

**The Northern fisheries of the Russian Federation:  
Institutions in transition.**

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**Master thesis for the degree of  
Master of Science in International Fisheries management**

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**12 May 2005**

## **Abstract**

*The existing management system in the Russian fishing industry was created as a result of the political, economic and institutional transformations that took place in Russia after the dissolution of the Soviet Union in 1990. This thesis analyses the processes in the fisheries that led to the establishment of the existing institutional and management practice. The study seeks to find out how the existing system of fisheries management has formed as a result of the economic reforms and institutional changes taking place, following the dissolution of the Soviet Union. A special focus of the study is on the division of the management authority between the federal centre and the regions, and the influence of this on the institutional changes in the fisheries. The analysis discusses the validity of hypothesis based on the assumption that the interests, norms, and values of the federal authorities versus those of the regional authorities are the driving forces of the institutional changes in the northern fisheries of the Russian Federation. The study concludes that in addition to the processes that took place inside the fisheries complex the overall transformation of the political and economic order that occurred in Russia was a driving force of the institutional changes in the Russian fisheries.*

**Keywords:** *fisheries, federal authorities, regional authorities, institutions, institutional change, efficiency.*

## **Acknowledgements**

There are many people without whose involvement this thesis would never have come to be and I sincerely want to thank all of them.

First and foremost, I want to thank my supervisor **Are K. Sydnes** for his support during the project, invaluable edits and helpful feedback. I acknowledge the generous help of **all my informants**. Thank you for spending your time and giving me good advice. My special thanks to **Olga Makarova**, without whom I would never get access to many of the informants. I am very much obliged to my working colleague **Vadim Tarasov** for lending me a lot of additional literature.

I also want to thank all my classmates for their being kind and caring and for teaching me many important things. Thank you, **Maria, Kirkman** and **Rani**. My best memories of Tromsø will be about you. My warmest thanks to my friends **Masha** and **Luis** for their patience, encouragement and friendship. I want to acknowledge **Luda Kurazhova** for her help and reasonable advice. If not you there would be no other acknowledgements now. I also want to thank **Erling** and **Natalia Walsøe** for letting me feel that I am not alone being far from my home.

Much love and my deepest gratitude go to **my dearest mom and dad**. Without their love and support I simply would not be able to finish my studies here in Tromsø. Thank you, **Olia** and **Alesha**. I know that you were thinking and worrying about me when I was away.

I want especially to thank **Vladimir Sergijenko** for teaching me to be strong and taking care of me during these two years.

I would like to sincerely thank the Norwegian College of Fisheries Science and our program, International Fisheries Management, for giving me a chance to study here and providing excellent working facilities.

Maria Ivanova

Tromsø, May 2005

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## **Abbreviations and acronyms**

EEZ	Exclusive Economic Zone
GDP	Gross Domestic Product
GLAVK	Glavniy Komitet (The Central Administration)
Glavrybvod	Glavnoe upravlenie ryboohrany i rybolovstva (The Head-Office of fish protection and fisheries)
LOSC	United National Law of the Sea Convention
Murmanrybprom	Murmansk Fish Production Association
PINRO	Polar Scientific Research Institute
RF	Russian Federation
Sevrybpromrazvedka	Northern Fishery Survey-Research Fleet
Sevrybsbyt	Upravlenie po sbytu i realizacii rybnoy produkcii Severnogo basseina (The Head-Office of marketing and Sale of fish products of the Northern basin)
Sevrybsnab	Upravlenie materialno-tekhnicheskogo snabzhenija (The Head-Office of material and technical supply)
TAC	Total Allowable Catch
TSCC	Technical-Scientific Catch Council
UNCLOS	UN Conference on the Law of the Sea
VRPO	Vsesojuznoe Rybopromyshlennoe Objedineniye (The association of fishing companies in the northern basin of the Soviet Union)

## **Chapter 1. Introduction**

There is a substantial amount of literature on the performance and the malfunctions of present practices in resource management. The world's fisheries often present a classic example of resource management under institutions that are ill-adapted to sustainability (Hanna 1998: 170). For a long time it was believed that the world's marine resources were virtually limitless. Supporting this assumption the world's total annual fish catch had steadily risen from 2 million tones in 1850 to a phenomenal 55 million tones by the end of the 1960s (McGoodwin 1990: 1). However, the result of such a conviction was that in the forty years from early 1950s to the early 1990s world fisheries have been transformed from being about 60% under-exploited to about 60% over-exploited (FAO 1997 cited by Hersoug 2004: 21). The expansion of fishing effort suggests that fisheries management has not been performing the way it should be.

The Russian Federation has for a long time been among the world's leading fishing nations. Despite substantial information on the modern fisheries management practice, the academic knowledge on Russian fisheries management seem to be rather narrow.

The following thesis analyses the development of the system of fisheries management in the Northern part of the Russian Federation<sup>1</sup>.

The central theme of this thesis is *how the system of fisheries management is operating in Russia and in particular in the Northern fisheries*. A special focus in the study is *on the division of management authority between the federal State and the federal subject*<sup>2</sup>.

The main research questions are:

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<sup>1</sup> This particular area is chosen because the writer originates from this part of the country and, having several years of working experience in fisheries as primary knowledge, is personally interested in finding the answers to the problems that will be discussed in this thesis.

<sup>2</sup> The Russian Federation (RF) consists of 89 subjects of federation. There are currently 6 Krai, 49 Oblast, 10 autonomous Okrugs, 1 autonomous Oblast and 2 federal cities (Moscow and St. Petersburg) whose heads of executive have the title of governors. The remaining 21 constituent parts of the RF are ethnic republics. They are run either by their own elected presidents or republican parliaments. Murmansk region is one of 49 oblast (region) (Tolz and Busygina 1998: 402). This thesis further on uses the word «region» instead of «federal subject».

**1) How has the existing system of fisheries management formed as a result of the economic reforms and institutional changes taking place, following the dissolution of the Soviet Union?**

The development of fisheries during the years after the dissolution of the old Soviet regime has been very dynamic in Russia. First there was the change of the political regime. This was followed by numerous transformations in the economy of the country that took place under the framework of transition from a command to a market economy. Since fisheries always had been an important branch of Russian industry the process inevitably affected its development, causing a restructurisation of the activity and of the performance of the management system.

**2) How has the division of the management authority between the federal centre and the region influenced the institutional changes in the fisheries of the Russian Federation?**

The open rivalry between Mikhail Gorbachev<sup>3</sup> and Boris Yeltsin, and then between the latter and the Russian parliament, together with Yeltsin's conscious decision to decentralize political and economic decision-making, led to a substantial increase in the autonomy and power of regional and republican leaders in Russia during 1990s (Tolz and Busygina 1997: 402). The situation has changed with the present Russian president Vladimir Putin who fundamentally altered Yeltsin's regional policy. He directed his strategy towards creation and strengthening the so called «vertical executive» power that was aimed at centralizing the political power in Russia.

The centre-periphery relations in Russian fisheries have developed together with the development of the new Russian state and largely followed the general pattern of the relations between the federal and the regional government. Though there is no doubt that the federal authorities recognize the importance and seriousness of the regional interests, regional and federal interests often clash in both political and economic spheres sometimes causing changes in institutional arrangements. The most noticeable feature in the development of the northern Russian fisheries management over the last fifteen years is the constant tension in the relationship between the regional and the federal authorities provoked by disagreements on fisheries management issues.

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<sup>3</sup> The former leader of the political process in Russia called perestroika. It is considered that perestroika (1985-1991) in Russia began in March 11, 1985 with the arrival of Mikhail Gorbachev to the position of the General Secretary of the Central Committee of the Communist Party.



The working hypothesis of the analysis is that ***the interests, norms, and values of the federal authorities versus those of the regional authorities are the driving forces of the institutional changes in the northern fisheries of the Russian Federation.*** In order to discuss this argument a retrospective analysis of the institutional policies will be carried out. This analysis will examine the performance of the federal and the local governmental institutions and the intergovernmental relations. In order to arrive at conclusions either about success or failure of the current and previous institutional reformations a comparison between them will be made.

This introductory chapter is aimed at presenting a brief outline of the issues that will be discussed in the thesis. It presents a brief overview of the development of fisheries in Russia during the Soviet era and the years of the economic reforms that followed the dissolution of the Soviet Union. The main objectives of the thesis are outlined. Further it addresses methodological issues. It includes a discussion of the methods of data collection and how they were used for the collection of empirical information. Finally, the structure of the thesis is presented at the end of the chapter.

### **1.1. The historical development of fisheries in Northwest Russia**

Russia has always been a maritime nation. Fishing took place in rivers, lakes and inland waters from ancient times in Russia. However marine fishing did not become important until the nineteenth century when the stocks of commercial species were reduced in inland rivers and lakes. Since then marine fisheries began to develop (Rogacheva 1996: 15). Since the 1920s Russia developed the industry into becoming one of the world leading fishing nations.

Only the small-scale coastal trade was left after the World War I and Intervention. Industrial fishing did not exist at that time. Since Russia was in great need of food, the Soviet government put much effort in supporting northern fishers. One of the biggest enterprises of the northern fisheries - the Murmansk Trawl Fleet - was established in 1920. In 1926 a development program for the fisheries sector was launched by the central Soviet government (Hønneland and Nilssen 2000: 637). Although there were shortcomings and difficulties, the government managed to create a basis for a modernized

fishing industry before the World War II (Archival Materials, 1996: 102). The construction of a new industrial fleet started and the number of vessels grew to 5 989 in 1940. Among these were 95 trawlers and several large vessels (Archival Materials, 1996: 111). Fishing during winter-time and more efficient techniques were put into practice. Fish was exported to Italy, Greece, England, Germany, Holland and to the Eastern countries (Rybnyje Resursy 2003: 2). Murmansk marine fishing port had 14 working piers at the end of 1930<sup>th</sup>; shipbuilding and ship repairing plants were in operation (Fish Resources 2003: 3).

After the World War II the Government paid special attention to the development of the Northern Fishing Basin<sup>4</sup> (Rybnyje Resursy 2003: 8). During the Soviet period the Russian fisheries was commanded by a strong leadership. At the end of 1970 per capita fish consumption reached 16.7 kg, in 1980 it was 21 kg. The State Program on the delivery of fish products to the population was designed and put in practice during the 1970s (Rogacheva 1996: 9). The Russian distant water fleet was operative in most areas of the World Ocean. The first fish breeding farms were established giving rise to the development of aquaculture in Russia. These developments allowed an increase in total catches from 4 in the beginning of the 1960s to 11.3 million tons in 1986, the production of fish foodstuffs from 2 to 4.6 million tones, tinned food from 750 million up to 3 billion tins. The Russian fishing industry became one of the leading in the world (Rogacheva 1996: 10).

The branch principle was prevalent in the economy in the Soviet Union until 1992 when the process of privatization started. Russian industry was divided into a certain number of branches all of them being subordinate to their respective ministries. The branch principle was also used as a standard to organize the fisheries sector (Hønneland and Nilssen 2000: 638). All fisheries were divided further into basins. The northern basin was the second largest one after the Far Eastern basin. Initially the basin was formed by four regions: Murmansk and Arkhangelsk regions, Nenets autonomous region (*okrug*) and the Republic of Karelia (See Map 1).

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<sup>4</sup> The northern fisheries basin implies the area covered by the four northern regions that participated in fisheries. This concept will be discussed later in the chapter.



**Map 1. The Northern fisheries basin of the Russian Federation.**

The Murmansk region was traditionally the largest part of the northern fishery basin of the Russian Federation. Today the concept of the «northern basin» has become vague (Interview with O. Makarova). The northern basin ceased to exist in its initial form in October 2000 when the Kaliningrad and Leningrad regions of the Russian Federation were legally included as the members into the Northern Technical-Scientific Catch Council<sup>5</sup>. Since then the State Committee of Fisheries<sup>6</sup> referred in its orders not to the enterprises of the northern basin but to the enterprises of the North-West of Russia<sup>7</sup>.

<sup>5</sup> The Council existed as a division of Sevryba, a federal authority in the northern fisheries basin, responsible for the management of northern fisheries.

<sup>6</sup> The top federal management authority in Russian fisheries that replaced the Soviet Ministry of Fisheries and was in operation throughout 1990s until it was eliminated as a result of the administrative reform in 2004. Will be discussed in Chapter 3 in more detail.

<sup>7</sup> From the materials given by G. Tishkov, the former General Director of Sevryba.

At the end of the 1980s the contribution of fisheries to the Gross Domestic Product (GDP) of the Murmansk Region was 30% the total Russian catch being 1.6 – 1.8 million tones, including 50 – 70 % outside the Barents Sea in the Northwest and Central Atlantic (Matishov et al. 2004: 25). Those were the «golden years» for the northern fishing industry.

In 1990 the old Soviet system collapsed and the Soviet Union broke up. There was a shift of the regime. The following period in the history of Russia is called a «transition period» implying the transition from the Soviet centralized command-administered planning economy to market relations as a way of managing the economy. Starting in 1990 a steady reduction in the overall performance of Russian and the regional fisheries has taken place<sup>8</sup>.

Among the first market reforms was the privatization of productive assets that used to be the state's property, and price liberalization<sup>9</sup>. Both were announced by the Government in 1992 (Vasiljeva 2001: 11). These processes were followed by rapid and numerous institutional changes. Many of those changes influenced the development of all industries negatively leading to an overall decrease in the performance of the country's economy.

The state fisheries sector was particularly affected by the economic crises. The transformation from the communist planned economy also changed the fisheries management system. The old management system in fisheries was gradually put out of practice. The elimination of the old management structure is largely held by the participants in the fisheries of the Murmansk region, especially by those who were active during the Soviet period as well, as one of the crucial mistakes and one of the reasons leading to a down-fall of the fishing industry. First the Russian distant water fleet was withdrawn from remote fishing areas on the world oceans. The great industrial fleets of the Soviet era, supported by a centralized system of vessels provision and sale were abandoned. The pressure on the fish resources of the Exclusive Economic Zone (EEZ) increased due to the return of the distant water fisheries northern fleet leading to a decline

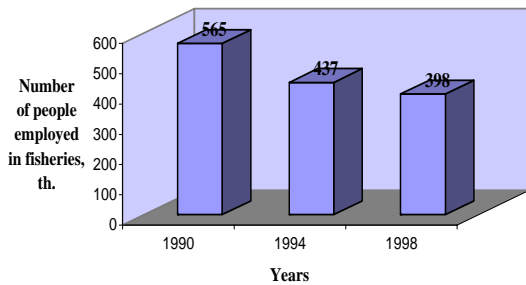
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<sup>8</sup> This is partly due to the decline in the fisheries in the period 1990 – 1993/94.

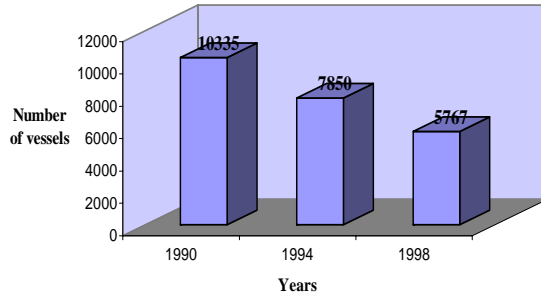
<sup>9</sup> The fixed prices on fish production were eliminated in 1990, regulated prices – in 1991. Free prices came into existence in 1992 (Zacarnaya 2003: 5 - 6).

in the total catches due to over fishing of the stocks inside the EEZ<sup>10</sup>. The state subsidies were cut. The fleet became old and obsolete.

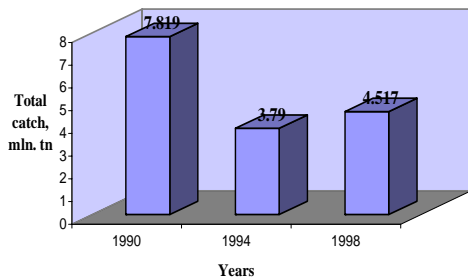
Since 1996 Russian fisheries have been performing at a loss (Rybnyje Resursy 2003: 52). In order to get an idea about the overall performance of Russian fisheries during the years of the reforms it is necessary to have a look at the basic indicators of the performance of fisheries presented by Figures 1-6<sup>11</sup>.



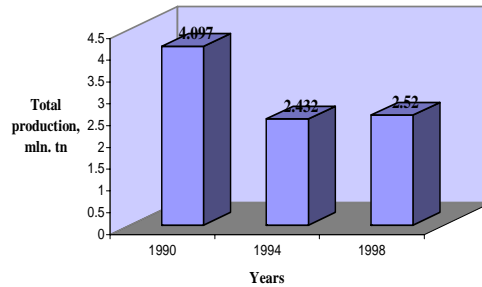
**Figure 1. Employment in the Russian fisheries during the years of the reforms (1990 - 1998)**



**Figure 2. Reduction in the number of vessels in the Russian fisheries during the years of the reforms (1990 - 1998)**



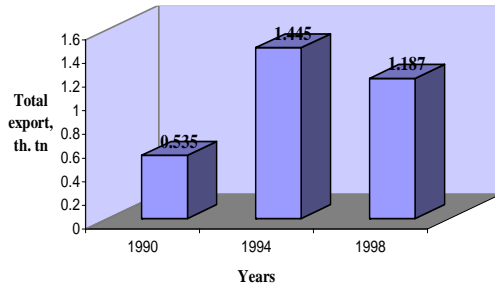
**Figure 3. The total catch of the Russian fleet during the years of the reforms (1990 - 1998)**



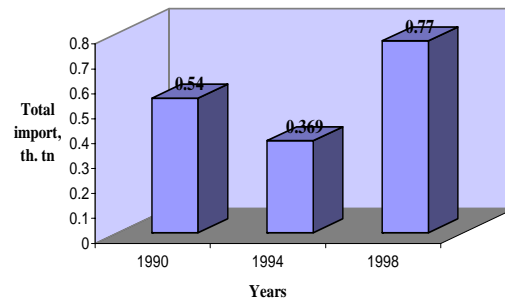
**Figure 4. The total production of the Russian fisheries during the years of the reforms (1990 - 1998)**

<sup>10</sup> The introduction of the EEZs is discussed in section 1.3.

<sup>11</sup> Source: Zilanov 2000. Russian Marine Fisheries in a Hurricane of Reforms. Report at the International Conference «Status and Development Prospects for Fish Product Market of North and West-North of Russia».



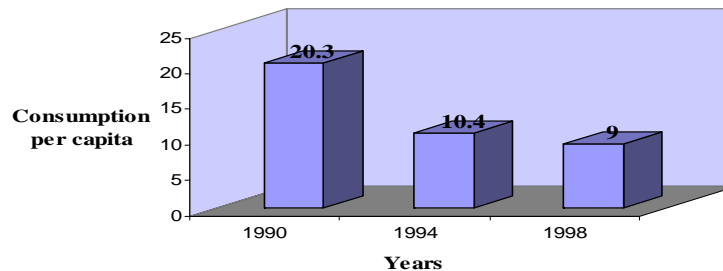
**Figure 5. Russia's export of fish and fish products during the years of the reforms (1990 - 1998)**



**Figure 6. Russia's import of fish and fish products during the years of the reforms (1990 - 1998)**

The basic indicators show a negative tendency in the development of fisheries during the years of economic reforms. The volumes of catches of the Russian fleet and total production have been reduced by 50% during the years of the reforms (Figure 3). The main reason for this catch reduction is a major decline in distant water fishing by the Russian fleet as a result of increased fuel costs and the reduction of stocks inside the Russian EEZ as a result of the increased fishing effort. A sharp reduction occurred consequently in employees and the number of vessels. In overall the number of people engaged in fisheries reduced with 177 thousand people from 1991 to 2001 (Rybnaja Stolica 48/2002: 1). However, the liberalization of the economy and legal framework provided conditions for a sharp increase in the export of fish.

Per capita fish consumption in Russia fell down dramatically during the years of the reforms from 21 kg in 1989 to 9 – 10kg in 1999 (Sea Figure 7<sup>12</sup>).



**Figure 7. Per capita fish consumption in Russia during the years of the reforms (1990 - 1998).**

<sup>12</sup> The recommended by the Russian Academy of Medical Science annual per capita fish consumption is 23.7 kg (Zilanov 2004a: 4).

The situation did not improve in the following years (see Table 1). The total catch in 1997 was 4.7 million tones; in 2003 it decreased even further to 3.2 million tons. This was the lowest annual output for a period of almost fifty years and put Russia back to 1959, when the total catches did not exceed 3.0 million tons (Zilanov 2004a: 4).

