity of the task alone that will overwhelm the 'joint-coordinating body', but bozo factors like Russia's poor communications infrastructure (which can delay negotiations between Moscow and the provinces for weeks), and general bureaucratic slovenliness and indifference (after all, the new Ministry is not actually producing anything, but merely coordinating work between the government and producers, so what difference will it make if the job gets done today, tomorrow, or in a month?). Finally, the entire Ministry is likely too large to function properly, since it handles not only fisheries, but resources, ship repair, and material support. In short, the Russian Government has essentially re-created the same kind of gigantic, mindless, all-inclusive bureaucracy that existed under the old, Soviet system.

Will the new Ministry of Fisheries be able to solve the complex problems facing Russia's aging and ailing fishing fleet? An article recently written by the Chairman of the Ministry of Fisheries, Vladimir Korelsky, paints a grim picture; "The issue is not in fisheries resources (we are undertaking to renew them), or in our professionalism, but in the problems which the industry has encountered in the last few years--financial, material-technical, and legal. The industry's growth has for all intents and purposes halted, and the volume of manufactured product has sharply fallen off. Russia presently occupies only fourth place in the world in fishing, behind Japan, China, and the United States, (although) a quarter of the world's volume of fresh, refrigerated, and frozen fish, and approximately one third of the canned fish, belong to her...in 1990, the overall catch was 300,000 tons less than in 1989, and the production of canned fish was 400,000 tons less. And last year, overall production dropped by 12 percent."

Korelsky remarks that much of the blame for difficulties in fisheries lies with local politicians, "So far, in regions nobody is thinking about the rational use of marine resources, and of Russia's national interests...Everybody wants to have their own, personal 'allotment', forgetting that everyone else suffers, since fish don't recognize borders."

But the most worrisome problem for Russia's fishing fleet is its physical condition. Korelsky reports, "The fleet is aging at a catastrophic rate. In the near future, we are going to have to retire 64 percent of our fishing vessels, 95 percent of our processors, and 53 percent of our transports due to 'senility'. And our ship repair industry can't handle more than 30 percent of the demand. We need over 1.2 billion rubles for

repairs; the situation is worsened also by the fact that the necessary funds to meet our needs are from the government's budget. And at present, national credit resource allocations have been halted."

"Before the collapse of 'Comecon' (note: The Council for Mutual Economic Aid, an economic union of East European nations with the Soviet Union), Poland built 'floating factories' (note: the Russian word here is 'plavbazy', which refers to huge motherships with a crew of up to 500 persons, generally producing fish conserves) and factory trawlers for us, the German Democratic Republic built excellent transport and trawlers, Hungary, Czechoslovakia, and Bulgaria supplied us with spare parts, and Yugoslavia took care of repairs. All expenses were figured on a clearance basis, and it was advantageous for all involved. Now you have to pay in hard currency. Our orders were huge, and not a single organization, not even rich commercial structures, can pay for them right away."

The financial burdens on the Russian fishing fleet will be passed along directly to the consumer. "Our calculations show, that in order for the industry to continue existing, it is necessary to raise the price on marine products a minimum four or five times. Naturally, such a decision in regard to the resources that we have on hand will lead to a lessening of consumption of fish products, and an essential worsening of Russian's lives." (note: fish provides fifty percent of the animal protein in the average Russian diet. Source: 'Ekonomika i zhizn, #40. Other sources put the percentage between twenty and forty percent. The average Russian consumes approximately twenty kilograms of fish annually.)

"And how will the rate increase for energy users affect the fishing industry? (note: The rate increase has been in effect for nearly a month) Every year our fleet requires 4.5 million tons of oil products. Calculations done by our experts show that, with the rate increase for energy users, the prices for our product will become too high for the consumer."

"The liberalization of oil and fuel prices may lead to the cessation of operations for the industry's fleet, which works in foreign waters (note: national 200-mile economic zones in North America, Asia, Africa, South America, and Europe), and in the open areas of the Pacific Ocean; these areas may be lost to our fishing operations forever. In this case, the total catch for the fleet for 1992 will be cut by 1.5 to 1.8 million tons, and commodity output production will be reduced by 1.2 million to 1.4 million tons. This will, of course, be reflected on the shelves of our stores..." ('Fishermen in a Net of Problems' Vesti, Oct. 30, 1992.)