Indexes	Years						
	1997	1998	1999	2000	2001	2002	2003
<b>Total catch (th. tn)</b>	<b>4705.4</b>	<b>4517.4</b>	<b>4238.6</b>	<b>4011.2</b>	<b>3686.8</b>	<b>3288.6</b>	<b>3262.6</b>
<b>Production of fish products, including cans (th. tn)</b>	<b>2151.9</b>	<b>2074.2</b>	<b>2958.7</b>	<b>2925.4</b>	<b>3003.7</b>	<b>2866.7</b>	<b>2870.8</b>
<b>Production of cans (mln)</b>	<b>338.6</b>	<b>312.5</b>	<b>365.8</b>	<b>379.8</b>	<b>475.9</b>	<b>523.9</b>	<b>568.6</b>
<b>Production of fish meal (th. tn)</b>	<b>153.3</b>	<b>172.6</b>	<b>154.6</b>	<b>129.9</b>	<b>98</b>	<b>65.5</b>	<b>70.5</b>
<b>Export of fish and fish products (th. tn)</b>	<b>1145.3</b>	<b>938.5</b>	<b>946.6</b>	<b>1023</b>	<b>1137</b>	<b>1150.1</b>	<b>1023.9</b>
<b>Import of fish production (th. tn)</b>	<b>770</b>	<b>552</b>	<b>575.6</b>	<b>555</b>	<b>749.8</b>	<b>712.5</b>	<b>832.7</b>
<b>Payment for the use of water biological resources (mln rub.)</b>	<b>966.3</b>	<b>1624</b>	<b>3521.3</b>	<b>6069.5</b>	<b>6584.4</b>	<b>11000</b>	<b>17773.6</b>
<b>Creditor Indebtedness (mln rub.)</b>	<b>8584.1</b>	<b>12999.3</b>	<b>19540.5</b>	<b>22726.6</b>	<b>26298.8</b>	<b>27232.2</b>	<b>32832.1<sup>13</sup></b>

**Table 1. Some indexes of the performance of the Russian fishing industry during 1997 – 2003<sup>14</sup>.**

While catches have decreased the resource payment<sup>15</sup> for the use of aquatic biological resources has increased dramatically during the last years from 0.9 up to 17.7 billion rubles (Table 1). The creditor indebtedness of fisheries increased from 8.5 to 32.8 billion rubles (Zilanov 2004a: 4). This implies that the financial situation of many fishing companies has become worse.

Due to the poor performance of Russian fishing industry, the present situation is perceived by many as a «systematic» crisis. A more detailed study of how the market reforms affected the situation in the fisheries of the Murmansk region will be presented in Chapter 3.

<sup>13</sup> For comparison: the rate of the Russian Ruble to the US dollar was 29,7 in the end of 2003. That makes 17.7 billion rub. approximately equal to USD 596 mln. and 32.8 billion rub. equal to USD 1.104 bln.

<sup>14</sup> Source: Zilanov 2004a, p. 5. Preliminary data is used for 2003.

<sup>15</sup> There is a concept in the Russian fisheries management that is called «payment for the right of usage of aquatic biological resources». This payment was introduced in the fisheries during the 1990s and was practiced in various forms including, for example, auctions. In fact this payment is a quota fee that has to be paid by all fishers for the right to extract this quota (Titova 2004: 20).

## 1.2. The Murmansk Region as a part of Russian fisheries

The Murmansk region is situated in northwest Russia and is bordered by the Barents Sea for the most part (see Map 2). Most of the region (an area of 144.9 thousand km<sup>2</sup>) lies beyond the Arctic Circle. The total population number in the region is 880 thousand people<sup>16</sup> (State Statistics Committee 2004).

Historically, the region has been of great importance politically and economically to the Russian Federation, providing the country with its only all-the-year-operating northern port and serving as a home to the Northern Fleet of the Russian Navy, and the Murmansk Shipping Company (the main shipping agent for commercial cargo along the Russian Northern Sea Route) (Eglington et al 1998: 258).

The determining factors for economic development in the region are the exploitation of natural resources. The main branches of the industry are mining industry and metallurgy; electric power production and fishery and fish processing industry (Matishov et al. 2004: 21). In recent years, there has been increasing interest in the potential for oil and development in the Barents Sea which provides economic opportunities as well as environmental challenges for the Murmansk region (Eglington et al 1998: 258).



**Map 2. Murmansk region.**

<sup>16</sup> The figure is given as for the end of the year 2003.



Fisheries constitute one of the backbones for the economy of the Murmansk Region. After mining and metallurgy, fishing is the most important industry in the economy of the Murmansk region.

The primary fishery of Russia's northern basin takes place in the Barents Sea which is one of the world's most biologically productive oceans. The Northeast Arctic Cod (*Gadus Morhua*) is commercially the most important species and supports the dominant fishery in the region. Other species like haddock (*Melanogrammus Aeglefinus*), capelin (*Molloytus Villosus*), shrimp, saithe and herring can be regarded as supplemental to the cod fishery (Matishov et al. 2004: 24).

There are currently 210 fishing and fish processing enterprises in the region, including 26 companies engaged in both fishing and onshore processing activity. 102 of them are busy with marine fishing, 65 – with coastal fishing, and 43 – with processing. There are 12 000 employees working in fisheries. There are 246 vessels registered at the Murmans marine fishing port (34 large, 189 middle and 23 small). Four large fishermen's associations in the region provide more than 60 percent of the total catches. Ten fishing farms are operating in the region at this time. During the last three years they produce around 500 – 600 tons of fish annually (Murmanskije Rybnyje Resursy 38/2004: 10<sup>17</sup>).

### **1.3. The joint Norwegian-Russian management regime**

The most important fish stocks species (cod, haddock and capelin) that constitute the main fisheries in the Northwest are shared between Russia and Norway. The bilateral Norwegian-Russian management regime was institutionalized and put into practice in 1975.

The principle of a 200 mile exclusive economic zone was adopted at the beginning of the third UN Conference on the Law of the Sea (UNCLOS III) in 1975. In 1982 the United National Law of the Sea Convention (LOSC) was ratified. This transferred the rights and obligation to manage marine resources within an area of 200 nautical miles from the shore to the coastal states (Hoel et al. 2005: 3). This led to a

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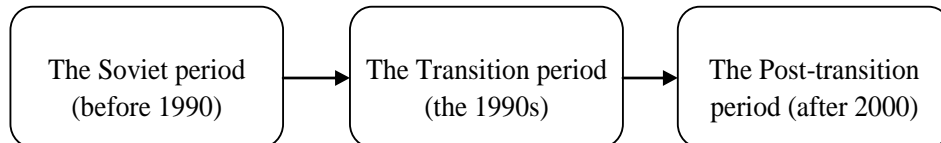
<sup>17</sup> The data in the article were presented by the Department of foodstuff, fisheries and agriculture of the Murmansk region.

transition from multilateral negotiations for the Barents Sea fisheries that were carried out under the supervision of the Northeast Atlantic Fisheries Commission to bilateral negotiations between the coastal states that had rights to the fish stocks (Hønneland and Nilsen 2001: 473). To formalize the mutual fishing rights and to establish a common management regime suitable to secure the fish stock in the area, the Joint Russian-Norwegian Fisheries Commission was established in 1975 (ibid). The annual meeting of the Commission fixes the Total Allowable Catches (TAC) for the joint fish stocks of the Barents Sea and their sharing between Norway, Russia and third countries with «historical rights» to the fisheries (e. g. EU and Iceland) (Fiskeridepartement 2005). The Northeast Arctic cod and haddock TAC is shared equally, 50-50, between Norway and Russia, the capelin quota is shared 60 – 40 in Norway’s favour. It has become a tradition that Russia gives part of its cod quota to Norway in return for a share in Norway’s quota of redfish, herring and Greenland halibut (Hønneland 1998: 58).

Though the Norwegian –Russian management regime for the Barents Sea fish stocks has an influence on the management procedures at the national level, only issues directly related to the national management practice will be considered in this study.

#### **1.4. Objective of the study**

This thesis will not focus on the long-term development of the fisheries of the Murmansk Region of the Russian Federation. Though a brief historical overview of the development of the fisheries sector in the Murmansk region is presented, the main body of the study covers the period after the dissolution of the Soviet Union until the present (see Figure 8).



**Figure 8. The stages of the historical development of Russia included in the period of the research.**

The present state of the fishing industry in Russia in general and in the Murmansk region in particular suggests that the current management system is not performing efficiently. It is not able to provide good conditions for the activity of the industry and is not contributing positively to the development of the fisheries in the region. Therefore the primary research objective is to investigate the functioning of the existing system of fisheries management in the Russian Federation with a focus on the situation in the Murmansk region. A particular focus is on the division of the fisheries management authority between the federal centre and the Murmansk region.

Degnbol (2004: 132) argues that the main obstacles to effective fisheries management are institutional in nature. When fisheries management is not implemented or fails to achieve its objectives, the reason is, in most cases, not limited to biological knowledge but also institutional problems. When we talk about institutional failures we consider such issues as user-conflicts that have not been mediated or resolved, inefficient legitimacy of the management process and objectives, low levels of enforcement and compliance, and the inadequate institutional set up of management functions (Degnbol 2004: 132).

This paper suggests that the critical situation in Russian fisheries to a great extent is the result of institutional failure. However, before drawing any conclusions about efficiency of the former or the current management practice, and conclude on possible institutional reforms, an analysis of the performance of the previous institutional arrangement is needed to understand the roots of the present institutional failures. Hence, the study provides an overview of the institutional arrangement in the management system of Russian fisheries during the Soviet period and after its dissolution in 1990. Special attention is paid to the institutional changes that happened during the years of economic reforms, when the old system of centralized planning was replaced by market relations, and also to the latest changes in the management practices brought about by the administrative reform.

The goal of the study is to analyse the institutional changes that occurred during this period, and to define the sources and driving forces of these changes. The final issue to be addressed is the reasons for institutional failures that took place and to answer why they were so numerous.

An analysis of institutional changes is also relevant as a reformation of state bureaucracies is taking place in Russia called an «*administrative reform*». The administrative reform was initiated by the Government in July 2003. This reform is an attempt to strengthen the vertical structure of the executive authority (the construction of what Russians call «*the power vertical*») and to restore the authority of the federal government. This was initiated by President Vladimir Putin in the year 2000<sup>18</sup> when the first federal reforms were set off by the new Government under his leadership. Since the administrative reform is considered the latest and one of the most important institutional changes a special investigation will be provided on its consequences.

The objective of the administrative reform is to improve the overall efficiency of the state management in order to reduce the level of bureaucracy. Its goal is to increase the capacity of public administrations in terms of higher efficiency and increased competence. Delimiting the authority between the federal executive bodies and executive bodies of the regional entities of the Russian Federation is one of the priorities of the reform, in other words the division of power between federal and regional authorities. According to it the federal executive authorities have to get rid of excessive functions and transfer these functions to the regional executive authorities (Russian Federation 2003c).

The reform has found its reflection in the fisheries sector; the reformation of which has become a part of the process. The government has attempted to create a new fisheries policy. Though the process has only started recently, it is already possible to observe certain results and to make tentative conclusions about the efficiency of the changes being introduced.

A second reason to carry out this research is to study the evolution of the centre-periphery relations in the sphere of fisheries in particular. Since 1990 when the Soviet Union broke up this relations had a significant influence on the establishment of the power balance between the federal centre and the Murmansk region (Hønneland and Blakkisrud 2001: 3). This paper assumes that the centre-periphery tension is one of the driving forces of the institutional changes being analysed. Therefore it discusses the sources of tensions between these two levels of state authority, their roots and the

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<sup>18</sup> Vladimir Putin has become a President of Russia in December 1999.

consequences of this power-struggle on the management system and for the industry itself.

## **1.5. Methods**

The definition of a research problem covers four epistemological concepts: theory, hypothesis, methodology and method (Silverman 1993 cited by Hønneland 1999<sup>19</sup>: 3). Hence, the scientific aspect of any social research rests on the methods applied in the process of making conclusions based on empirical findings. Methodology is a general approach to the study of a specific phenomenon. It gives explanations about the methods (or in other words, particular research techniques) that are applied to study a certain subject. Methodology is an integral part of a research carried out on any particular problem. Two main schools of methodology are distinguished within the social sciences: quantitative (positivism) and qualitative (interactionist) methodology (Creswell 1994 cited by Sydnes 2002: 4). These two different types of research are often associated with special techniques (methods) that are applied to collect the empirical information.

In general, quantitative methodology uses numerical measurements and statistical data for hypothesis testing. Qualitative methodology primarily relies on such techniques as interviews, observations and textual analysis. The researcher makes his/her own subjective conclusions on the basis of information collected from interviews and personal observations (Sydnes 2002: 4). Methods can be assessed as more or less useful to a specific researcher in a specific situation, depending on the research topic, the theories and the hypothesis to be tested. Methods are often used in combination (Hønneland 1999: 4).

This study applies a case study approach. I build the research on the best available data. Part of the introduction and chapters 3 and 4 include most of the empirical information collected for the purpose of writing the thesis. This research is largely based on qualitative research methods. However statistical data (typical quantitative research method) are used as background information. All historical information and data

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<sup>19</sup> All the references taken from Hønneland 1999 are taken from the chapter on Methodological Considerations. Therefore, I use the page numbering from that chapter.

collected was drawn from interviews, periodicals and academic publications and policy documents. The information was analyzed and conclusions were made.

Statistical data on annual catches and on basic indicators of the performance of Russian fisheries and fisheries of the Murmansk region were used as well. Statistical data was provided by the official reviews of Murmansk Regional Committee of State Statistics. I have also used data available in the official reports and periodical publications. Some information was obtained while taking interviews and through unpublished reports.

Personal interviews with the representatives from fisheries at the regional level were an essential source of additional information and contributed greatly to my personal understanding of the problems and to the analysis of the policy documents and periodical and academic publications.

Interviews were carried out with the following informants:

- **Aleksey Tiginov**, representative of the regional administration, the Head of the Division of marine fisheries and investments of the Department of foodstuff, fisheries and agriculture of the Murmansk region;
- **Sergey Baliabo**, the Head of the Department of Conventional fisheries, and registration of biological resources and regulation at sea of Murmanrybvod;
- **Nina Javdoshuk**, the Deputy of the Head of Murmanrybvod;
- **Vladimir Berezkin**, the press-secretary of the Arctic Regional Head-Office of the Border Service of the Federal Security Service in Murmansk region;
- **Vladimir Moskalenko**, the former Research Director of the Knipovitch Polar Research Institute of Marine Fisheries and Oceanography (PINRO);
- **Vladimir Denisov**, the Deputy of the General Director of Murmansk Marine Biological Institute (MMBI);
- **Anatoliy Evenko**, the Head of the Association of coastal fishers and farm enterprises of the Murmansk region;
- **Sergey Milanov**, the Deputy of the Chairman of the Board of the Association of coastal fishers and farm enterprises of the Murmansk region;
- **Gennadiy Stepakhno**, the General Director of the Union of Private Fishery Enterprises in the North;

- **Vladimir Torokhov**, the Head of the Department of industrial fisheries of Murmansk Trawl Fleet;
- **Grigory Tishkov**, the former General Director of Sevryba;
- **Olga Makarova**, journalist of the newspaper Rybnaja Stolica;
- **Geir Hønneland**, Director of the Polar Program at the Fridtjof Nansen Institute, Norway

The interviews were taken in two stages. The first stage was at the beginning of my fieldwork during summer 2004. The aim of the interviews at that stage was to generate historical data and get an overview of the present situation in fisheries both in the region and in the federal center. The information obtained was studied carefully in autumn 2004 during my studies in Tromsø. The second set of interviews that turned out to be more extensive than the first one was carried out in January 2005. It should be mentioned that the second stage of interview taking was different from the first one by its more analytical approach to the questions. The aim at this stage was to collect personal opinions of the representatives of the regional fisheries community on the issues that I was planning to discuss in my thesis.

The techniques of taking interview vary across different methodologies. Quantitative researchers often prefer structured interviews consisting of standardized questions with multiple choice answers. This is done in order to get precise and quantifiable data. Qualitative research, on the contrary, is aimed at collecting the data that contain subjective individual experience and personal interpretations of the social phenomena of the informants. The most common technique is to use unstructured, open-ended interviews (Sydnes 2002: 9).

All questions for the interviews were structured into several blocks reflecting the main issues of the thesis. However some questions could be either eliminated or added for each particular meeting, depending on the competence of the interviewed. All questions were open-ended. The informants were given the opportunity to talk freely. I was let to use the tape-recording machine in all cases except the meeting at the Federal Border Service. Neither of the informants disagreed to include his/her quotations into the thesis.

It has to be mentioned that interviews helped me to shape the subject of my research question. This work started with an intention to write about the centre-periphery relations in the northern fisheries. However, in the course of communication with the representatives of the regional fisheries community I understood that this issue lies inside of a much broader subject of the general performance of Russian fisheries management. This allowed me to take a broader perspective at my research and made the work more interesting and practical.

It has to be considered that all methods of study usually have some limitations that may influence the possibility to obtain correct information. For instance, interviews largely depend on the availability and willingness of the informants (Sydnes 2002: 6). Lack of access to the representative from fisheries at the federal level can be considered a significant limitation for producing final conclusions for this thesis.

Textual analysis has also provided an important source of empirical data for the thesis. Official documents presented by Laws of the Russian Federation, Governmental resolutions, decrees and orders became a basis for the discussion of institutional changes. Academic publications and periodical literature contributed to the collection of empirical information for the study and building up the discussion of the empirical findings. However one of the limitations of this method is that there is not much analytical literature on the topic of my thesis. This conclusion I came to while conducting searches first of all in the local library and through the major scientific article data bases<sup>20</sup>.

Although limited and cautiously, Internet sources were used in the study. This was deliberately limited to the study of the information presented by the official web site of the Federal Agency on Fisheries, of the Government of the Russian Federation and of the RosBusinessConsulting Company<sup>21</sup>.

Though the study of Russian fisheries suggests a great variety of topics for discussion, the number of such themes was substantially reduced for this particular paper.

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<sup>20</sup> Sciencedirect, Jstor, Elsevier.

<sup>21</sup> <http://fishagency.ru/?p=4#> - official web sight of the Federal Agency on Fisheries  
[http://www.government.ru/normdocs/index.html?he\\_id=511](http://www.government.ru/normdocs/index.html?he_id=511) – the system of search of the documents of the Government of the Russian Federation  
<http://stock.rbc.ru/demo/cb.0/daily/USD.rus.shtml?show=2Y> – Russia' leading Internet holding company, provides all kind of business information. The information from this web site was used to check the ruble-US dollar rates.



This was due to the restricted period of carrying out the fieldwork and the confined volume of the thesis itself.

All the empirical materials, interviews and documents collected for the purpose of writing this paper came in Russian. Therefore they had to be translated from Russian into English by myself.

When discussing data collection the questions of reliability and validity are important. While collecting our data we take a special effort to reduce errors and try to collect the information that helps to draw the most accurate picture of a studied phenomenon. This is done not only to be objective and to reduce uncertainty of our inferences. A primary intention is also to be transparent about the methods applied and to make it possible for anyone to arrive to the same conclusions that are presented in the research by using the same methods of data collection and analysis (Sydnes 2002: 15).

Thus reliability can be defined as «the certainty of measurement of a phenomenon» (Krawthwohl 1993: 206 – 207 cited by Sydnes 2002: 16). A standard method by which reliability is assessed is the triangulation of methods, meaning the parallel use of different research methods (Hønneland 1999: 25). Validity reflects the relevance of the data collected to analyse the phenomenon which is to be explained. It refers to the ability of data to represent a true picture of the subject of our study (Sydnes 2002: 16).

To increase the reliability and validity of my data I used several methods of data collection: statistical data, interviews, textual analysis. This has provided different kinds of empirical information and gave a possibility to cross check the data in order to avoid misinterpretations. My practical experience of seven years working in fisheries has contributed to increase the validity of my data. However, considering my previous experience of working in fisheries, I realize that this background can also bias my perception of the research subject and make the analysis subjective in certain issues. In order to avoid being personal and draw a true picture of the studied phenomenon I use several research methods of data collection.

## **1.6. Outline of the thesis**

The thesis is organized around five sections including the present introduction.

The second chapter outlines the theoretical framework for the study. It discusses the central terms of institutional theory and provides a framework for the following analysis of the empirical data.

The third and the fourth chapters present the empirical findings. Chapter three provides an empirical analysis of the fisheries in the Murmansk region and examines the institutional changes that occurred. Chapter four highlights the latest institutional changes and examines the results of the reforms. The third and the fourth chapters provide a background for the analysis of the empirical findings in the fifth chapter.

The fifth chapter applies institutional theory to analyze the empirical data and presents the findings of the study.

## **Chapter 2. Theoretical background**

### **2.1. Background**

Institutional theory has a long historical tradition, and is presented by numerous schools and approaches. The earliest attempts to define institutions appeared between 1880 and the mid-20<sup>th</sup> century (Scott 1995: 14). However, the analysis of institutions did not exist as a separate field of sociology until the late 1940s when M. Weber's and R. Michel's analyses of bureaucracy were translated into English (Scott 1992: 8-9). Over the past decades, institutional theories have appeared as a powerful framework for understanding policy choice and public policy as well as political and social behaviour in a broader sense (Peters and Pierre 1998: 565).

### **2.2. What are institutions?**

The concept of an «*institution*» is commonly used not only within the scientific community but also by the general public. Therefore it may mean a variety of different things to different groups of people (Jentoft 2004: 205). In general usage, institution is thought of as an organizational arrangement of some kind by which people act together, pursue society's goals and manage themselves. Social scientists, on the other hand tend to define an «*institution*» more broadly as a set of rules or norms that govern the behavior of the individuals in the system (Charles 2001: 77). The concept of «*institution*» also includes shared symbolic systems such as language, religion, law and science. Social fields such as the markets, civil society and the state are also referred to as institutions (Jentoft 2004: 206).

Norms are inseparable part of institutions. Therefore institutional frameworks consist of many kinds of built-up expectations regarding human actions. Norms tend to stabilize human (inter) action and make individual behaviour more predictable. Norms could be reproduced in both formal and articulated forms, as well as in more informal and implicit once. «*Many terms have been used by scientists to cover the whole range of*

*possible groupings of norms. Among the terms are the following: laws, regulations, rules, routines, conventions, traditions, customs, myths, and habits»* (Sjöstrand 1993: 10).

There are various approaches to define «institution» in the social science literature. One way is to define the concept as a set of habits, rules and values (Jentoft 2004: 207). Much of the behavior observed in political institutions reflects the routine way in which people do what they are supposed to do. Institutions have a variety of procedures and they use rules to select among them (March and Olsen 1989: 21).

I will apply the definition of institution presented by Scott (1995: 33): *«Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carries – cultures, structures, and routines – and they operate at multiple levels of jurisdiction»*. Scott (ibid: 35) identifies these three elements as three «pillars» that make up or support institutions. These pillars will be discussed further in section 2.6 of the following chapter.

### **2.3. Why institutions?**

While discussions on changes in fisheries have traditionally focused on the population dynamics of fish stocks, it is also obvious that fishery management changes over time and has substantial consequences on the development of the fishing industry (Charles 2001: 158). Fisheries as an activity could not simply exist without institutions, as these set the basic rules of behavior (Jentoft 2004: 206). These rules determine *«who and what are included in decision situations, how information is structured, what actions can be taken and in what sequence, and how individual actions will be aggregated into collective decision»* (Kiser and Ostrom 1982: 179 cited by Jentoft 2004: 210).

The structure and operation of a fishery can be affected greatly by the evolution or choice of institutions, both those that are within the fishery and those external to it and at different governmental levels (Charles 2001: 78). A major role of institutions in a society is to reduce uncertainty. They provide a structure to human interaction that ensures a sort of stability, though this structure might not necessarily be efficient (North 1990: 83).

Institutional frameworks also play a major role in the performance of an economy (North 1990: 69). Since fisheries management is carried out by institutions, their major role is to assist the process of interactions among fishery participants and to encourage the incentives that shift the behavior of the participants in the desired direction. As institutions in fisheries are conceived of as the rules of the game, they are crucial for the structure and operation of the fishing industry and ensure sustainability. Institutions can also provide solutions when things do not work out as intended (Jentoft 2004: 205).

Successful management requires the «*right*» institutions. This is both a question of institutional design and efficiency. There are many cases in history where poor institutional arrangements have led to disastrous failures in fisheries development and management (Charles 2001: 78).

It is generally accepted today that institutional failures have become one of the reasons of crises of many commercial fisheries around the world including Russian fisheries. Young (1998) notes that institutional uncertainty in fisheries management together with scientific uncertainty becomes an obstacle to predicting the outcomes flowing from the operation of resource regimes<sup>22</sup>. That difficulty arises from the facts that regimes are products of collective-action processes and they provide arenas for interactions among a variety of actors whose interests are by no means identical. He distinguishes seven types of institutional uncertainties and groups them into three broad categories: (1) internal uncertainties arising from the characteristics of regimes themselves; (2) behavioral uncertainties arising from the actions of those subject to regimes; and (3) uncertainties arising from spatial and temporal connections among regimes. All these uncertainties can become causes of inefficiency of the current marine fisheries management practice (Young 1998: 212-23).

Institutions are also important in terms of power. Institutionalization is a product of the political efforts of actors who employ power to protect their interests, and use their power to ensure that these interests are secure over time. Hence «*the form that the*

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<sup>22</sup> Resource regimes, or property-rights regimes, are constraints that distinguish among diverse bundles of rights to access the natural resources that may be held by the users (authorized users, claimants, proprietors, owners) of a resource system (Schlager and Ostrom, 1992: 249). Resource regimes as complex arrangements are often created «as products of institutional bargaining and subject to numerous interactive forces that limit their capacity to carry out prescribed mandates in an effective manner» (Young, 1982, 1992 cited by Young 1998: 212).

*resulting institution takes depends on the relative power of the actors who support, oppose, or otherwise strive to influence it» (DiMaggio 1988: 13). If institutionalization is successful, it creates new actors, institutions or power relations. These actors «in the course of pursuing their interests tend to delimitate and deinstitutionalize aspects of the institutional forms to which they own their own autonomy and legitimacy» (ibid).*

Scott (1987) argues that institutional frameworks define the means and shape the ends by which interests are determined and followed. *«Institutional factors determine that actors in one type of setting, called firms, pursue profits; that actors in another setting, called agencies, seek larger budgets; that actors in the third setting, called political parties, seek votes; and that actors in a even stranger setting, research universities, pursue publications» (Scott 1987: 508)*

Fisheries constitute a complex system that consists of many different institutions. These institutions and presented by their participants who are the main actors. All institutions have their particular interests, norms and values, which they try to protect. Some institutions want to reorganize the existing institutional arrangement while others try to preserve it. This causes conflicts between institutional interests, norms and values. The power issue is central in case such conflicts occur. If institutions possess sufficient power they are successful in changing the institutional arrangement and gaining a better location in the institutional hierarchy.

#### **2.4. Institutions and organizations**

Until the introduction of institutional conceptions, organizations were viewed mainly as production and exchange systems. Their environments were considered as a source of resources and information or as a place to meet competitors or exchange partners. Though institutions and organizations often are treated as the same thing, they are conceptually different. Hayami (2001: 221 cited by Jentoft 2004: 207) points out that *«while [the distinction between institution and organization] is theoretically meaningful, [the two] are inseparable in practice»*. Organizations use rules in order to systematize their activity. Regulation systems in their turn act by organizing people into bodies that

perform certain activity. Thus, it is logical to use them as expressions of one and the same phenomenon (Jentoft 2004: 207).

## **2.5. Institutions as frameworks for action**

Scott's definition of institutions states that «*institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour* » (Scott 1995: 35).

In political science, the structural element is normally assigned - among other elements - to institutions. The dynamic element is often ascribed to individual or collective political action.

Individuals and their values are influenced and altered by the institutions with which they come into contact (Peters and Pierre 1998: 566). By establishing certain norms and rules, institutions constitute a framework for individual action. In this way they shape the behavior of individuals by regulating their actions.

Viewed from the rational choice perspective individuals are presented as capable and knowledgeable agents who have good reasons for doing what they do (Berger and Luckman 1967, Giddens 1984, Pedersen 1991 cited by Mouritsen 1994: 200). March and Olsen (1989: 25) reject the classical idea of rational choice and argue that actions of individuals are determined by a «*logic of appropriateness*» (the situation when the most appropriate rule is chosen from a number of relevant rules to shape the behavior of the individual) that is shaped by institutional values. Individuals in this view belong to institutions that define appropriate behavior and attach meaning to politics. They oppose this logic to the «*logic of consequentiality*» («*treating alternative rules and interpretations as alternatives*») that is a characteristic of rational choice behavior.

The difference in the evaluation of relations between individuals and institutions constitutes the basic distinction between the two contemporary institutional research programs that appeared in the beginning of the 1990s, that is historical and rationalist research programs. For historical institutionalists, institutions «*structure*» individuals' preferences, whereas for rationalists, the preferences of individuals «*structure*» institutions (Blyth 2002: 19).

In this study I apply the Scott's definition of institutions. I consider institutional participants the main actors of my analysis. Since institutions are embodiments of certain rules, values, and norms and they follow certain interests, the individual behaviour of their participants is here understood as being framed by those rules, values, and norms that are upheld by an institution. While performing individual actions the actors try to uphold the interest of their institutions.

## **2.6. The 3 pillars of institutions**

In discussing the causes of institutional failures, Jentoft (2004: 217) in his analysis of institutions in fisheries talks about regulative, normative and cognitive pillars of institutions. This largely overlaps with Scott who earlier identified these pillars as rules, norms and knowledge (Scott 1995: 33).

Fisheries management institutions set up certain rules of conduct (*regulative pillar*); these rules are supposed to be complied with (*normative pillar*); in order to achieve compliance to the rules fisheries management must ensure that fishermen are aware of these rules and they understand them properly (*cognitive pillar*) (Jentoft 2004: 217).

Institutions constrain and regularize behaviour. A stable system of rules supported by surveillance and sanctioning power is one prevailing view of institutions (Scott 1995: 35-37). As regards the regulative pillar, the question is what kind of rules and how they are established in the fishery; who created these rules, what were the targets of their accomplishment and whose interest these rules support. Gardner and Ostrom (1991 cited by Jentoft 2004: 218) distinguish between operational and constitutional rules in natural resource management. The former define the structure of day-to-day activities of institutions. Examples of such are the customs or the tax code, governmental resolutions and provisions. The latter determine the basic principles according to which institutions are built. For example, constitutional rules, international conventions.

Scott (1995) defined force, fear and expedience as central ingredients of the regulative pillar. But they have to be tempered by the existence of rules, both informal and formal (ibid: 36). As Weber (1968) emphasized, *«few if any rules are content to base*



*their regime on force alone; all attempt to cultivate a belief in its legitimacy»* (Weber 1968 cited by Scott 1995: 36). In order to be respected the rules must be legitimate. However it is possible that the actors may acknowledge the existence of the rules without necessarily believing that they are fair or justified (Scott 1995: 36). The regulative approach stresses that individual behaviour is defined by rational choices that actors make according to utilitarian, cost-benefit logic (ibid: 37).

Institutions as normative systems include both values and norms. Emphasis here is placed on normative rules that introduce prescriptive, evaluative, and obligatory dimensions into social life (ibid). When discussing the normative dimension questions should be framed around the behavioral standards and values that are embedded in institutions (Jentoft 2004: 218).

The normative pillar is also particularly important from a legitimacy point of view. Institutions are evaluated not only by their instrumental performance but also according to their ethical values such as social equity and sustainable development. At this point it is appropriate to discuss values and goals. The concept of organizational goals is among the most important in the study of organizations (Scott 1992: 19). Institutions convert values into goals; they define legitimate means to pursue valued goals (Scott 1995: 37). The goals agreed upon are supposed to reflect the values of the institutions (Jentoft 2004: 219). Scott (1992) defined goals as *«conceptions of desired ends»* - *«conditions that participants attempt to affect through their performance of task activities»*. Normative rules do not only impose constraints on social behaviour but they authorize and enable social action at the same time. They confer rights as well as responsibilities (Scott 1995: 38).

The normative approach emphasizes that individual choices are structured by socially mediated values and normative framework. Actors conform not because that it serves their individual interests but because they are expected and obliged to do so (ibid: 39). However, this should not lead to the perception of actors as slaves to the social conventions. The actors rather have to be seen *«as reasonable people adapting to the rules of institutions»* (Searing 1991 cited by Scott 1995: 39).

The cognitive pillar suggests investigation of everything connected to knowledge in fisheries management. For management plans and objectives to be efficiently carried

out decision-making process in fisheries must be knowledge based, effectively using knowledge and knowledge systems (Noble 2000: 74). Institutions are embodiments of knowledge (Jentoft 2004: 219). They use the knowledge to «*justify the past behaviours and to guide the current ones*» (Scott 1995: 40-45). Investigation of this pillar will touch upon questions that are of particular interest for the research carried out in this paper. In what way institutions learn and how they use the previous experience in decision-making process (Jentoft 2004: 219).

Jentoft (2004: 223) arrives at the conclusion that the weakness of these three pillars often becomes a reason for institutional failure: «*The rules that regulate behavior may be under-developed or poorly enforced. The normative standards may provide few incentives and little guidance. The knowledge that could inform decision-making may be inadequate or insufficient*». Finally he suggests that any research on the performance of institutions should start with investigation these pillars. The following research claims that the functioning of these pillars is a condition for institutional effectiveness.

## **2.7. Why and how institutions change**

Institutional change is an intentional replacement of one set of institutions with another (Blyth 2002: 45). This replacement implies a shift of the rules, norm and values and enforcement procedures leading to constraining or encouragement of different behaviors (Levi 1990: 407). This process is endemic to all social institutions including fisheries management. Once established, institutions seldom remain static arrangements because management systems change overtime (Young 1998: 216). Major structural changes in institutions are made in belief that such changes will destabilize political arrangements and force a permanent reorganization of the existing system thereby enhancing some aspects of the institutional arrangement (March and Olsen 1989: 64).

Holm argues that «*new institutions are not created from scratch but are built upon older institutions and must replace or push back preexisting institutional forms*» (Holm 1995: 400). There may be various causes for institutional changes. It is important to understand these changes not as a shift of comparative statics but as a dynamic process that in most cases occurs incrementally over time (Jentoft 2004: 213, Blyth 2002: 35).

Fundamental institutional changes are very often an aggregation of smaller specific alterations (North 1990: 89). But these changes may also happen as a result of a «*shock*», such as an internal or external crisis (Stinchcombe 1965 cited by Jentoft 2004: 212). Wars, revolutions, conquest, and natural disasters are sources of discontinuous institutional change. Whereas evolutionary change occurs slowly and gradually, revolutionary change happens swiftly and affects practically all parts of the organization at the same time (Greenwood and Hinings 1996: 1024).

Power is considered an essential element for institutional change. The participants take efforts to protect or enhance their position and interests. The amount of power they possess to a certain extent predetermines whether they become winners or losers (Jentoft 2004: 213). As argued by Peters and Pierre (1998: 575), institutional changes are «*more than anything else a political process, displaying the exercise of power and authority in order to create the organizational tools that are appropriate for the future exercise of political authority*». The redistribution of the coercive and bargaining resources of power within the institution is an important source of institutional change (Levi 1990: 403).

Another element which should be considered among the most important drivers of institutional changes lies within ideas and interest of the main actors. Blyth (2002: 27) calls interests «*the weapons of choice*» since they define the actions of those who take part in the process. Therefore it is possible to make conclusions about the real intentions of the participants through the analysis of their behavior.

In order to understand institutional changes better one has to consider that the prior intentions of those who initiate these changes are part of a larger system of values, goals and attitudes that set intentions in a structure of other beliefs, and this structure of values is created during the course of the change in institution. It is possible that intentions transform and goals change in the course of introducing deliberate innovations. (March and Olsen 1989: 66). A practical example of such institutional change can be introduction of the quota auctions as a method of resource allocation by the Russian federal fisheries management. The prior intention of this action was an attempt to fight corruption with quota allocation and extract additional money from fisheries to the state budget.

Peters and Pierre (1998: 567) define institutions as sources of change and as important political actors in themselves. Taking into consideration the normative basis of institutions, the normative criteria becomes a source of institutional change. Therefore, institutions such as a fishing agency will react to changes in their environments or to changes in the individuals of whom they are composed in order to redefine or protect the «*logic of appropriateness*» for what has become in essence a new set of institutional challenges (Peters and Pierre 1998: 568).

Olsen and Brunsson (1993 cited by Peters and Pierre 1998: 568) argue that a discrepancy between the normative ideals of the formal structure and its current practices (empirical structure) can be a source of institutional change. The practical example could be a situation with a State Committee on Fisheries of Russia when its normative standards were tarnished by the scandalous reputation gained due to the high level of corruption among the top management.

An observation by Peters and Pierre (1998: 573) is that institutional change can be an integrated element and a response to political changes. As political regimes change gradually the existing institutional order has to adjust itself to the altering environment. On the other hand institutional change is sometimes not an affect of political change but an element which brings about such change.

Returning to the Scott's definition of institutions, in many circumstances regulative, normative and cognitive systems all appear to be present and to operate in mutually supportive and reinforcing way (Scott 1995: 145). This implies that a dynamic relation exists between these systems. Therefore when we talk about institutional changes, we usually mean that these changes happen to all aspects of institutions, in other words, to all institutional structures (regulative, normative, and cognitive) (ibid: 66-73).

## **2.8. Analysing institutional change**

Institutional analysis can be applied as a method to study administrative and political factors that affect the implementation of government programs. This analysis is important because the problems faced by governments at all levels increasingly tend to deal with administrative structures (Mead 1979: 26). Efforts to reform political

institutions are often unsuccessful in accomplishing precisely what was intended (March and Olsen 1989: 53). One of the reasons might be that decisions about institutional arrangements are made without their systematic analysis (Mead 1979: 27).

There exist several versions of institutional theory.

Following Jentoft (2004) and Scott (1995) it is important to carry out the analysis of three institutional pillars (regulative, normative and cognitive) both as a source of change and a source of effectiveness. This needs to be done in order to make a conclusion on how strong they are and to what extent they contribute to the efficient performance of fisheries institutions.

Peters and Pierre (1998: 576-7) offer a method that is useful for the analysis of institutional changes. This method is based on the assumption that there are several types of institutional transformation processes. Each type implies different driving factors that motivate institutional changes. These authors suggest a double approach to the examination – from the point of view of the nature of the process and from the point of view of the driving forces (see Table 2). They end up with the four models that can be applied to the investigation of institutional changes.

		Nature of Process			
		Continuous	Discrete		
Drivers of change	External	Contingent	Disruptive		
	Internal	Organic	Enacting		

**Table 2. Models of institutional change exhibiting the two dimensions of institutional changes: the nature of process and the drivers of institutional change.**

The contingent model suggests that institutional changes are driven by the need for an institution to establish more harmonious relationship with its environment. Disruptive institutional changes, on the contrary, highlights situations in which the institutional environment changes dramatically within a brief period of time. Both the contingent and disruptive models of institutional change portray change as a process

forced by alterations in the external environments of the institutions. For example institutional transformation could be conceptualized as a series of changes in one institution that spread to other institutions.

The organic model of institutional change emphasizes continuous organisational change driven by intraorganisational forces. The enacting vision of institutional changes refers to process through which organizations attempt to enhance their control over the institutional environment.

The disruptive and enacting models of institutional changes are essentially different models of formative periods<sup>23</sup> of institutions. The contingent and organic models, on the other hand, illustrate different types of changes that are not actively initiated but rather are gradual. Eventually both processes may lead an institution to the same place in terms of behaviour, but the processes through which the new pattern of behaviour is reached are expected to be different.

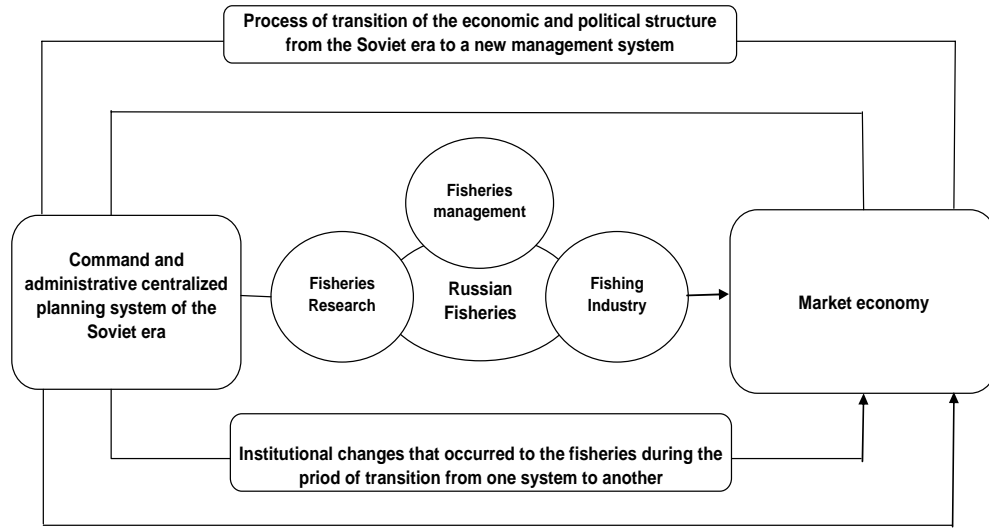
In order to understand the institutional changes better it is not enough to carry out only a single institutional analysis. It is important to investigate the choice between alternative decision-making processes and compare them (Gormley 1987: 162; Komesar 1997: 999). This research allows doing this since it is aimed at the analysis of a complex system of fisheries management that involves several components (Charles 2001: 9). These components are presented by various institutions that perform different activities. When we analyse a fishery management system we have to study all involved institutions and ways of their cooperation with each other. We have to consider however, that these institutions are part of one management system and all of them are related, connected and dependent on each other. Changes in one of them will immediately cause changes for the whole system.

We also have to bear in mind that institutions within fisheries belong to and are affected by a larger institutional system that exist in any state. If any change occurs within this larger institutional arrangement it will inevitably find its reflection in fisheries.

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<sup>23</sup> Historical institutional theory assumes that economic, social, and political change may produce a formative period. During this period old institutional patterns are broken and replaced by new normative standards and (usually, but not necessarily) new structure (Peters and Pierre 1998: 575).

What happened in Russia during the period of study was an institutional change driven by the transition from the Soviet era to a new system of free market relations. This process created a framework for the institutional changes that took place within fisheries complex and influenced the development of the fisheries management system. This process is graphically presented by Figure 9.