Additional information relating to the state of Russia's fishing

fleet appeared in a related article, also written by the Chairman of the Russian Federation Committee of Fisheries, Vladimir Korelsky. This article deserves to be quoted at some length. "In many parts of the country, the fishing industry plays a major role. For example, in the Kamchatka region, (fish) accounts for over seventy percent of total commodity output."

"The industry is deeply integrated with the government of the former USSR. The Russian Federation assumed the rights and obligations of the former Union of Soviet Socialist Republics for forty out of fifty three mutual intergovernmental agreements, for eleven of fourteen international organizations, while maintaining thirty out of thirty two of the appropriate, representative organizations overseas...There are over five hundred thousand people in the Russian fishing industry."

And again, grim facts regarding the material deterioration of Russia's fishing fleet:

"At the present time, over sixty percent of the basic technical net-making and weaving material has 'mortally aged', and is physically exhausted. Without its renewal in the next 4-5 years, production will be practically halted."

"The technical equipment of the processing industry is constantly worsening, and over forty one percent of the (processing) work is presently done by hand..."

The development of new fishing equipment and methods, as well as resource evaluation and management, directly depends on scientific research. According to Korelsky, this vital branch of the Russian fishing industry is in dire straits. He writes:

"The reduction, and then complete cessation central financing by the Scientific Research Section of the Ministry of Fisheries (note: in Russian, NIOKR, 'Nauchno-Issledovatel'sky Otdel Komiteta Rybnovokhozyaistva) has already led to a basic reorientation of science to deciding tasks of little productive or operative importance, (tasks are chosen) randomly, with a consequent loss of effectiveness in expenditures. Thus far the question of financing for extremely important government programs concerning scientific research and the rational use of biological resources in Russia's economic zone, the Pacific Ocean, including foreign waters, as well as the question of creating and implementing new, conservation-oriented, equipment for processing enterprises, has not been decided. The curtailment of programs for the research of biotechnical resources has further negative consequences, such as a loss of control over the material resource supply in Russia's economic zone, and the removal of Russia's fleet from foreign economic zones and the Pacific Ocean."

"No provision has been made for the fiscal budget for the science branch for the current year. The main source of funding is now an extrabudgetary fund, formed from deductions (amounting to) 1.5 percent of the cost price of goods produced by enterprises and organizations." (Russia's Fishing Industry Complex, What We Know, and What We Don't Know, 'Rybak Kamchatki', Oct. 30, 1992.)

The picture is clear enough. Not only is the Russian fishing industry suffering from a senile fleet and confused leadership, it has all but lost the capability to realistically forecast what is going to happen with Russia's resources. Runaway inflation makes a large-scale renewal of the fishing fleet financially impossible, while price increases on fuel and spare parts make unavoidable a price rise in the cost of fish reaching the table of the Russian consumer. In Petropavlovsk-Kamchatsky, locals say that there are more boats than ever anchored in Avacha Bay with nothing to do, either due to a lack of fuel and spare parts, or the financial wherewithal to send them out fishing.

As usual, when something goes wrong, it's time to point fingers, and the captains of Kamchatka's fishing industry place the blame squarely on the Yeltsin Administration. "In my opinion, all of the actions of the government for the past few years have been directed, in the most important sense, towards creating a break between the ministries, enterprises, and so forth," said Viktor Yakunin, Director of 'Rybkholodflot' (one of Petropavlovsk-Kamchatksky's five big, deep-water fishing enterprises) during a recent interview. "An obvious example of this is the eternal shortage of diesel fuel in the present year. Right now we have eighteen vessels at sea, a fair amount. But what use is it if only one 'plavbaza' and three factory trawlers are taking fish, while the others either burn fuel waiting for fish, or are just sitting around with empty fuel tanks. The situation on our fishing grounds has been going on for almost a whole year. Today everyone has fuel except the people who need it--fishermen. If you want it, take it, but at a price set by speculators. But nobody buys my fish at a speculator's price."