**Figure 9. Institutional changes in Russian fisheries as a part of the transition process from a command to a market economy.**

This study provides an empirical and theoretical research for the current institutional structures in fisheries management of the Russian Federation with a focus on the fisheries of the Murmansk region. This is particularly relevant for the situation in Russia at the moment since the government is making an attempt to improve the performance of state bureaucracy through the reformation of administrative and political structures. The need for such analysis may be even greater at the federal and regional level for understanding the tensions which exist between these two levels of state authority and for improving their performance.

Since there are several dimensions within the process of institutional changes, which are important for understanding the process, and several approaches to perform this kind of investigation it is useful to approach the analysis from several sides.

## **2.9. Application of the theory to the case-study**

One of the objectives of this study is to examine relations between the federal centre and the region. The present analysis will especially focus on those institutional changes that became a source of tension between these two levels of authority.

The major modifications in the institutional set up in Russian fisheries took place largely due to the changes in other institutions outside the fisheries sector, following these changes, or as a result of such changes. What happened in the first place was a transformation of the old Soviet political regime followed by a sharp break with the past. The consequent exogenous economic shock destabilized the existing institutional order and called for a new path of policy and institutional development.

An examination of the efficiency of the three institutional pillars suggested by Jentoft will provide the basis for my analysis of institutional changes.

The method of the analysis of institutional changes offered by Peters and Pierre (1998: 576) is going to be used in the study. Analysis of the institutional changes within the two dimensions suggested by this model will make it possible to draw conclusions to what extent the institutional changes can be seen as the results of external and internal factors. Applied together these two ways of approaching institutions will help to analyze institutional changes and discuss the conditions of their efficiency<sup>24</sup>.

The economic performance of an industry is affected by existing institutional rules because these rules influence human motivation and choice. Such rules can either facilitate the development or lead the economy to a crisis. To estimate how the performance of an industry is affected by administrative and political factors it is necessary to observe how performance changes when the institutional factors change (Mead 1979: 28). Therefore the paper will present and analyse not only the latest processes but also the institutional changes that took place in the fisheries during the

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<sup>24</sup> The word «*efficiency*» in the meaning «*effectiveness*» is used in the analysis implying both operational and institutional efficiency. Young (1994: 143) identifies six distinct dimensions of effectiveness: as problem solving, as goal attainment, behavioral effectiveness, process effectiveness, constitutive effectiveness, and evaluative effectiveness. Evaluative dimension of effectiveness that perceives this concept as matter of performance, not just a simple estimation of the consequences following from the operation of a management system is applied in the analysis.



period after the dissolution of the Soviet Union. An overview of the economic performance of the fisheries during the same period will also be given.

The empirical material on the institutional changes and their outcomes will be used as a starting point for the analysis. The outcomes will be treated as the results (the desired ends of the goals (Scott 1992: 30)) that allow making conclusions about the real objectives of the individuals and about their values and intentions.

Power is as an essential attribute of institutions. The investigation of how this element influences the institutional arrangement and decision-making process in Russian fisheries will be carried out in the paper. However to analyze institutional change, it is necessary to understand not only the distribution of power within the institution but also the consequences, intended and unintended, of individual decisions in the context of strategic interactions (Levi 1990: 416).

### **Chapter 3. General trends in the development of the Northern fisheries during the years of the transition period**

The following chapter will provide the overview of the performance of the northern fisheries in the period after the dissolution of the Soviet Union until the latest institutional reforms. It will open with an outline of the performance of the northern fisheries during the period of the economic transition. The chapter will focus on the main institutional changes that took place in the sphere of fisheries management including the legal framework, principles of resource allocation and performance of the system of monitoring and control. The chapter presents a background to the reform and changes that took place in the fisheries in later years.

#### **3.1. Northern fisheries in the period of economic transition**

The general tendency of the decrease in the overall performance of Russian fisheries inevitably found its reflection in the development of the fisheries in the Murmansk region. It is commonly held that the Northern fishery is in deep crises<sup>25</sup>. However some of the old representatives of fisheries community in the region avoid defining it as a «crisis», they rather classify the situation as a «*deep stagnation*», arguing that crisis is normally a situation that is usually replaced by the period of economic upsurge, which is not the case with the Russian fisheries so far (Vovchenko 2002: 9).

In order to understand the current situation in the northern fisheries it is necessary to have a closer look at the past, particularly at the development of the fisheries during the years of economic reforms. The pre-conditions for the present situation will be studied in this section.

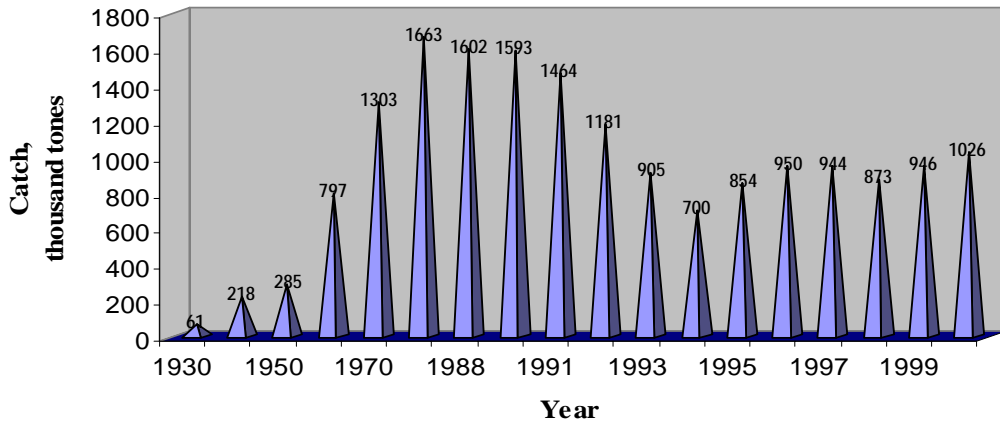
For a long time the total annual catches of the Soviet fleet were around 9-11 million tons per year. This was possible due to scientifically based usage of the traditionally caught species and that new kinds of species in new fishing areas were constantly opened up in the high seas. In addition intergovernmental agreements were signed with 46 countries of the world allowing Soviet fleets to go fishing around the

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<sup>25</sup> This observation was made throughout studying the regional periodical literature devoted to fisheries.

globe, from the northern Atlantic to the Antarctic seas. The country built floating fish-processing facilities capable of working independently on the high seas (Zilanov, 2001: 4).

The total amount of budgetary subsidies received by the fishing and fish processing enterprises of the northern fishery basin varied between 250 and 450 million rubles in the period from 1981 to 1989. During the most efficient years of the Soviet period the total catches in the Barents Sea achieved 1.7 million tones. Starting from 1988 (i. e. before the reforms started) the total catches reduced by 25 percent. This was partly due to the decline of the stocks of cod and capelin in the Barents Sea as a result of many years of over fishing (Vasiljeva 2001: 10). The decrease of these stocks turned out to be vital in the first half of the 1990s (see Figure 10). Throughout the 1990s, the total annual catch of the fishing fleet of the Northern fishery basin dropped year by year, from 1464 thousand tones in 1991 to 700 thousand tones in the middle of 1990s.



**Figure 10. Catches of the fleet of the Northern Fishery Basin<sup>26</sup>.**

In accordance with The Governmental Resolution of January 29, 1992 the State Committee on Fisheries worked out a program on the privatization of state property in the fisheries. As a result almost all major enterprises in the basin were privatized within a period of three months (Rybnyje Resursy 2003: 50).

Before the dissolution of the Soviet Union the old northern fleet consisted mainly of medium-sized (50-70 m) and large (over 70 m) vessels. Their main activity was the

<sup>26</sup> Source: data from Sevryba's database.

exploitation of pelagic species in distant waters<sup>27</sup> and pelagic and demersal species in the Northern Atlantic Ocean and the Barents Sea. When the reforms began, fishing companies started to get rid of these giant «*unprofitable*» vessels (Zilanov 2001: 4).

The Soviet legal framework, though inconstant and unstable in 1991, gave enterprises the opportunity to perform their activity independently. But as it turned out «*independently*» did not imply «*the way they wished*». The old tax legislation which took away 82 kopecks from every ruble was replaced by a new one. Reduced to 45 percent in the beginning of 1990s the total amount of taxes was later again loaded with a value added tax and numerous deductions to the non-budgetary funds (Vasiljeva 2001: 11).

There was also a substantial reduction of various subsidies, tax remissions and transfers. Instead of the former state order<sup>28</sup> (*goszakaz*) the Ministry of Fisheries stated the recommended volumes of industrial output. But in contradiction to the former practice the state «forgot» to support its recommendations with material and technical supply. The government abolished the system of food and fuel supply for the vessels which was in practice during the Soviet period. State subsidies for covering the expenses connected with operations abroad and staying in foreign ports, the modernization of vessels, and the payments to fishers were eliminated. The fleets ran short of currency to pay salaries to fishers, repairing the vessels, the delivery of food and fuel to the fishing areas and transporting catches back (*ibid*).

Changes in the pricing policy inevitably led to the alteration of the system of sales of fish products created during the Soviet period. Before, all fish production was distributed through a centralized State enterprise «Sevrybsbyt<sup>29</sup>». The prices and contracts on delivery were fixed and regulated by the state. According to the new rules producers (i. e. the fishers) were allowed to set prices. Together with the right to set prices the fishers became responsible to provide food and fuel for their vessels which they had to purchase at free prices (*ibid*).

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<sup>27</sup> The Soviet fleets used to work in South-Eastern and South-Western parts of the Atlantic Ocean, in the eastern part of the Indian Ocean around African coast, and in the South-Western Pacific. The Northern part of the Atlantic Ocean was a traditional fishing area for Russian fleets.

<sup>28</sup> The state order implied the required volume of fish that was to be caught by the Northern fleet. Since Russia had centralized planning economy the planned volumes of industrial output were set by the government each year. The substitution of «state order» for «recommended volumes» meant that the fleet was advised to catch a certain amount of fish but did not necessarily have to fulfill it.

<sup>29</sup> The Head-Office of marketing and Sale of fish products of the Northern basin

The privatization, accelerated by the government, failed to bring beneficial results but did not ruin the fisheries. The capital assets of major fleets were not dissipated. Controlling blocks of shares were kept by the employees, though their distribution was made in accordance with the «position<sup>30</sup>» of the holders. In addition to the three largest regional fishing fleets (Murmansk Trawl Fleet, Murmanrybprom, Sevrybpromrazvedka) there appeared 55 newly-born «babies» (small fishing companies) by 1995. They bought vessels from traditional fishing enterprises that used the situation as a possibility to get rid of obsolete, worn out vessels selling them to the small companies. However, the purchasing of a vessel very was often used as an opportunity to obtain quotas which could be resold straight away. The efficiency of the northern fishery basin was decreasing year by year (ibid).

The state management of fisheries was nearly lost during the years of the reformation. Sevrybpromrazvedka gradually reduced the number of scientific-research vessels from 11 to 2<sup>31</sup>. In 1996 209 days were spent for research activity; in 1997 – not a single day. The specialized scientific-research fleet was slowly but surely transforming into part of the regular industrial fleet though it proved to be much less efficient.

The exploration of distant fishing areas joined the category of «secondary needs». Prospecting with the purpose of exploration of the new fishing areas in the world ocean was closed down in 1992. A great number of obsolete vessels, expensive in operation, were not able to go fishing in the distant areas and were concentrated in the Northern Atlantic. Disunity and a huge number of small vessels prevented the efficient management of the fisheries and the fishing activity of the northern basin. The total catches and output of the enterprises fell dramatically during 1992 – 1994. The majority of the onshore fish processing factories and ship repairing plants stopped operating (ibid).

This did not contribute to a positive development of the fisheries in the North of Russia. The fisheries share in the total amount of production in the Murmansk region decreased from 33.6 percent in 1985 to 12.8 % in 2002. The depreciation of the main production assets in the region (vessels, fish processing factories, and infrastructure)

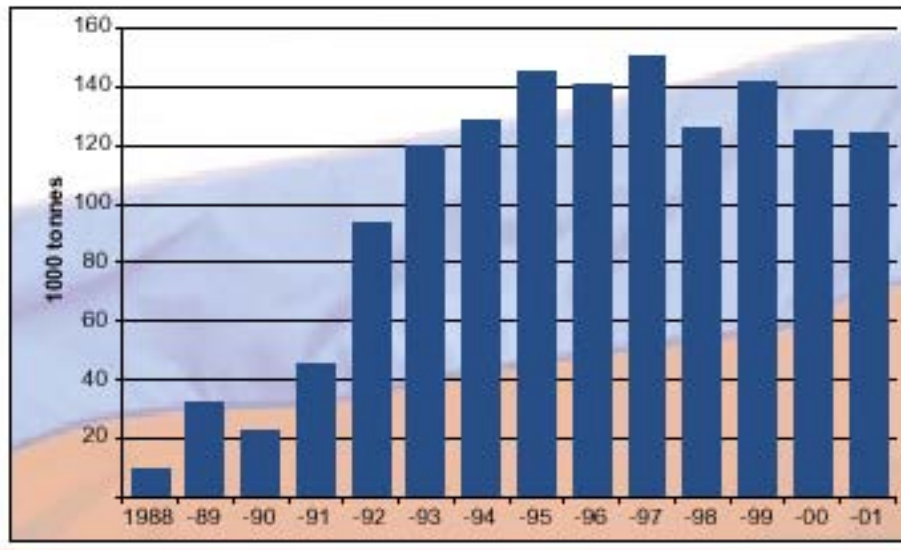
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<sup>30</sup> Position as an employee in a company.

<sup>31</sup> «Sevrybpromrazvedka» (Northern Fishery Survey-Research Fleet) as one of the oldest enterprises in the Murmansk Region was originally created with the purpose of conducting scientific research and finding of new fishing areas for the Soviet fleet.

reached 60 to 80 percent according to different estimations (Evenko, 2003: 2; Zacarnaya, 2003: 5). The production of Murmansk Marine Fishing Port, capable to handle 2.5 million tons of cargo, fell down.

Northern fisheries had to adapt to the changes and find ways to survive on their own without state intervention. Selling the fish directly in the areas where it was caught was tried to cut the expenses of transportation. There were 140 various joint ventures established on the territory of the Murmansk Region for that purpose in the beginning of 1993, 40 of them were directly connected to the fishing activity. At first it was economically profitable to establish enterprises of this kind of legal status since they were granted various types of tax privileges. The state was trying to attract foreign investments to the fisheries. However, a tax privilege was not the only attraction of cooperation with the foreign capital. This also turned to become an opportunity to get access to the western markets (Vasiljeva 2001: 11). Adding to the problems of the land-based processing industry in Murmansk, Russian exports of fresh fish (mainly cod) to Norway increased during 1990s (See Figure 11<sup>32</sup>).



**Figure 11. Volume of cod supplied to Norway by Russian ships during 1988 – 2001.**

<sup>32</sup> Source Fiskeriforskning No. 7, June 2002.

Russian landings of cod in Norway exceeded 140 thousand tons in 1995, while in 1988 they totaled less than 20 thousand tons. On the one hand it can be explained by the policy of the state government. The new legal framework made it easier to export fish to Norway. Another reason is the behavior of individual fishers trying to adapt to the new working conditions and gain the best possible profit for their enterprises. Norwegian buyers could offer high market prices (equal to those paid to the Norwegian fishers) and payment directly after landing. Many Norwegian companies offered advance payment and possibilities to provide vessels with gear spare parts and other equipment on terms of credit. Norwegian ports offered higher level of services for both crew and vessel (Bendiksen, Nilsen 2004: 35-36). By not calling at Russian ports, vessels were also able to avoid costly, time-consuming and annoying bureaucratic procedures which existed and are still in place in the Murmansk Marine Fishing Port<sup>33</sup>.

It has to be noted that Russian deliveries to Norway has decreased substantially during the latest years. A comparison of data from 2002 and 2003 shows a 42 % reduction from 123 to 70 thousand tons (Murmanskije Rybnyje Resursy, 46/2004: 11; 40/2004: 9). However a lot of Russian vessels still prefer to stay in Norwegian ports. According to the statistical information from the Murmansk Customs, only 40 out of 600 fishing vessels, registered in Murmansk port, come here regularly to deliver fresh fish and do repairing (i. e. they land other places on the international market) (Rybnaja Stolica, 18/2004: 2). The specialist of Kola Scientific Center have counted that the Murmansk region budget loses annually around 600 million dollars for the reason that the fishers prefer to deliver their catches to foreign ports (Rybnaja Stolica, 31/2004: 2).

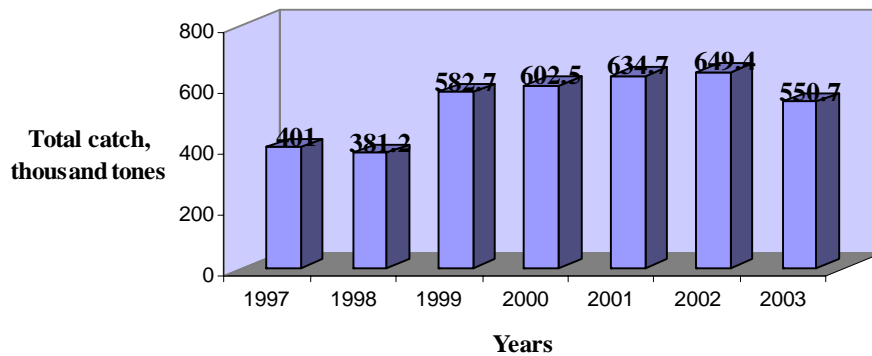
The reorientation of Russian ship-owners to export of fresh fish and the import of services in account of future deliveries to the foreign ports improved their financial situation. But on the other hand it had negative consequences leading to the loss of employment opportunities in Murmansk and consequently to the destruction of land-based fish processing factories. Murmansk Fish Combinat that was the largest fish processing industry complex in the Soviet Union has been practically «at a standstill» since the mid-1990s (Hønneland and Nilssen 2001: 477).

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<sup>33</sup> According to the recent information there are 25 various controlling authorities which inspect vessels when they call at the Murmansk port. As a rule most of them require certain fees for providing vessels with the required papers and permissions (Interview with Anatoly Evenko).

The newly gained experience of the fishers had a constructive affect on the development of the industry. Having parted with the Russian fish processing and removed the fleet from the distant fishing areas the enterprises cut their running expenses. The recovery of the main industrial stocks in the North-Eastern Atlantic provided increased catches and consequently enhanced profits (Vasiljeva 2001: 13). Having pushed off from the «*bottom*» of 1995 the fishing enterprises of the Northern basin started a difficult process of recovery.

The industry managed to improve its performance in the late 1990s. The catches of the regional fleets grew steadily (see Figure 12). The amount of fish products produced at the region increased.



**Figure 12. Catches of the Murmansk Region in 1997 - 2003<sup>34</sup>.**

The complete privatization of fisheries is by several informants of this study considered to be a tactical mistake. This process started in euphoria of independence when everyone wanted to work alone and be an owner. Privatization led to the destruction of large industrial enterprises, to the appearance of thousands of new ship owners. This caused the dissipation of the financial capital.

There is an opinion at the regional level that large and financially strong enterprises are as a rule basic for the development of any industry. «*Small and middle-size companies, the amount of which grew enormously as the result of destruction of planned economy, are not able to push the development of fisheries. Only big*

<sup>34</sup> Source: Zilanov 2004b: 6.



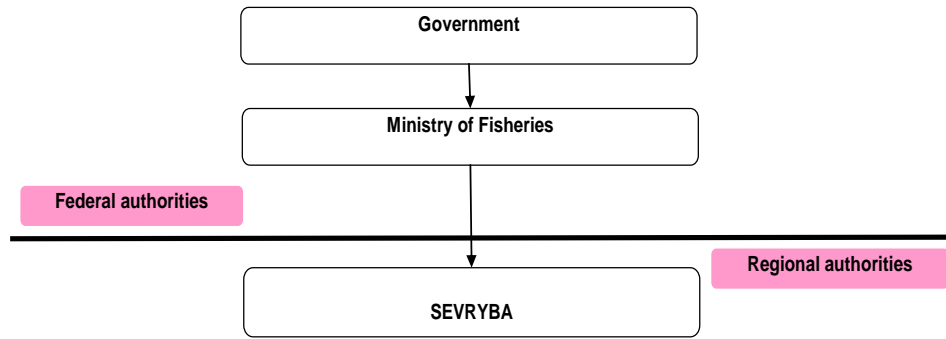
*transnational companies, able to accumulate considerable financial resources, can move the economy of a country »* (Interview with G. Tishkov). The overall crisis in fisheries is to a great extent considered to be the result of the destruction of large enterprises.

Another consequence of privatization is numerous cases of embezzlements and stealing of state property due to the uncontrolled sales of vessels. Before privatization started, the total Russian industrial fleet consisted of 26 thousand vessels, all of them belonging to a small number of large enterprises. Today it includes a bit more than 3 thousand; and the number of companies connected to fisheries in one or another way increased to 4 800. (Jurkov 2004: 11).

### **3.2. Institutional arrangement in the Northern fisheries under the Soviet management practice**

In the following sections I shall outline the process of changes that took place within the legal framework and in the system of resource allocation and monitoring and control during the years of economic transition. These sections discuss the main institutional changes that took place in the fisheries complex both at the federal and at the regional level. A special focus is made on the role of Sevryba in the structure of the northern fisheries management and the consequences of its elimination. This section discusses the institutional set up in the northern fisheries under the Soviet practice.

The fisheries management system of the Soviet period was built as a hierarchic structure (see Figure 13). The process of centralization of the northern fisheries started in summer 1929 when the fisheries administration became concentrated in one management body. The first Russian Ministry of Fisheries was established in 1946 (Rybnyje Resursy 2003: 8). Since then the Ministry was the main institution responsible for the organization of the activity of fisheries in all fisheries basins.

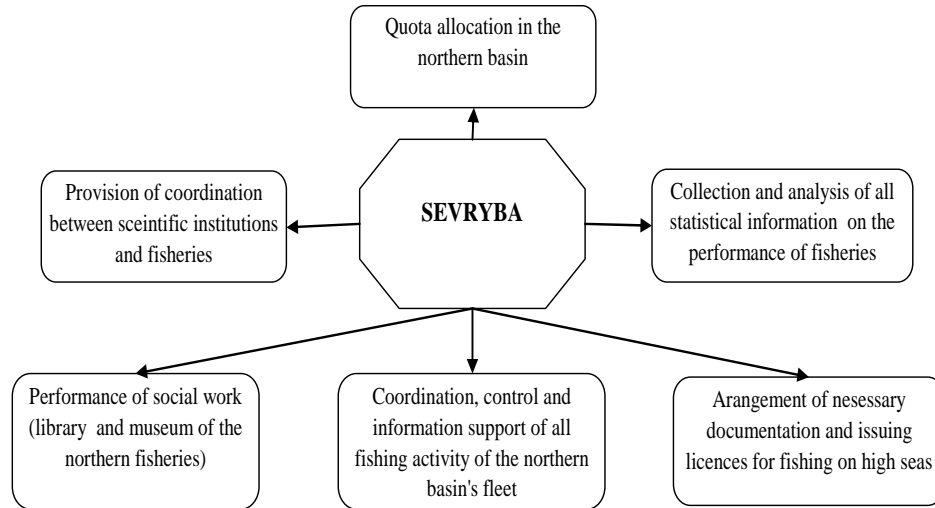


**Figure 13. The structure of the fisheries management authorities at the federal and regional level in Russia during the Soviet period.**

In September 1962 the Central Administration (*GLAVK*) of the fishing industry of the Northern basin «Sevryba» was established. The main objective of its activity was the management of the fishing enterprises and organizations of the Murmansk and Archangelsk regions and Karelia (Rybnyje Resursy 2003: 15). During the Soviet period Sevryba was a federal structure which governed and coordinated the activity of all fishing enterprises and the northern fleet of the northern fishery basin including the control of quota allocation and establishment of other regulatory measures (see Figure 14). It was completely subordinate to the Soviet Ministry of Fisheries. In other words, Sevryba was «*the extended arm of the Ministry of Fisheries in the region, a typical implementing body*» (Hønneland and Jørgensen 2002: 362).

The association of fishing companies in the northern basin of the Soviet Union (*VRPO*), «Sevryba» (*North Fish*), was founded in 1965. It was given the status of General Directorate of the Soviet Ministry of Fisheries in Northwestern Russia. Similar bodies were established in the far East («Dalryba»), the Baltics («Zapruba»), the Caspian Sea («Kaspriya») and the Azov and the Black Sea («Azcherryba») (Hønneland and Nilsen 2001: 475). At the beginning of 1970s there were 54 autonomous enterprises, educational establishments and organizations under the supervision of Sevryba. From the moment of the establishment of the Central Administration, work on the improvement of the management structure and on reduction of staff expenditures was carried out. There were no organizations in Sevryba carrying purely managerial functions (Rybnyje Resursy

2003: 46). Only professionals were accepted into the staff of Sevryba because these people were responsible for all fishing enterprises of the basin.



**Figure 14. The main functions of Sevryba as a central management body in the northern fisheries during the Soviet period.**

Since the Soviet Union had a centralized economy, there were two establishments in the Muramnsk region responsible for the centralized provision of food, gear and fuel for the vessels (Sevrybsnab or the Head-Office of Material and Technical Supply) and for the centralized realization of fish and fish products produced by the fleet and enterprises of the Northern basin (Sevrybsbyt). These two organizations operated as a part of Sevryba's structure.

The so called «*head offices of fishing area*» existed in all fishing basins including the Barents Sea basin. The position of the head of such office was equal to the position of the head of the GLAVK's deputy. These offices dealt with all daily issues on bunkering, loading, unloading, etc. All activity was arranged in a simple and efficient way.

There was no separation into the federal center and region at that time. The regional fisheries administration did not exist as such. The region was a part of the whole. The Catch Council that existed as a division of Sevryba took most of the decisions at the

regional level and sent them to the Ministry of Fisheries in Moscow for approval. The feedback from the centre was usually very quick (Interview with V. Moskalenko).

Though Sevryba was a federal authority in the region and the power to take final decisions was nested in Moscow, the region had considerable influence on the process of decision-taking in fisheries. All staff employed in Sevryba including the top managers were representatives of the regional fisheries community. Since the operational administration was done at the regional level, these people took the majority of managerial decisions.

### **3.3. Institutional arrangement in the Northern fisheries during the transition period**

With the dissolution of the Soviet Union the irreversible changes in the strategy of fisheries management started. The established management system was forgotten. The Federal management authority relieved itself of the responsibility for the results of the activity of the fisheries. The basin principle of management of fish resources and coordination of the activity of enterprises including «*catch-processing-sale*» was abandoned (Rybnyje Resursy 2003: 52). The new institutional framework set by the break-up of the Soviet Union and the establishment of the Russian Federation in December 1991 reduced the status of the federal body responsible for fisheries from that of a ministry to a state committee.

Ministries and state committees are various types of administrative bodies at the federal levels. The ministries are placed higher in the political hierarchy since their leaders are members of the Government, but state committees are not subordinate to any ministry. Therefore, the federal body for fisheries management became a lower level authority after the dissolution of the Soviet Union, but remained an independent administrative body (Hønneland and Jørgensen 2002: 361).

Being a successor of the former soviet Ministry, the State Committee took all the responsibilities of fisheries management. In April 1997 an attempt was made to dissolve the State Fisheries Committee by temporarily depriving it of its status as a state committee and incorporation it into the Ministry of Agriculture as a department for

fisheries. The status of the committee was restored in September 1998 (Hønneland 2005: 55).

However, from August 1997 responsibility for enforcement at sea was transferred from Glavrybvod, a department under the Committee that was in charge of all enforcement activities, to the Federal Border Service. A federal law *«On the Border Service of the Russian Federation»* was passed in May 2000. This law has finally settled the functions of state control for the extraction and protection of the marine commercial species under the auspices of the Federal Border Service (Interview with V. Berezkin).

The Ministry of Economic Development and Trade turned to be another rival of the State Fisheries Committee. A system for the sale of fishing quotas by auctions as a method of resource allocation was put into practice in 2001 largely due to the influence of this institution, even though the Committee on fisheries objected.

G. Hønneland on discussing the relationship between these two federal authorities, argued that the cause of the rivalry between them was a *«conflict of interest between the traditional «fisheries complex», which wanted food security, employment in Russia's fishing industry and the Ministry of Economic Development and Trade, which was (and is) more concerned with financial revenue to the state budget»* (Interview with G. Hønneland). With the introduction of the auction system of resource allocation in 2000/2001 the stage provided more income from the fisheries sector. After elimination of the auctions, fees on fish quota were implemented instead. The point here is that from the point of view of the fishing industry the changes might not be seen as something good. But from the point of view from society at large, the changes might be a good thing since they bring more money to the Russian state (ibid).

Despite attempts of various power agencies to deprive the State Fisheries Committee of its status, and the high turnover of the head of the committee, and even with the negative reputation gained by the committee during the years of existence, this management authority was able to survive. It managed to preserve its status until 2004 when it was eliminated in accordance with Presidential Decree *«On the system and structure of the federal executive authorities»* No. 314 of March 09, 2004.

### **3.4. Principles of quota allocation**

Until the end of 1970s there was no quota allocation in Russia. Companies were forced to carry out fishing in the Barents Sea. Everyone preferred working in distant areas since this activity was subsidized by the state.

The distribution of fish quotas in the Murmansk region during the later years of the Soviet era was carried out by Sevryba. This responsibility was transferred to the Technical-Scientific Catch Council (TSCC) (*nauchno-promisloviy sovet*) in 1990. Representatives from Sevryba, federal authorities and marine research institutions were members of the Council. The TSCC divided the TAC between the federal subjects. However the total control of quota distribution remained with Sevryba due to its strong position in the Council (Hønneland and Nilsen 2001: 478). The regional fish council was established as a division of the regional administration in the Murmansk region in 1994. The catch capacity was the basic principle of quota allocation. The regional fish council then divided the quotas between the ship-owners according to the expected catches<sup>35</sup>. Sevryba also had a steady position in the regional fish council. All decisions made by both the TSCC and the regional fisheries council had to be approved by the State Fisheries Committee (*ibid*).

The traditional practice of quota allocation has not changed much during the transition period though some new principles were introduced. From 1995 to 2000 the allocation was regulated by a preliminary provision of March 22, 1995 from state Fisheries Committee. Hønneland and Nilsen distinguish several attempts of reorganization of the existing allocation practice (*ibid*: 480-6). In 1995, factors such as *«the rights of indigenous peoples, the interests of fishery-dependent communities, contributions to research funding, rescue service, supervision and reproduction of fish stocks, and compliance with fishing regulations»* were taken into consideration (*ibid*).

Later, in 1997, a set of new criteria was introduced including the *«maintenance of employment, contribution to the social welfare of fishers, payment of taxes and catch of other species than cod and haddock»* (*ibid*). As a final point, *«fish supplies to the*

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<sup>35</sup> Before shipping companies were allocated new quotas, they had to prove that they had vessels with sufficient capacity at their disposal and that last year's quota was fished (Hønneland and Nilsen 2001: 479).

*domestic market*» were underlined in 1999 as a most important parameter for the quota distribution (ibid).

Hønneland and Nilsen concluded that the newly introduced principles of quota allocation could rather be explained as results of the changes and requirements of Russian economical and political transformations than presented as a purposeful attempt of the management authorities to change the resource management practice in general. This conclusion supports the assumption of the paper that changes which occurred in fisheries during the period economic reforms to a great extent followed the general situation in the country.

On December 27, 2000 a Governmental Resolution No. 1010 was issued. This resolution introduced a completely new institutional framework of quota allocation. A major change brought by this Resolution was the introduction of quota auctions from 2001. From now on a part of the total quota had to be «allocated» through the auctions. The major architect behind this project was the Ministry of Economic Development and Trade which insisted on the greater transparency of the allocation process and an increase in the revenues from the fishery to the state budget. The introduction of quota auctions has enhanced the power of the Ministry of Economic Development and Trade as compared to those of the State Fisheries Committee (Hønneland 2005: 58).

The auction procedure was simple. Those who wished to take part in fishing had the possibility to buy a right for fishing a certain amount of quota. The one who was able to pay the highest price got the right. An important point is that the right for fishing, which was actually purchased at auctions, was sold at a price much higher than the actual price for fish. This mean that the buyers had to compensate the money spent at the auctions. The simplest way to do that is to catch more than you are allowed without declaring it.

The auction system of quota allocation is by some considered one of the most crucial decision-making failures of the federal fisheries administration. Some claim that in the first place auctions have never been and cannot be treated as a method of quota allocation. This is a way of purchasing of a good according to only one criterion – the amount of money one is able to pay for it (Murmanskije Rybnyje Resursy 10/2003: 3, 10).

The amount of money pulled out from fisheries increased annually with the introduction of auctions. In 1999 the federal budget received 3.5 billion rubles. In 2001 and 2002 it was 5 and 7 billion rubles correspondingly (Rybnaja Stolica 50/2002: 2). In 2002 the Murmansk region fishers spent 1 100 000 (one billion one hundred million) rubles at auctions; in 2003 the figure increased to 2 600 000 (two billion six hundred million) rubles (Stepakhno 2003: 2). On the whole the federal budget extracted around 4.1 billion rubles from Murmansk fishers during three years of the auctions. Most of this money stayed in the center, only one hundred million rubles was returned to the regional budget (Zilanov 2004b: 5). Such expenditures weakened the unstable position of many fishing companies, many of which simply went bankrupt.

Being an attempt to regulate the allocation process, to get extra money (resource rent from fisheries) to the budget, to give equal opportunities for fishing companies, and to legalize the real revenues of fisheries, the auctions in reality led to the increase of poaching and bankruptcy of many<sup>36</sup> fishing companies. They have actually thrown Russian fisheries 2-3 years back in its development (Murmanskije Rybnyje Resursy 38/2004: 10). The auctions increased mistrust to the government since they provided advantage for quota purchasing for the fish magnates and foreign companies that carried out fishing in Russian waters (Titova 2003: 59).

The following quotation, taken from the interview of the former Chairman of the State Fisheries Committee E. Nazdratenko to Rossiyskaja Gazeta (Russian Newspaper), does not require comments. *«... Who takes part in the auctions? Ordinary fishers and bandits. The fishers put down their hands as soon as the price climbs up the ceiling. The bandits – laugh, buy. Most of them do not even have an office on shore; their companies are just one year old. No one cares about it. It is clear what this thug is thinking: now I am buying one lot, but I will sell twenty five to the Japanese. And no one will stop me... If an honest frontier guard comes in the way he becomes a personal mafia's hunting object... Quota auctions - is a show for those whose nerves are hardened by meanness. I say it loudly so that everyone could hear - we do not arrange the auctions. Not – we. We also do not choose the exchange place. During the last auction the exchange place has*

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<sup>36</sup> According to the statistics of the Union of private fishery enterprises in the North there were 17 enterprises that went bankrupt only in 2003 (Jakovlev and Kiselev 2005: 61).



*gained in just two days 33 million rubles for no particular reason, not doing anything, having just let the premises. If such money have been spent of the construction of new seiners in Severodvinsk! But not, there is no money for seiners. And after the auction they make two luxury dinners for the participants. I think, any fisher would feel dizzy if he has found himself at such a table. This is what is called – mean. Even such a dubious event as an auction is possible to carry out in not that cynical manner... » (Titova 2003: 59-60).*

The auction system of quota allocation was abolished at the end of 2003 by the Governmental resolution No. 704<sup>37</sup>. An immediate result was an almost three times increase in the amount of taxes paid to the regional budget from 364 million rubles in 2003 to 1.179 billion rubles in 2004.

### **3.5. SEVRYBA: transformation from a state owned to a private company**<sup>38</sup>

In autumn 1992, when privatization started, Sevryba was reorganized into a private joint-stock company. Twenty-three companies including ship owners, fish processing enterprises, a shipyard, research institutions, sales and supply organizations constituted the founders of the company (Hønneland and Nilsen 2001: 475).

Though privatization gave rights to the new participants of fisheries to perform independently, there was a tendency towards unification among fishing companies. In 1992 the «Union of Private Fishery Enterprises in the North» was founded that comprised of more than 130 small private firms directly involved in or connected to the fishing industry. In April 1993 the Union became a member of Sevryba.

The main structure of the fishing companies remained within the new institutional framework. The greater part of the approximately 450 fishing vessels located in the Northern basin were still controlled by a few fishing companies. The rest were distributed between collective fleet (*kolhozy*) and other newly established small private fishing companies (ibid: 476).

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<sup>37</sup> However, point 13 of the Resolution 704 states that the quotas for 1) the species that are newly allowed for commercial fishing and for 2) the species-inhabitants of the new areas where commercial fishing will be permitted are to be allocated through the auction system (for the period of five years).

<sup>38</sup> This section is for the most part based on the interview with the former General Director of Sevryba Grigoriy Tishkov and the materials provided by him.

The new status of Sevryba did not change the responsibilities of the company. It went on carrying the functions of managing the fisheries in the Northern basin. Sevryba's staff arranged documentation and issued licenses for the right of fishing in the economic zones of foreign states; received orders from the Ministry of fisheries on the allocation of fish quotas; provided cooperation between science (PINRO), controlling bodies (Murmanrybvod, Federal Border Service), the Government (the State Committee on Fisheries) and the Weather Forecast Service. They collected statistical information on all vessels and fishing areas and provided this information to fishers; carried out analysis of fleet performance and regularly gave advice on better location of vessels in the fishing areas. This and many other services were carried out by Sevryba for free, despite fishing enterprises stopped transferring money to Sevryba.

Though Sevryba still retained considerable power in the region after being privatized, it lost control over the enterprises that formed the association of fishing companies (Hønneland and Jørgensen 2002: 362). Regional authorities wished to increase their influence in the fisheries management process and reduce the dominant position held by Sevryba. That was one of the reasons of conflict that occurred between Sevryba's top management and representatives of the regional administration in the end of the 1990s that eventually led to the elimination of Sevryba.

Undertaking commercial activity changed the institutional identity of Sevryba. It was steadily turning into an active business company and the managements tasks were increasingly handed over to the regional administration (Hønneland and Jørgensen 2002: 362).

In 1998 Sevryba was formally deprived of its major federal management tasks. At that moment it did not affect the distribution of quotas among Russian fishers. Though the regional administration tried to gain the power to influence the management process, the State Committee on Fisheries, which took over the duties of the previous Soviet Ministry of Fisheries in Russia, had to sanction all decisions made at the regional level (Hønneland and Nilsen 2001: 478).

Though Sevryba still exists as a small fishing company, one can argue that the company ceased to be an influential actor in 2000 when the lasting tensions between Sevryba's top management and the regional administration grew into an open conflict.

By that time Sevryba had lost control both over its constituent companies and over the management process.

After removal of Sevryba's as a central management authority in the Northern basin and up to the present one of the central topics of discussion in the northern fisheries community has been a question of establishing a new «*basin management body*» that could take the responsibility of managing the entire northern fisheries basin. Though the Chairman of the State Fisheries Committee Jury Sinelnik promised to create a «*basin body*» during his visit to the region in autumn 1999 as a trial project, no federal decision on this matter has been taken so far (Hønneland and Nilsen 2001: 478-9). If this kind of management body had been created in the basin in the end of the 1990s it could have had a substantial influence on the power relation between the federal and the regional management institutions. It could have strengthened the position of the local management providing the opportunity for decision-taking in the region. Instead the situation turned out that the main power was concentrated in Moscow.

The elimination of Sevryba from the management structure also had very negative consequences for the management of the regional fisheries and for the industry itself. «*The main policy carried out by Sevryba was protection of the interests of all fish enterprises of the Northern basin. We used to have a good system in fisheries. Everything was planned; there was no chaos, no excess production. Destruction of Sevryba as a management structure has actually caused the destruction of management in the northern basin and of the northern basin itself. Being a centre of fisheries in the Northern basin, and in the whole North-West, the region turned into one of fourteen coastal regions, and not the strongest one politically and economically*» (Interview with G. Tishkov). Two-three months delay of starting an annual fishery in the region has become very usual during the last years (particularly since 1998) (Murmanskije Rybnyje Resursy 47/2004-05: 2). This as a rule happened due to the essential documents from the centre have not been prepared and sent to the region in time. However, «*such thing as a delay in the beginning of fishing season due to the absence of an order of the State Committee on Fisheries .... could never happen until Sevryba was destroyed. The most important is that Sevryba's staff understood their responsibility for the fisheries*

*enterprises in the region which can hardly be called a concern of the bureaucrats from administration»* (Interview with G. Tishkov).

Viacheslav Zilanov, the head of the Department of foodstuff, fisheries and agriculture of the Murmansk region, directly connected the negative tendencies in the performance of fisheries in Murmansk region during the last years to the withholdings in decision taking by the federal authorities to (Murmanskije Rybnyje Resursy 34/2004: 3).

One of the crucial consequences of Sevryba's destruction mentioned by its former managing director G. Tishkov was an increasing loss of resources that was reflected by the decrease in the amount of quota allocated to the Murmansk region<sup>39</sup>. Elimination of the Northern basin abolished the order of the Ministry of Fisheries on the delimitation of the Northern Atlantic fishing areas between the basins. According to this order the exclusive right to carry out fishing over the territory to the north of 40 degree of the northern latitude belonged to the fleets located in the northern basin. This order was respected by the State Fisheries Committee until the Northern basin existed.

As a result of Sevryba's elimination the regional administration got the right to oversee the process of quota distribution and give recommendations to the federal authorities. The final decision however was to be taken by the State Fisheries Committee.

### **3.6. The institutional changes in the system of monitoring and control**

The history of state regulation of fisheries in Russia goes back to 17s century and can be divided into three periods: pre-Revolutionary, Soviet and contemporary. During the Soviet period the first state institution responsible for control of aquatic biological resources appeared in Russian in 1934 (Kovaliov 2004: 9).

At present all fishing activities performed in the exclusive economic zone of the Russian Federation, on the continental shelf, internal marine areas and territorial waters are regulated by the Federal Laws *«On continental shelf of the Russian Federation»*, *«On exclusive economic zone of the Russian Federation»*, *«On the animal world»*; by the

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<sup>39</sup> Industrial quota has reduced seven times during the last six years (Rybnaja Stolica, 25/2003. Interview with G. Stepakhno, the General Director of the Union of Private Fishery Enterprises in the North)

Presidential Decree of August 29, 1997 and by The Rules of conducting fishing activity (Burakov 2004: 37).