Yakunin offers the following evaluation, "...generally, it's going to be very difficult for Kamchatka's fishing organizations to survive now. There's no help from anywhere, everyone either only asks for it, or squeezes taxes (out of you). For example, the transport 'Asbest' brought some product overseas, and customs charged them sixty million rubles. You caught the tail of a fish? Give us the tax! And everyone demands payment beforehand. However, they don't hurry to pay accounts with us."

'Rybkholodflot', like every other fishing enterprise in Kamchatka (and in Russia, for that matter), assumes an entire range of 'social services'--housing, medical care, and so on--for its

workers, as a matter of course. This was the way it was in the Soviet Union, and although housing is being privatized in Russia, the percentage of privatized housing in Petropavlovsk-Kamchatsky is so far minimal, only a few thousand apartments and houses in a city with a population of about three hundred thousand. But problems arise in inflationary times; for example, 'Rybkholodflot' recently doubled its workers' pay, but at the expense of housing construction. Solving this dilemma required a solution novel for Russia, but entirely understandable to American homeowners. Yakunin commented, "By raising salaries, we simultaneously stopped investing funds in housing construction, and certain other social benefits. But we have at present twelve hundred people in line for housing--one fifth of our entire collective. And to build one apartment complex costs tens of millions of rubles. But why should the remaining four fifths of our fishermen give that one fifth part of their work, including their pay (to buy apartments for the other fifth)? You want housing? You'll get it, but not for free. We are allocating money into a fund (note: starter-shares, in Russian 'doleviye nachali') for construction of housing near the city air-transit station, but any worker who lives in that building will have ten years to pay off the cost of his apartment to the fleet. Any sailor can do that with his current salary." (We're Doubling Fishermen's Salaries, interview in 'Vesti', Oct. 30, 1992.)

Besides housing, 'Rybkholodflot' is planning to buy land to establish an agricultural complex to provide its workers with produce. Interestingly, although forms of ownership are (nominally or substantively) changing, the old forms of bureaucracy and patronage persist; 'Rybkholodflot' may become an auction company, or a private company, but it will continue to act and function as it always has, and take responsibility for the well-being of its workers.

Which may turn out to be the best way to weather the current economic storms battering the Russian fishing industry, particularly in the Russian Far East and Kamchatka, where help from the Yeltsin Administration is hardly forthcoming (Moscow has its own problems, after all), and the white knight of Western assistance, aid, and development is only beginning to think of riding to the rescue. The cost of living, as one local wag put it, has less to do with economy than philosophy out here. The prices go up, things break down, and you just have to accept it. From October 30th through November 2nd most of Petropavlovsk-Kamchatsky went without water, when the central water station broke down; entire neighborhoods still don't have heat, although it is already winter here.

One newspaper reports, "Housing in Petropavlovsk-Kamchatsky is in a critical situation. Preparations for the winter have practically come to a halt. In connection with price increases

on construction materials and repair work, housing owners (note: read local fishing enterprises) have reduced financing for capital repairs on housing by forty percent, correspondingly reducing the amount of work being done. Among the enterprises in debt are 'Tralflot', which has owed the 'komkhoz' (note: in Russian, 'kommunalnoye khozyaistvo', the organization responsible for building maintenance) three million rubles and change, 'Okeanrybflot' is in arrears two million, and there are many others. All told, enterprises owe building maintenance here twelve million rubles. Private organizations (note: in Russian, 'kooperateri') which service boilers are owed about as much. At the same time, communal housing building maintenance organizations, not having the means to pay private repair people, are forced to axe repairs and preparations. (The residents of) 312 massive apartment buildings, with thousands of families of fishermen, port workers, and ship-yard workers, are awaiting the fast-approaching winter freezes with alarm." (Page 2 Report, Kamchatka, 'Rybatskiye Novosti', Oct.1992, #38.)

There is a Russian proverb, "Schyet vsyu pravdy skazhet"--the reckoning will tell the whole truth. For the fishing industry in Russia, the accounts have been tallied, and the bills are due for years of mismanagement and unrealistic planning. If there is an upside to the state of the Russian fishing industry, it is that, at long last, its management and workers must come to grips with the reality of their situation. The downside is that getting out of the present quagmire may prove to be too difficult to salvage the livelihood of thousands of Russian fishermen, and the resources upon which that livelihood depends.

All best,

Peter H. Christiansen