After the dissolution of the Soviet Union and until 1998 all control of aquatic biological resources was carried out by the Department of the State Fisheries Committee called Glavrybvod. Murmanrybvod was a federal agency representing this organization in the Murmansk region and responsible for enforcement. The functions of Murmanrybvod traditionally included enforcement of fishery regulations in the rivers and lakes of the Murmansk region, in the Barents Sea and in international convention areas where the northern Russian fleet conducted fishing operations (Hønneland and Jørgensen 2002: 362).

In August 1997 the President passed a Decree No. 950 «*About measures of provision of control of marine biological resources and state control over this sphere*» (Interview with V. Berezkin). This document prescribed a reorganization of enforcement bodies. The Murmansk State Inspection of the Arctic Regional Command of the Federal Border Service was established in the region. Since 1998 all enforcement responsibilities on the control of extraction of marine biological resources inside the territorial sea (12-mile zone) and Exclusive Economic Zone were under the jurisdiction of the Federal Border Service. It was considered at that time that the Service are provided with better equipment to carry out physical inspections at sea and would be more efficient than Murmanrybvod.

Being deprived of the enforcement responsibilities at sea Murmanrybvod still remained in charge of control of the internal rivers and lakes and international convention areas. It was also responsible for issuing the licenses for the right to carry out fishing activities and collecting statistical information on the quota catches.

This new institutional arrangement caused a conflict between these two organizations. Though Murmanrybvod was supported by the majority of representatives of the northern fisheries, the Federal Border Services turned out to be a strong opponent. The Federal Law «*On the Border Service of the Russian Federation*» was passed in May 2000. This completely fixed the functions of the state control over the extraction of water biological resources and their protection with the Federal Border Service. This Service has become part of the Federal Security Service in 2003 (Interview with V. Berezkin).

It was accepted later that delegation of enforcement functions to the Federal Border Service did not lead to the expected results. The efficiency of the performance of this structure has been much criticized in the northern fisheries community. The cases of corruption and bribery among the staff of the Federal Border Service were also mentioned. Many at the region point out that their activity has been rather targeted at revelation and not to the prevention of poaching, though it is known that *«the legitimacy of management bodies is far more important than the extent of surveillance»* (Hønneland 2000: 11). On the one hand the some official information proves that the overall compliance among the fishermen has reduced last years. The data of the Natural Resource Committee of the State Duma state that Russia loses more than one billion US dollars per year due to illegal fishing (Murmanskije Rybnyje Resursy 47/2004-05: 3). According to the statistics of the Norwegian Department of Fisheries the actual volume of cod and haddock caught by the Russian fishing vessels exceeds the quota at least four times (Murmanskije Rybnyje Resursy 42/2004: 14). The annual loss from poaching and uncontrolled fish deliveries is estimated in Russia from 600 up to 800 million US dollars (Orlov 2004).

However, the Head of the Department of foodstuff, fisheries and agriculture of the Murmansk region Viacheslav Zilanov has strongly objected to the perception of the Russian fishers as poachers: *«There are too many myths that all fishers are poachers. And such an opinion that the most inveterate poachers are the Russian fishers is a completely wrong point of view»*. He argued that first of all, if the over fishing by the Russian fishers was really that high that would have straight away changed the situation at the world's cod market. Second, the reduction in the stocks of cod and haddock would have occurred, which is not the case at the moment. Finally, there are only 50 to 60 percent of the northern fleet's vessels operating annually and they work maximum half a year (Murmanskije Rybnyje Resursy 42/2004: 14).

His opinion is largely supported the Deputy of the Chairman of the Board of the Association of coastal fishermen and farm enterprises of the Murmansk region Sergey Milanov, who mentioned that *«criminalization has never existed in the Murmansk region on such shale as in the Far Eastern fisheries basin (illegal fishing, attempts to deliver fish abroad, etc.); of course such incidents have happened and still occur in our region, but*

*all this was too much exaggerated following the example of the Far East; all basins became the victims due to the reputation gained by the one».*

### **3.7. The legal institutional framework in the Russian fisheries**

The last Law on Fisheries was adopted in Russia in 1847. Since 1917 Russian fisheries was regulated by under-law acts (Jurkov 2004: 11).

The post-Soviet Russian politics to a large extent have evolved in a legal vacuum. On the one hand this happened because of the conflicts between the presidential administration and the parliament. On the other hand the centre-regional tensions also held back the legal process. This general tendency has found its reflection in fisheries as well. A range of fisheries management issues were regulated by Presidential Decrees, Governmental Resolutions and management decision at lower levels of the legal hierarchy (Hønneland and Jørgensen 2002: 360).

The institutional changes that took place in the fisheries administration brought a new legal framework. A set of legal documents have been developed and adopted by the government during the last years. These highlight the objectives and main directions of the development of a Russian marine fishing strategy and specify the ways of their implementation. Among the most important documents are:

- the law on the Russian Exclusive economic Zone, adopted in 1998;
- Federal Targeted Program «The Word Ocean», adopted by the Governmental Resolution No. 919 August 10, 1998;
- the Maritime Doctrine of the Russian Federation to the Year 2020, approved by the President of the Russian Federation July 27, 2001;
- the Concept of the development of fisheries to the year 2020, approved by the Government September 2, 2003;

The last but not least came:

- the Governmental Resolution «*On quotas of catch (exploration) of aquatic biological resources*» No. 704 of November 20, 2003 and
- the Federal Law On fisheries and conservation of water biological resources, passed by the State Duma November 26, 2004.

Though the real impact of the documents might be a topic for a debate they constitute a legal base for the performance of fisheries in Russia today. The documents set the main objectives for the development of fisheries as a «*stable performance of the whole system of fishing industry based on the rational use, conservation and reproduction of marine biological resources; resources that provide domestic demand for fish production, food independence of the country and social and economic development of the subjects of the Russian Federation which territories are adjacent to the coastal line and which economy is dependant on the coastal and ocean fishing*» (Zilanov 2004a: 4).

**The Governmental Resolution No. 704 of November 20, 2003** is considered one of the most important documents as it has put an end to the quota auctions established in 2000 and set up a new system of resource allocation. According to the Resolution each user is allocated a share of the Total Allowable Catch. The size of this share had to be set on the basis of the amounts fixed in the licenses for the extraction of the fish issued to the users during the period of the previous three years and also on the information from the Ministry of Economical Development and Trade of the Russian Federation about the ship-owners who managed to buy quotas at the auctions<sup>40</sup>. The shares were to be allocated for the period of five years<sup>41</sup>.

Even though the Resolution had its weak points it was treated as a relief by the fishers. The idea of the Resolution was an attempt to eliminate the possibility for bureaucrats to influence the process of quota allocation. It set up a mechanism for the allocation and bureaucrats only had to control if this mechanism is working. Given that it had provided five years period of resource allocation this document ensured stability for the fishing companies by giving them an opportunity to plan their commercial activity.

Though a historical principle was used as a basis of the definition of size of shares many users turned out to be «offended» in the end. It was argued that it would have been more correct to consider the figures of actual catches not the amounts allocated in the orders. If the principle of real catches had been used it would have provided for the strongest companies to form the majority of users.

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<sup>40</sup> Part 5 of the Resolution No. 704.

<sup>41</sup> Part 9 of the Resolution No. 704.



The major provisions of the Resolution No. 704 were fixed by ***the Federal Law of the Russian Federation on fisheries and conservation of aquatic biological resources in 2004***. Since the early 1990s the Federal Law had been under preparation by the Federal Parliament. It became adopted only in December 2004.

Disagreements between the federal centre and the regions in the first place and within the federal authorities (between the Government, the State Duma and the Federation Council and Presidential Administration) are considered the main reasons explaining why it took such a long time to pass the Law (Rybnaja Stolica 26/2003: 2). According to the vice-speaker of the Federation Council Valentin Goregliad the main problems that prevented the adoption of the Law were *«first, delimitation of authority between the different levels of state power and, second, determination of the system of resource allocation»* (Rybnaja Stolica 26/2003: 2). However there are other opinions among Russian political leaders on the delay with the Law. The Chairman of the State Duma Gennadiy Seleznev during his visit to Murmansk in December 2003 said that he sees the *«strong position of fish mafia»* as a main obstacle to the adoption of the Law (Rybnaja Stolica 48/2003: 1). The head of the Department of foodstuff, fisheries and agriculture of the regional administration Viacheslav Zilanov strongly opposed to that point of view: *«the fairy tales about «fish mafia» are for narrow-minded people and for political speeches during the election period. The only thing that prevents working out the law is unwillingness of those who are obliged to perform their duty and their unprofessionalism»* (Zilanov 2004b: 5).

Nevertheless the adoption of the law itself is considered by the majority of the participants of northern fisheries as a big step forward. The Law on Fisheries contains 53 *articles* that provide for its basic objectives: the regulation of fisheries, the allocation of quotas to the users, and conservation of the aquatic biological resources. One of the greatest advantages of the new Law is that it puts an emphasis on the long term use of resources. The allocation of quotas will be done for a period of five years. The share of quota allocated to vessel will be based on the real quantity of fish caught by the vessel in the period of the five previous years. Another important provision is that if a company is not able to utilize the allocated quota it has a right either to sell this quota at the auction or give it to another company, able to utilize it, according to a contract.

The new Federal Law puts an emphasis on the concept of «*coastal fishing*». All fish which is caught inside the coastal area is supposed to be delivered to the land-based fish processing factories. It is believed that this may provide conditions for the development of the onshore processing infrastructure.

However it is generally held that the new law is weak first of all because it is not a direct law. According to a preliminary estimation it requires not less than *42 additional enactments*<sup>42</sup> which will apply the law to different situations (Murmanskije Rybnyje Resursy 46/2004: 3). Some issues in the law are presented ambiguously leaving room for interpretations and abuse. This creates worries in the regional fisheries community. «*The Federal Law did not consider the regional suggestions fully. It requires a load of acts and resolutions which will again be changed with time. For some reason the federal law-makers do not what to be precise*» (Interview with A. Evenko).

A limitation of the Federal Law on fisheries is the lack of precision on certain issues. The Federal Law states that the shares withdrawn from users for different reasons are supposed to form the so called «*secondary market of resources*». They will later be sold through auctions. The weak point of the law is that the procedure of withdrawal is not developed and not described in any document. As a result there were several cases in the Murmansk region in 2004 where the unutilized quota was lost because the regional authorities were actually not able to deprive the users of their shares due to the absence of a procedure (Interview with A. Tiginov).

The Federal Law further defines *coastal fisheries* as a type of industrial fishing which sets an objective of delivery of all catches to the territory of the Russian Federation. A weak point here is that the Law does not define the limits of the territory within which the coastal fishing may be carried out. The Governmental resolution No. 704 of November 20, 2003 limited the coastal fishing area by twelve miles within Russian territorial waters<sup>43</sup>. This Resolution was applied to all fishery basins however it was initially worked out taking into consideration specific characters of the Far eastern fishery basin. The matter is that Okhotsk Sea, where the far eastern fisheries are carried

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<sup>42</sup> Including 14 documents on the level of the Government of the Russian Federation, 17 – on the level of Ministry of Agriculture, 6 – on the level of the Federal Agency on Fisheries, 5 – on the level of the subjects of the Russian Federation (Murmanskije Rybnyje Resursy 46/2004: 3).

<sup>43</sup> One of the provisions from the regional authorities to the federal centre that did not find any positive response so far was to increase the 12-miles zone up to 40 miles (Rybnaja Stolica 1/2003: 1-2)

out, is internal sea. The fleet is operating here not further than 10 – 12 miles from Kamchatka and Kurilskie Islands since Marianas Hollow starts there. The peculiarity of the Russian part of the Barents Sea is that the coastal waters in this part are not that rich biologically. The twelve miles area is a shelf zone with shallow waters. There is no separate coastal cod stock or other species, which would be located just in the area of territorial waters. Fish comes here at random (Konstantinov 2005: 6-7).

Taking into consideration the natural conditions and the fact that the coastal quota was 10 times increased since 2004, it might be very risky to limit the coastal fisheries to the twelve miles area. These management decisions became one of the causes of underutilization of quota by the coastal fleet that occurred in 2004<sup>44</sup>.

### **3.8. Quota fees – resource rent from the fisheries or just extra burden for the fishers**

During the whole post-Soviet period<sup>45</sup> the work on the creation of the legislative base that would in particular regulate the issues connected to the collection of payment for the use of fish quota was carried out. The ***Governmental Resolution No. 1490 of 14 December 1998*** introduced payment for certain types of the biological resources that was collected in some regions. During 2000 – 2003 ***the auction system of quota allocation*** that provided for collection of money to the budget in the form of payment for quotas was tested. Finally, the ***Federal Law No. 148*** introduced changes into the Tax code of the Russian Federation and established the fee for the use of water biological resources from the beginning of 2004 (Jumaev 2004: 41).

This obligatory payment is a way to collect the resource rent from fisheries and has in fact replaced the auctions. The total amount of payment is counted and the user of the biological resources must pay 10 percent of this amount before he is issued the

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<sup>44</sup> The coastal quota for cod was utilized only at 65% in 2004; the quota for haddock - at 78% (The figures are presented by Murmanrybvod).

<sup>45</sup> There were no any special fees for the extraction of the aquatic resources apart from ordinary taxes (income tax, value added tax, customs dues, property taxes) during the Soviet period and in the first years after the dissolution of the Soviet Union. This payment was extracted only from the foreign users (Jumaev 2004: 41).

permission for fishing. The rest of the sum is to be paid by parts every month during the period of the validity of the permission<sup>46</sup>.

Though the payment fixed was much less than the price which the fishers had to pay at auctions<sup>47</sup> this law was not treated with approval. The fee is to be paid for the fish which is still in water. The fishers have to pay the full payment for the amount of quota allocated even if this amount is not utilized. The money overpaid is supposed to be calculated and returned to the user next year but even the specialists from the Tax inspection found it difficult to explain the mechanism of this operation since it only exists in theory.

Resource fee is treated by many at the region as a sort of double taxation where a company first has to pay for resources (the quota) and later it has to pay all usual taxes. *«Such pull out of money to the state budget would have been logical in a country with highly developed fisheries, and a well developed, efficient fleet. Or another alternative could be a situation if the state was using such method of money collection in order to create a source of financing fisheries themselves and was using this money to develop the fishing industry»* (Interview with S. Milanov). The state is collecting money from fisheries depriving the companies of the opportunity to save money for the fleet modernization or other productive assets for instance. On the other hand, the money pulled out does not come back to fisheries but is spent for other purposes. As a consequence, the fisheries go down in its development. That is why the introduction of the resource payment is treated so negatively by many.

Hence, the major policy documents that constitute the legal framework for the performance of Russian fisheries have been adopted during the last years. Even though they have their weak point these documents have to be implemented. Taking into consideration the fact that they require additional sublegislative acts and provisions, there is scope for political and institutional contention on interpretation and implementation.

Chapter three has provided the outline of the economic and institutional performance of the northern fisheries during the years of the transition period. An

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<sup>46</sup> Article 333.5 of Part II of the Tax code.

<sup>47</sup> For example one ton of cod in the Northern basin costs 5000 (around 180 usd), haddock – 3500 (around 130 usd), Kamchatka crab – 100 000 (around 3 600 usd) rubles. Just for comparison, one ton of cod cost at the auctions around 760-820 usd in 2003 (Jakovlev and Kiselev 2005: 60), one ton of crabs 160 000 usd (Interview with S. Milanov).

overview of the institutional arrangement in the fisheries during the Soviet period was presented followed by the discussion of the changes that took place after the dissolution of the Soviet Union. Sections on the principles of quota allocation, system of monitoring and control and legal framework provided an illustration of the impact of the major institutional changes to the performance of other fisheries management institutions.

#### **Chapter 4. The new «power vertical»**

This chapter is aimed at presenting the latest institutional changes in the Russian fisheries. It presents an overview of the structural changes in the system of fisheries management that took place as a result of the administrative reform. A special focus in the chapter is on the relations between the federal and the regional fisheries management authorities. It includes a discussion of the legitimacy of the reforms and presents the point of view of the regional actors on the present situation in the Russian fisheries complex.

The absence of a main Federal Law on Fisheries that would set the objectives and define the basic rules on the performance of the industry was not decisive during the Soviet period. The state management in fisheries was strong and the system worked efficiently. The incompleteness of the legal framework was far more crucial during the years of the reforms since it contributed negatively to fisheries development.

The process of reformation in the fisheries management system has lasted for at least 15 years already. When the old Soviet structure was eliminated the fisheries were performing chaotically. The rules of the game were extremely unstable and were changing constantly. Almost every year new documents were experimented by the government, some of them contradicting to the previous ones. This situation continuously forced fishers to invent new schemes to adapt to the situation and find new ways to survive.

The main fisheries management authority at the federal level changed its institutional identity 6 times during 1990s and was transformed from an all-embracing Ministry of Fisheries into the State Fisheries Committee (Zilanov 2000: 65) which was substituted by the new institutional establishments in 2003. There have been 10 different leaders of the federal body during the last ten years, only two of them were professionals having appropriate (fisheries) background (Murmanskije Rybnyje Resursy 13/2004: 3). Since it is considered a bad form in Russian «*corridors of power*» to follow the strategy used by the predecessor each of the leaders brought his own team.

In addition to the problems stemming from the restructuring of the Russian economy, «*a long drawn-out period*»<sup>48</sup> of the reformation of the fisheries management

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<sup>48</sup> Mentioned by a State Duma deputy from the Murmansk region Valentin Lunceвич

system is another factor that has not contributed to the efficient performance of fisheries in the region (Portniagin, 2004: 3). The majority of the representatives of the northern fisheries community pointed to the destruction of the state management system in fisheries together with the long absence of proper legal framework and elimination of state support, faulty tax and customs policy as a cause of failure of the existing fisheries management practice<sup>49</sup>.

As a famous proverb states - *«fish becomes rotten from the head»*. This means that the present situation in the fisheries is closely connected to the existing state of affairs in Russia on the whole. The destruction of the system of fisheries management is to a great extent the consequence of the break down of the whole system of management in the Russian Federation. *«Russia has such a low standard of living first of all because it is managed deficiently»* (Rubchenko 2004: 45).

#### **4.1. Administrative reform**

The administrative reform initiated by the President of the Russian Federation in the summer of 2003<sup>50</sup> is one of the policy challenges currently facing Russia. The inefficiency of the existing system of state bureaucracy was the main motivation for the reform. The main concern of the reform is the rationalization of the state bureaucracies. The general objective is to improve the overall efficiency of the performance of state management in order to reduce the level of bureaucracy and to increase the capacity of public administrations in terms of higher efficiency and increased competence. The completion of the process of delimitation of authority between the federal executive bodies and executive bodies of the entities of the Russian Federation is considered one of the priorities of the reform. The economic component of the reform is the limitation of the state interference into the economic activity of business (Presidential Decree No. 824).

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<sup>49</sup> Almost all interviewed shared this point.

<sup>50</sup> Decree of the President of the Russian Federation No. 824 of July 23, 2003.

The employees of the former ministries had to perform three different functions at one time: that of a «headquarters' staff<sup>51</sup>» (*shtabnie rabotniki*), «field commanders» (*polevie komandiry*) and «supervisors» (*nadzirateli*) which controlled the «headquarter staff» and the «field commanders». They were too busy with routine work and did not have time to think about strategy (Shvydkoy 2004).

The idea of the reform, taken from European, first of all the Dutch, experience was simple (Shvydkoy 2004). According to the reform all the functions of the 59 previously existing ministries and administrations have been divided into three types: normative regulation, normative execution (control and supervision) and the functions on the provision of state services and management of state property. All functions (approximately 5.5 thousand<sup>52</sup>) were analyzed and the excessive ones were eliminated. The *new structure* of state administrations did not change; it includes *ministries*, *federal agencies* and *services* (*sluzhba*). But what have changed are the responsibilities of the ministries. Before the minister was responsible for the overall activity of his department; now he became responsible only for policymaking (normative regulation) and cannot influence the individual administrative decisions (normative execution). On the contrary, the head of the federal agency is supposed to deal with practical matters of control and supervision (normative execution) but is not allowed to set the policy for his administration. Federal agencies and services are not strictly subordinate to the ministries and can work independently on all issues except the appointment of the head of the administration, approval and execution of the budget (Morozova 2004).

The regional administrations were supposed to reform their structure as well. In accordance with the Constitution of the Russian Federation they are allowed to choose their own organizational pattern. But on the other hand, the organizational system of the subjects of the federation must correspond to the general principles of organization of state administration set by the federal law<sup>53</sup>.

Though the objectives of the reform were stated clearly by the government and the presidential administration, there was much uncertainty about its success and critical

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<sup>51</sup> Definitions used by the Russian Newspaper (*Rossiyskaja Gazeta*).

<sup>52</sup> From interview with B. Aleshin, the Head of the governmental commission on realization of administrative reform to the Russian Newspaper.

<sup>53</sup> Article 77 of the Constitution of the Russian Federation.



observations about the methods used among Russian policy critics. The most critical opinions were those considering the new administrative reform *«as reformation of the bureaucracy in the interests of the bureaucracy which is not supposed to change the life of an ordinary citizen»* (Gorshkova 2003).

One and a half year has passed from the beginning of the reform. Not a long period but sufficient for making tentative conclusions. What is happening in Russia today is an attempt of the government to build a *«power vertical»*, a new system of the arrangement of state power. However, discussions in press and in mass media create a negative impression about the efficiency of the ongoing changes.

Irina Khakamada, the Leader of the Party «Our Choice» thinks that *«this «vertical» according to the idea of its creators is supposed to lead to the strengthening of the power, but in reality it weakens the efficiency and the management of the state administration...Like this we shall end up with the restoration of the old Soviet Union...The ruling elite will immerse in its own affairs and will slowly become old and decrepit. The result may be...the destruction of Russia»* (Vorsobin 2004).

Viktor Makushin, the President of the company MAIR together with many other representatives of Russian business is very pessimistic about the reformation process. *«Today it has become obvious that the administrative reform which we have been popularizing so long has failed. We have not seen even a tiny improvement in the administration of the country...The system of the delineation of the authority between the main state power institutions is very inefficient. All the divisions into services and agencies caused nothing but further confusion and irresponsibility...The «vertical» is made of people who are not at all interested in its efficiency...The clans existing in the power structures today are in reality occupied with the problem of the maximization of their revenues from sale of job positions. Therefore if the power «vertical» really exists, it is only on the very top...The bureaucrat, unqualified and corrupted, has become a ruling class in Russia today»* (Rubchenko 2004: 40).

It is also interesting to observe how reforms in Russian are perceived by foreign analysts. The common point of view of the following is that the policy of the present government is aimed at converting the power balance between the center and the periphery in Russia to the favour of Moscow. Regarding the power balance between the

federal center and the regions J. Alexander (2004: 235) suggests that *«at a minimum, these reforms will limit all regional independence...At a maximum, they will undermine federalism in Russia, returning the political structure to something resembling its hierarchical and centralized past »*. Hahn (2003: 350) sees the main goals of Putin's reforms as an attempt to *« to strengthen the Russian state's executive vertical...These reforms have inordinately increased centralization and strengthened bureaucratic-authoritarian elements in Russian federalism»*.

It turned out difficult to find any positive opinion about the reform. Considering the above judgments it is hardly possible to talk about its success and efficiency. The heads of the agencies and services are oppressed by their dependence on the ministries; the ministers in their turn are in majority not satisfied that financial and capital assets are concentrated in the hands of agencies. Both are making the opposite decisions: the ministries are trying to gain direct subordination from their constituent agencies which in this way will become simply mechanical offices for the implementation of the other's (ministries') decisions; agencies and services are willing to prove that they are completely independent players, and *«no one except the God, the president and the prime minister can order them»* (Shvydkoy 2004).

*«Instead of building a «power vertical» a construction resembling a pipe was made. In this pipe a pressure of demands, suspicions, and fears is coming up from the bottom; from the top, erroneous managerial decisions are streaming down, strengthened by weakened regional filters»* (Pain 2002: 12).

#### **4.2. Turf wars. The present institutional arrangement in fisheries**

The latest institutional changes in Russia have found their reflection in the situation with the reformation within the fishery complex. The reformation in fisheries was carried out as a part of the administrative reform in Russia. A new institutional arrangement was in practice in fisheries from 2004.

The State Committee on Fisheries was eliminated in early spring of 2004<sup>54</sup> giving place to three (see Figure 15) federal bodies sharing management responsibilities in fisheries: the Department of Fisheries Policy of the Ministry of Agriculture, the Federal Agency on Fisheries and the Federal Service (sluzhba) on the Veterinary and Phytosanitary Supervision. All three institutions are subordinate to the Ministry of Agriculture.

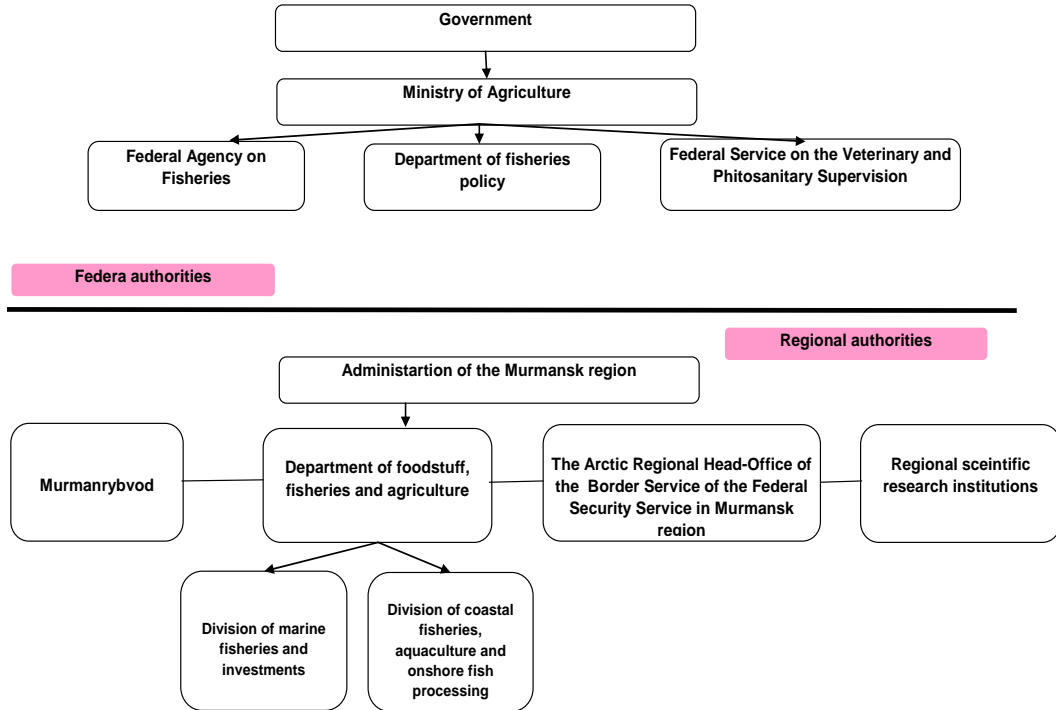


Figure 15. The latest structure of the Russian fisheries management authorities at the federal and regional level.

The main duty of the Department of Fisheries Policy is to define the overall policy in fisheries and to work out the normative documents according to which fisheries will function. The Federal Agency's on Fisheries responsibility is to provide different kinds of services in the sphere of fisheries. It has to deal with the operational issues such as monitoring, control and surveillance of water biological resources; research of water biological resources with the purpose of stock estimation and TAC setting; building of

<sup>54</sup> The Committee was eliminated in accordance with the Presidential Decree No. 314 of March 9, 2004 «On the system and structure of the federal bodies of the executive power».

vessels for the federal needs; development of aquaculture; arrangement of the auctions<sup>55</sup>; conduct of the state Register of the users of water biological resources; and others. The Federal Service on the Veterinary and Phitosanitary Supervision is dealing with control and supervision in the sphere of veterinary, quarantine and protection of plants, plant breeding achievements, control, reproduction, and use of the object of the animal world and aquatic biological resources. In fact the Service has replace Galvrybvod that carried the functions of control and supervision before.

Following the example of the federal structure the Regional Committee on Fisheries in the Murmansk region was joined together with the Committee of Agriculture. Before these two structures worked independently and were included into the Government of the Murmansk region with all the rights of juridical person. At the moment they are functioning together as a Department of foodstuffs, fisheries and agriculture. Legally this institution has the same status as the former Regional Committee on Fisheries. Its task is to define the strategy and the tactics of development of both fisheries and agriculture on the regional level. This body is subordinate only to the regional Government or, in other words, to the Governor of the Murmansk region.

The Murmansk Regional Border Service is an enforcement body that has remained responsible for control of fishing activity of the fleet at sea.

The administrative reform has eliminated control and supervision functions performed by Murmanrybvod before. This is provided by the Addendum No. 3 to the Governmental resolution No. 754 of December 8, 2004 «*On measures related to the provision of the activity of the Federal Service on the Veterinary and Phitosanitary Supervision*» (Murmanskije Rybnyje Resursy 46/2004: 2). At present Muramnrybvod is subordinate to the Federal Service on the Veterinary and Phitosanitary Supervision.

Though the reformation in fisheries was part of with the reformation of the whole administrative structure of the country it had some particular features. One of them, mentioned broadly, is a high level of corruption in the federal top management and criminalization in fisheries. During the years of the reforms the main management institution (The State Fisheries Committee) gained scandalous reputation. The economic

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<sup>55</sup> According to the Federal Law on Fisheries the shares withdrawn from the users (Article 32) and the quotas for the newly introduced resources (Article 29) are to be sold at the auctions.

constituent in fisheries management became deeply buried under the criminal one. The top leaders of the Committee never managed to keep their position for more than several months throughout the history of its existence (Arsiukhin 2004). There were a few cases when they were arrested and put under investigation. The main accusation was infringements with quota allocation. According to expert estimations the embezzlements in fisheries could easily achieve hundreds of millions of the US dollars per year since the system of control of illegal catches was almost destroyed (Kanatov 2004). The reputation of the Committee degraded causing a change of its institutional appearance.

Another reason to be mentioned was the failure of the existing fisheries management to achieve its objectives on fisheries development. Fisheries are multi-objective activities, serving a variety of social, cultural, political, economic and ecological goals. Fishery objectives are often viewed as falling into three principle categories: biological/resource conservation; social/equity; economic/productivity (Charles 2001: 72). None of these objectives were achieved in Russian fisheries during the period of the reforms 1990-2004.

It would be imprudent to argue that the management system which was in place during the Soviet time was perfect. It definitely had faults and needed to be reformed. But based on the opinions of the representatives of fisheries in the Murmansk region the shared point of view is that the old system was more efficient than the present one.

### **4.3. Legitimacy of the reforms**

The major result of the reformation processes that took place in 2003 - 2005 was the creation of a new tree-wings structure of fisheries management in Russian fisheries and the adoption of a new legal framework. Before all the authority was concentrated in one management body, either it was a Ministry of Fisheries during the Soviet period or the State Fisheries Committee during the years of the reforms. The administrative reform of 2004 has split the power between three institutions at the federal level. In addition, all of them became subordinate the Ministry of Agriculture.

The regional management structures have been reorganized as well. The old Soviet management system in the region with Sevryba playing a central role was eliminated. Sevryba as a management structure was not able to maintain its position in a

market economy. With the introduction of market reforms it was forced to undertake commercial activity and performed very successful. However, Sevryba could not remain both a management institution and a commercial organization.

The Department of foodstuff, fisheries and agriculture of the Murmansk region is functioning currently as a division of the regional administration. This institution was established in 1994 as a Fisheries Committee of the regional administration and managed so save its position as a participant of the management process in the northern fisheries.

It was not only Sevryba that changed its institutional identity and functions in the course of the reforms. Murmanrybvod gradually lost its position of an enforcement body giving place to a new actor – the Federal Border Service that took its responsibilities. However both organizations have remained subordinate to the federal centre.

Despite the fact that reforms are taking place constantly in Russia very little is actually changing (Shvydkoy 2004). Although the new reformation was carried out, has it improved the performance of the fisheries? In principle the reform of the federal bureaucracy has to be treated as a good thing since it brings consistency to the federal structure. It is now clearly defined, what the roles of the Department are (policy-making), the Agency (implementation), and the Service (monitoring and control). Among other things, the reform should reduce the possibility for corruption at the top level of fisheries management. The fact that the reform is a good thing in general does not mean that everything about it is good. Though many in the regions point to the positive sides of recent developments in fisheries (that includes the adoption of the Federal Law on Fisheries), there are certain issues that were disapproved of and are criticized by the representatives of the northern fisheries community.

It is a general point of view among regional actors that the existing system of fisheries management in Russia does not perform efficiently<sup>56</sup>. Reforms have brought a lot of new people to the federal fisheries management. Most of them were recruited from other industries and had no practical experience in fisheries. The result was a lack of professional managers at the federal level.

The reformation of fisheries management has followed the general tendency of economic reforms in Russia. The crucial changes in the structure of fisheries

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<sup>56</sup> This opinion is shared by all Russian informants.

management were brought by privatization. In fact these reforms led to the gradual elimination of the system that Russian had in the past. *«The vertical management structure, which existed in the fisheries management, is lost and this is done for nothing. It turns out that state resources are given into private hands. The state should have kept its position of a manager. The basin approach certainly needed may be even not tiny but serious improvements, but this is the only management system which should be in place... What we have now is a mess. This situation leads to the loss of control. Efficient management is the most important thing... I am not satisfied with the reform and do not see any positive results for fishermen. The form has changed but not the contents. The government probably had an idea to improve the system and make it less complicated. But if the system was functioning well why change it?»* (Interview with A. Evenko).

It is believed that splitting the management authority between three bodies has made the structure more complex and less efficient. This novelty is regarded only to have negative consequences for the development of fisheries. It *«has brought nothing but disorder and fight for power »* (Interview with S. Milanov) and therefore it cannot be efficient. A representative from Murmanrybvod, Sergey Baliabo, noted that *«biological constituent, being a very dynamic and constantly changing component, is one of the main in fisheries. Therefore disjointed management is not able to react to the changes in the situation and take the right decision on time »*.

A good practical example of how the new system works can be the problem which the fishermen came across right at the beginning of 2005. At the end of 2004 the Ministry of Agriculture issued an Order No. 498 *«On establishment of the minimal volumes of quotas for catch (extraction) of aquatic biological resources according to the vessel category, gear and type of resources»*. The document states that if the quota allocated to the company is less than the minimal amount stipulated for the certain type of vessel in this Order the vessel that belongs to the company will not get permission from Murmanrybvod for fishing activity. This document caused problems for many fishers, especially those occupied in coastal fishing.

The regional authorities tried to take action. A letter was sent to the head of the Department of fisheries. The Department suggested dividing the year into parts. In other words, if the company had a minimum for half a year it would have got permission for

that period, if it had a minimum for three months then it would be able to fish only during this time. The rest of the year the vessel would have to stay in harbor. A paper of such content was sent from the Department to Murmanrybvod. What happened later was that Murmanrybvod argued that they are not subordinate to the Department directly but to the Federal Service on the Veterinary and Phitosanitary Supervision and therefore Murmanrybvod is not obliged to implement this order. The result of the argument was 43 out of 54 coastal vessels stopped not being able to start there fishing season due to the absence of the appropriate permission (Interview with G. Stepakhno).

Another point about Order No. 148 is that the Federal Law on fisheries says nothing about minimal volumes of quota for vessels. This means that the order contradicts the federal law, but still remains active (Konstantinov 2005: 7).

*«Russia's previous experience shows that too many cooks spoil the broth»* - these words of the Deputy of the Chairman of the Board of the Association of coastal fishers and farm enterprises of the Murmansk region Sergey Milanov sound like a warning about the negative consequences that the following institutional arrangement in fisheries may have for the future.

The new institutional arrangement in fisheries has led to a concentration of the management power at the federal level moving the region away from decision-taking. On the whole that cannot be considered a wrong decision. However taking into consideration the lack of professionalism at the federal level and the high bureaucratization of the process this has caused negative attitudes at the regional level.

During the last years the extreme bureaucratization of the procedures at the federal level has caused regular delays with issuing the final orders according to which fishers can get their licenses in Murmanrybvod and start fishing season. That was for instance the reason for the coastal fleet in the Murmansk region to start fishing only in the end of April in 2004. The result was the under catch of the total amount of allocated quota. Only 65% (total 10 000 tones) of cod and 78% (total 2 000 tones) of haddock were caught by the end of the year<sup>57</sup>.

The underextraction of quota is unprofitable equally for the fishers and for the state. Both lose their profits if the quota is not utilized; the state does not receive taxes to

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<sup>57</sup> The figured are provided by Murmanrybvod.



the regional and the federal budgets, the fishers do not get their revenues from selling fish. This situation may be particularly dangerous under the present legislation. According to it, if a company catches less than 50 percent of the amount of the quota allocated during two years in a row it can be deprived of its quota<sup>58</sup>.

It has to be noted that the centralization of the management authority in fisheries can be considered a part of the overall political strategy of the Russian government. However the regional fisheries community is opposing and criticizing it a lot. *«The entire attempt to concentrate administration power on resource management in Moscow is first of all impossible, and second stupid. What a bureaucrat in Moscow who does not know the real conditions of fishing can do? How can he manage fisheries?»* (Interview with V. Torokhov).

#### **4.4. Center-periphery relations**

*"How to work when no one is listening to you, when you have to shout until you become hoarse in order to carry what you want to say to those, who takes decisions how you should catch fish? The hard of hearing federal fisheries bureaucrats would not be able to answer this question. They sometimes are not even able to produce an order that gives permission to carry out fisheries in the right time".*

Boris Savinkov<sup>59</sup>

The substance of the relationship between the federal subjects and the national government in Russia has undergone significant changes during the last fifteen years. This relationship has been one of the main issues of controversy since 1990 when the Soviet Union broke up. When the Russian Soviet Federative Socialist Republic (was renamed into Russian Federation in December 1991) declared independence in 1990, in struggling for power with former Soviet leader Mikhail Gorbachev, President Yeltsin quickly moved to undermine the central authority that had characterized power relations in the Soviet system in suggesting to regional leaders, *«Take as much sovereignty as you can swallow»* (Blakkisrud 2001: 63). In general the first years of independence were

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<sup>58</sup> Part 9 d) of the Governmental Resolution 704.

<sup>59</sup> Review (Obozrenie). Informational and analytical newspaper of the Kola region's economy. No 6/2005, p. 4.

marked by the decline of the central power. The Soviet structure was abolished, and the «consequent power vacuum initiated a spontaneous, ad hoc decentralization» (Blakkisrud 2001: 68). Yeltsin established highly personal relations with local officials to make his power base stronger. Between 1994 and 1998, Russia entered into forty-two separate power-sharing treaties with forty-six subjects of the federation. During the early 1990s, many regional leaders established dominating control over their regions, formulation their own economic policies and sometimes entering into agreements for international trade. The relations between Moscow and the regions were unsettled and often unpredictable (Nelson and Kuzes 2002: 5).

It was in this context of uncertainty in the centre-region relations that President Vladimir Putin signed a decree on 13 May 2000 creating a new structure for coordination from Moscow<sup>60</sup> (Nelson and Kuzes 2002: 6). In general Putin began a push for political centralization. He placed at the top of his agenda a policy of strengthening the state's «vertical executive» power and reintegrating Russia's «economic and legal space». The ensuing federal reforms – the reorganization of the Federal Assembly's upper house (the Federation Council<sup>61</sup>); the creation of seven federal districts; greater centralization of regionally collected tax revenues<sup>62</sup>; the revision of federal-regional bilateral treaties and agreements; and bringing regional laws and constitutions in accord with the Russian Constitution and the Federal Laws – have led to a considerable recentralization of power in the federal government and have weakened the influence of regional actors at the federal centre (Hahn 2003: 347).

Center-periphery relations in the sphere of fisheries management have to a certain extent followed the general tendency. Regional authorities, being subordinate to the federal authorities and to the Communist party, traditionally had no role in the

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<sup>60</sup> In accordance to this Decree the 89 subjects of the federation were combined into 7 federal districts (*federal okrugs*) each headed by a presidential representative that was supposed to become «eyes and ears» on the president in the regions and regain control over federal agencies that governors and republican presidents had come to dominate.

<sup>61</sup> Putin has reduced the role of the Federation Council by gradually elimination the leaders of the regions from it (Thumann 2001: 197).

<sup>62</sup> Under Yeltsin revenues were split roughly 50-50 between the federal and the regional levels of government. By 2002, Moscow was claiming 63 percent of all tax revenues and leaving 37 percent to the regions, violating the Russian Budget Code's 50 – 50 requirement (Nelson and Kuzes 2002: 15; Hahn 2003: 348).

management of Northern fisheries. The new Constitution of the Russian Federation was adopted in 1993. According to this document relations between the center and the regions fall under the jurisdiction of Articles 71 - 73 of the Constitution. These articles allocate various spheres of activity to federal, joint federal-regional, and regional jurisdictions, respectively. Article 73 gives regional authorities all spheres not listed in Articles 71 and 73.

The management of natural resources in the exclusive economic zone is considered a federal responsibility according to Article 71. The state's territorial waters are subject to joint responsibility of the federal and regional authorities (Article 72). Based on this, the question appears to what extent the Constitutional provisions are implemented in reality.

It has to be noted, that the role of regional authorities, especially the governors and their administrations, has been strengthened substantially during the 1990s (Hønneland and Jørgensen 2002: 361). In December 1993 an Agreement «*On coordination and mutual activity of State Fisheries Committee of the Russian Federation and the Administration of Murmansk region about questions of state's management of fisheries*» was signed by the Chairman of the Committee and the Head of the regional administration. The basin principle of management of aquatic biological resources was still kept by this agreement. The regional administration however was given a right to establish a regional fishery council as a joint operating structure of State Fisheries Committee and regional Administration. Representatives of regional fishing enterprises, scientific institutions and enforcement bodies were to become its members.

Such a fishery council was established as a department of the regional administration in 1994. That was the first attempt of the regional administration to get involved into the management process. This attempt came across strong objections from Sevryba that argued that fish stocks are a federal responsibility and that the regional administration does not have any practical regulatory experience of resource management in the region (Hønneland and Jørgensen 2002: 362). However the fishery council was operating and regional authorities managed to acquire some influence on quota distribution and other management tasks.

Since then, the position of the regional authorities and their responsibilities has been considered in further documents, issued by the federal authorities. One of the most important documents, Preliminary Provision on the order for allocation of total allowable catches of aquatic biological resources of March 22, 1995<sup>63</sup>, has been mentioned earlier in the paper. Another document is an Agreement between the Government of the Russian Federation and the regional Administration on the delimitation of authority on questions of possession, usage and disposal of aquatic biological resources signed October 30, 1997.

The regional fishery council changed its institutional identity several times throughout the years of its existence. Emerging as a council that was actually a division of the industrial department of the regional administration, it turned into a fisheries department, and to a Committee on fisheries later. At present it functions as a part of the Department of foodstuff, fisheries and agriculture of the Murmansk region (Interview with A. Tiginov).

With the establishment of the Governmental Resolution No. 1010 and introduction of the auction system of resource allocation the regional fisheries authorities lost much of its influence on the process (Hønneland 2005: 58).

Empirical information presented in the thesis suggests that regional authorities have succeeded in getting involved into the process of decision making in fisheries. However, according to the provisions of the main documents mentioned, the regional participation on the questions of quota allocation and other management decisions was seen more as preparation of proposals to the federal authorities on distribution of resources between the fishing companies in the Murmansk region.

The long absence of a well-defined strategy for the development of fisheries and the legislative bases that would regulate its performance brought about the situation when the relations between the State Fisheries Committee and the fisheries administration at the regional level resembled one-way street. This was a hierarchic relation where one side was giving orders and another one was trying to protect its interests. As a result of that

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<sup>63</sup> This document was the main principle of quota distribution in Russia until 2001 when the auction system of resource allocation was introduced.

the administrative and coordinating functions of fisheries management was replaced by a simple struggle for the right to allocate resources (Demenin 2000: 17).

Though Article 72 of the Constitution provides for joint responsibility for resource management inside the state's territorial waters between the federal and regional authorities, this «joint» responsibility is understood differently by the centre and the region. *«The federal authorities consider «joint» a situation when the region presents their proposals and the center either approves them or not. The regional perception of «joint» is when Moscow divides resources between the federal subjects and the latter take further decisions on allocation issues inside the region »* (Interview with A. Tiginov).

On the question about the system of power delimitation between the federal and the regional authorities the representative of the regional administration Aleksey Tiginov explained that *«there does not exist any delimitation in practice; since all aquatic resources are federal property according to the Constitution, they are at the disposal of the federal authorities»*.

In reality the scheme of the «cooperation» between the federal centre and the region is the following at the moment. In accordance with the Federal Law on Fisheries the power of resource allocation rests with the federal authorities. The rules of the game are clearly set up in by the Federal Law on fisheries. These rules are designed by the federal centre. The region has to follow the rules. In accordance with them the region works out proposals and the federal centre can either approve or cancel them. This concerns the allocation of the coastal quotas in particular, since this resource is under the joint jurisdiction of the federal centre and the region. Things are even simpler with the ocean quota. The federal centre sets out the rules and practically signs the contracts with each user on the extraction of quotas. Resources which belong to the exclusive economic zone of the Russian Federation are the federal property according to the Constitution therefore regional authorities decide nothing.

According to the new system of quota allocation all the users (fishers) are directly subordinate to the Federal Agency on Fisheries. For along time the regional authorities were trying to get the right for allocation of coastal quotas. The only thing that was allowed by the federal government is to decide on the allocation of the coastal quotas in

the form of preparing proposals to the federal authorities. The final decision taking was left for the federal centre.

The vice-governor of the Murmansk region Viacheslav Zilanov (2003) mentioned that during the last 10 years around two hundred laws on the resource use were passed in Russia. There were almost five hundred normative acts adopted in order to develop these laws. The general tendency is that year by year the legislative authorities of the federal centre have been withdrawing the power from the regions (Kuznetsova 2003: 3).

I spoke a great deal about allocation matter as one source of tensions between the regional and the federal authorities. However the objective of the thesis is to consider the broader range of issues that lead to disagreement between the two powers. Some issues (*auctions; unreasonable delays of production of orders by the federal authorities leading to the late starting of fisheries in the basin; the requirement of the regional authorities to create the Department, uniting Murmansk, Arkhangelsk regions and Nenets autonomous okrug; implementation of resource fees*) have been already discussed in the thesis.

One of the most pressing problems in the region at the moment is the situation with fleet deterioration. This however is relevant not only for the Murmansk region but for the whole country. There are no state subsidies. Small companies do not have enough money for modernization and even less for purchasing new vessels. It is also impossible to attract money with the help of taking bank credits since they require security for such loans. The situation has come to a deadlock. The vessels become more and more obsolete and require modernization. *«According to the existing forecasts, if the situation does not change radically we shall have some ten years of prancing along but afterwards there will simply be nothing to fish with»* (Interview with S. Milanov).

Another problem faced by the region at the moment is connected to the functioning of the *«secondary market of resources»*, or the shares turnover. The situation is that some enterprises have quota but do not possess capacity for its utilization. The others, on the contrary, have the capacities that are not provided with quotas. It is legally impossible to transfer quotas from one to another enterprise since the legal framework does not support this procedure. It is not clear when the appropriate document will be provided by the federal centre (Savinkov 2005: 4).

For a long time there was a debate between the federal centre and the region about the power delimitation in the sphere of fisheries. The regional administration wanted to take responsibility on all practical matters (Makarova 2004: 1-2). The region in particular wished to refer all issues connected to the creation and development of the coastal fisheries (including reallocation of quotas during the year) and on shore processing to the exclusive competence of the regional authorities (Murmanskije Rybnyje Resursy 19/2004: 1<sup>64</sup>). However it has already been mentioned that the regional competence only takes account of preparing the provisions for the federal centre where all concluding decisions are taken.

The new state fisheries policy assigns a restrained role to the subjects of the Federation. Executive regional authorities do not hold both political and economic power and hence have a minimal impact on the process of development and decision-taking in fisheries.

In the situation of administrative confusion and imperfection of the existing legal framework the regional fisheries organizations are trying to consolidate their efforts in order to protect the interests of the northern fisheries at the federal level. The three largest fishers' associations of the regional fisheries representing marine (the Union of Private Fishery Enterprises in the North) and coastal (the Association of coastal fishers and farm enterprises of the Murmansk region) fishers and fish processing enterprises (the Union «Murmanskiy fish processing complex») took a decision on cooperation in the end of April 2005. One of the primary objectives of this teamwork is provision of the regional population with fresh fish (Savinkov 2005: 4).

Chapter four gave an overview of the latest institutional changes in the Russian fisheries that took place during 2003 - 2005. It described a new structure of the Russian fisheries management that was formed as a result of the administrative reform of 2003-2004. The chapter discussed the development of the relations between the federal and the regional fisheries management authorities and the present state of the power delimitation between them. It presented the point of view of the regional actors on the present situation in the Russian fisheries complex.

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<sup>64</sup> I have use only two references in this paragraph. However the amount of articles in periodical literature concerning this issue is enormous throughout 2002 – 2004.

## **Chapter 5. Analysis**

Chapter five provides the analysis and of the empirical findings presented in chapter three and four.

### **5.1. Summary**

The central research theme of this thesis is *how the system of fisheries management is operating in Russia and in particular in the Northern fisheries*. The study provided a special focus *on the division of fisheries management authority between the federal centre and the Murmansk region*. In order to draw conclusions on the present performance of the Russian fisheries management I carried out the research on those changes and processes that occurred both in the Russian state and in the fisheries complex in the period after the dissolution of the Soviet Union. I considered this particular period important for my analysis since the most essential changes in Russia's political and economic life occurred then.

Perestroika (1985 - 1991), as a political process, is considered one of the greatest transformations of the Russian state that brought changes with a crucial impact on the political and economic development of the country. The present Russia can be called a product of perestroika (Tretjakov 2005). Perestroika brought democratization of all spheres, the freedom of word and publicity (*glasnost*), political and religious free will, and the right to self determination and legal opposition (Tretjakov 2005). Such political liberalization inevitably led to the relaxation of economic restrictions. The transformation from a command to a market economy was announced. The process of privatization of state property was initiated by the government. The prices that had been regulated by the state before were set free.

Changes in the overall policy of the Russian state caused modifications to the relations between the federal center and the regions. «A tidal wave of demands for increased autonomy swept across the Soviet Union» leading to a greater regional independence in the early 1990s known as the «*Parade of Sovereignties*» (Blakkisrud 2001: 63). However starting from 2000 the newly elected Russian president Vladimir



Putin brought a new emphasis into Russian politics that was based on increased state power and re-centralization. «*After a decade of devolution mainly by default, Russia embarked upon a path where centre-regional relations are to be developed by design*» (Blakkisrud 2001: 83, 86).

The processes that took place in the political and economic spheres of Russian society created a framework for the development of all branches of Russian industry including fisheries. Therefore it is logical to perceive the development of fisheries as an integral part of the development of Russia itself.

The reformation of Russian fisheries has been going on throughout the last fifteen years. Elimination of the old strict planning system of regulation at the beginning of 1990s became a shock for the whole economy and for the fisheries sector as its part. The fisheries had to adapt to a new market self regulation system. A large-scale privatization of the production asserts was carried out. It is important that all those changes took place while there was an absence of a legal framework

The new ship-owners, numerous and disunited, having no experience of carrying out management responsibilities on their own were forced by the circumstances and started to remove the fleet from high seas into the Russian Exclusive Economic Zone. The Russian fleet had a substantial overcapacity. With a reduction in fishing opportunities due to EEZs establishment by other countries and the increase of operational costs followed by the abandoning of state subsidies, had a negative effect on the fishing fleet and the industry. That meant that the fleet capacity had to be reduced. That is why such an extensive reduction of the fleet occurred in the first years of the reforms. The state withdrew itself from the management processes of regulation of the activity of fisheries as well.

The new ship-owners did their best to provide their vessels with quota. This was difficult because the total amount of quotas was much less than the size of the fleet concentrated in the EEZ. This period in the development of Russian fisheries is characterized by a large-scale pull-out of the financial capital both from the industry and the country<sup>65</sup>. Enhanced fleet exploitation caused its fast and high depreciation. The

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<sup>65</sup> The reasons for that were the impossibility to declare the real financial results of illegal fishing and temptation to avoid tax payment under the condition of weak state control

Russian fisheries turned into a raw-appendage of the neighboring countries (Zacarnaya 2004: 2).

By the end of 1990s the state gradually tried to enhance its regulative role in the fisheries management. The main indicators of the performance of fishing industry proved that the critical situation in its development became more and more obvious (Figures 1-7, pp. 9 - 11). State regulation was necessary to improve the situation. However, the government undertook not administrative but market measures of regulation. An auction system for quota allocation was introduced. This further intensified the pull-out of financial capital out of fisheries leading to additional obsolescence of the fleet and other production asserts (Zacarnaya 2004: 3).

The economic reformation of the Russian fisheries was provided by numerous changes in the institutional framework and organizational set up that have been discussed in chapters 3-4 of the thesis. The latest reforms in fisheries are reflected in the creation of the new system of fisheries management and the establishment of a legal framework that legitimated the new principles of quota allocation and finally set the objectives of the development of Russian fisheries for the period of the two next decades.

## **5.2. The three institutional pillars – revisited**

The theoretical chapter (section 2.7) of the thesis outlined the concept of three institutional pillars established by Scott (1995): regulative (rules establishment), normative (behavioral standards) and cognitive (knowledge). It was claimed that the functioning of these three pillars is a condition for institutional effectiveness. The overall objective of the research was to carry out the analysis of how strong have these pillars been in Russian fisheries.

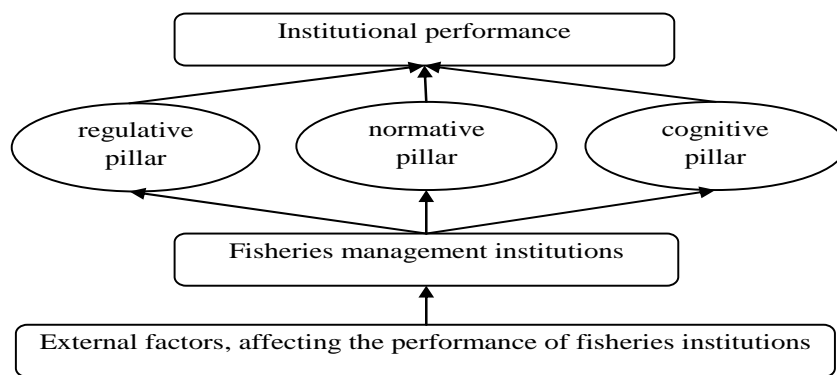
This thesis provided a research on the performance of the Russian fishing industry and on the functioning of the fisheries management system during the three historical stages<sup>66</sup>. The research emphasized the institutional changes that took place during the transition period and the latest years of the reforms. Since the Soviet period was the initial stage of my study, I compare the results achieved in the course of the reformation

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<sup>66</sup> These stages were presented by Figure 8.

of the Russian fisheries management system to the performance of this system during the Soviet management practice.

Analysis of the performance of the northern fisheries during most of the reformation period revealed many cases of inefficiency of this performance. Since the efficient institutional performance is provided by the three pillars I suggest that these pillars were not strong enough in the Russian fisheries management system. Figure 16 shows the dependence of the institutional performance on the functioning of the three institutional pillars<sup>67</sup>.



**Figure 16.** The influence of the three pillars on the performance of the fisheries management institutions.

A stable system of rules supported by «surveillance and sanctioning power» is one widespread perception of institutions (Scott 1995: 37). Empirical information suggests that Russian fisheries have been largely managed by operational<sup>68</sup> rules rather than by a stable constitutional framework. However, in establishing institution or changing the process by which operational rules are to be set up within an existing institution, the actors engage in constitutional-choice actions in the first place (Schlager and Ostrom 1992: 250). Constitutional rules construct a basis for the creation and efficient performance of operational rules. I perceive the absence of a well grounded

<sup>67</sup> The figure places the external factors as the forces which initially affect the fisheries management institutions. Why this is done so will be discussed in section 5.3.

<sup>68</sup> Division into operational and constitutional rules in natural resource management provided by Garder and Ostrom was presented in chapter 2 of the thesis.

constitutional base as one of the reasons why the operational rules in the Russian fisheries have been so unstable and changed so frequently.

The necessity of a steady legal framework was crucial for the efficient performance of fisheries in the Murmansk region. *«Today we need a good legislative base in order not to let our leaders throw out new ideas every single day. We need something stable, something that will remain the same from year to year. Things are changing constantly. One year is completely different from another»* (Interview with A. Evenko). The absence of a constitutive legal framework in Russian fisheries is considered one of the main reasons of the systematic crises that fisheries have been facing for a long time. This framework had to provide the main strategy of fisheries development in Russia and set the central objectives and goals. This is hard to choose the right route without knowing the main destination of travel. To a great disadvantage of the Russian fisheries the legal institutional framework started to be created only at the very end of 1990s when a set of the most essential legal documents including the Law on the Russian Exclusive economic Zone, the Federal Targeted Program «The Word Ocean», the Maritime Doctrine of the Russian Federation to the Year 2020, and the Concept of the development of fisheries to the year 2020 was adopted. However, all the mentioned documents existed without the main Federal Law on Fisheries, which was adopted only in the end of 2004.

*«Management is a tedious and hardworking job. But the first thing to be done is the program»* (Interview with G. Tishkov). It is necessary for the rules (constitutional rules in the first place) of the performance of fisheries to be clear, comprehensible and stable in order to provide a steady and efficient performance of the industry. The absence of a main strategy to a large extent was the reason of the chaotic development of Russian fisheries during the reformation period. It caused instability and a lack of foresight. Very often short-term decisions were taken that did not consider the real interests of fisheries development and the possible long term effects.

The instability of the fisheries legislative base can be explained by the overall situation in the Russian state during the period after the dissolution of the Soviet regime. Russia started from scratch as a market economy. Political and economic reforms initiated by perestroika very soon attained a chaotic character. This largely happened due

to the absence of a main strategy among the leaders of the process (Tretjakov 2005). The unsteadiness of the political situation was reflected in the economic confusion.

The adoption of the Federal Law on Fisheries in 2004 and the implementation of the new system of quota allocation in 2003 have brought stability to the institutional framework. However this Law requires a set of additional acts to be fully legitimate. Many individuals acknowledge the validity of the laws passed by the government without accepting their correctness (Dornbush and Scott 1975: 38-40 cited by Scott 1995: 36). I believe this to a large extent is the present situation in the Russian fisheries. The actors recognize the validity of the rules but the point is that they do not accept that these rules are fair and justified. In other words they do not consider them legitimate.

The second dimension which institutions are resting on (the normative pillar) includes both values and norms. These two concepts construct the standards that structure behaviour by imposing certain constraints and specify how things should be done (Scott 1995: 37-9). If the regulative pillar is focused on the rules, the normative pillar emphasizes how these rules are applied. Therefore, being focused on the defined rules, goals and objectives, the normative pillar assigns the appropriate ways to pursue them. This pillar is largely occupied with social obligation. When rules and norms are legitimate they are more likely to be respected and to be complied with. Compliance in its turn depends on the efficiency of the enforcement procedures performed by the management authorities.

Institutional behaviour is a morally governed behaviour (ibid: 39). That means that fishers have to feel morally steadfast to values such as honesty and respect for rules. If fishers do not behave in conformity with established rules the question arises why does it happen? One of the general conclusions made by Hønneland (2000: 18) is that *«a high degree of legitimacy of regulations, management procedures and enforcement body contributes to individual compliance among fishermen»*.

The decision to strip the State Fisheries Committee in August 1997 of its enforcement responsibilities was followed by a media campaign showing it as fundamentally ineffective and corrupt and therefore unfit for this type of task (Hønneland 2005: 55). However the intentions to transfer enforcement responsibilities to the Federal Border Service that eventually became a successor of Glavrybvod was implemented only a year after due to the resistance throughout the fishing industry because it had no

competence in fisheries. Unfortunately the Federal Border Service has not managed to gain a reputation of the respected enforcement body among the fishers and to increase the level of compliance.

The state authorities have replaced the system of regulation of fishing activity that had been created in the Russian fisheries throughout 70 years by a militarized guard system. The state ceased to regulate (manage, control, study) poaching. The frontier guards do not control the fishing activity even if they are observing the fishing vessels, because they do not know and understand what the proper way to carry out this type of activity is. They have another background and other tasks the objectives of which are to catch the infringers. And so they do by trying to catch as many violators as possible but not striving to prevent the poaching.

To the conclusion made by Hønneland (2000: 18) I would add that it has to be considered, that fishers adapt to changing circumstances. Liberalization of policies and withdrawal of the state from the process of managing fisheries led to the overall relaxation of state control. The economic circumstances that Russian fishers became faced to after the introduction of the auctions made their situation more difficult. Though this does not justify them, it can provide an explanation that in order to survive some of them were forced to undertake illegal fishing.

There is much talk about the criminalization of fisheries. I believe that the criminalization to a certain extent exists in fisheries, as in any other branch of the industry. However, it was initiated in the first place by the absence of strong and permanent authority, by frequent change of leaders and by the changes of the institutional identity of the federal management body. Feeling themselves short time favourites and being corrupted, the bureaucrats abused their position and deliberately tried to gain as much as they could while they kept their place. The fisheries have been criminalized not by the fishers, as it is being imposed now, but by the bureaucrats themselves.

*«The power of institutional decision-makers rests on their ability to offer benefits in exchange for compliance and on their ability to monitor and coerce the noncompliant»* (Levi 1990: 417). So, which benefits did the Russian federal authorities offer to the fishers? The instability of the political and economic situation accompanied by the absence of an efficient legal framework, unprofessional fisheries management, the

introduction of an extortionate auction practice and eliminated state support. It could be claimed that the state did not support fisheries and consequently have not received much in return.

The third (cognitive) institutional pillar is focused on knowledge in fisheries management. As G. Tishkov noted in his interview that theoretical knowledge is an essential prerequisite of practical actions. But what knowledge did Russia have before the reforms were introduced? Was there any strategy of the reforms?

The government announced the transition to a market economy as a new objective of economic development. The matter is how the actors in fisheries sector understood what a free market is. Being influenced by the old ideas, Russian politicians and economists imagined the «*free market*» as a market which does not depend on state influence. But in the whole world the «*free market*» is understood as a perfectly competitive market where monopolies do not exist (Zacarnaya 2003: 5). «*Unfortunately we have never been taught what «free market» is and how to work under its conditions. The mass media kept saying that «free market» is good; that «invisible hand» will put everything to its own (the right) place and private property will provide unbelievable rate of economic growth and public welfare. Time showed that things are going in exactly opposite direction*» (Interview with G. Tishkov). It turned out that the market economy brought together even more tasks to be solved than the planned economy.

Privatization cut the state's involvement in the fisheries sector. The leaders of the federal management body changed frequently, most of them having no professional background in fisheries. The old management structure that had been created during the Soviet period was gradually eliminated. The new ship-owners did not have substantial knowledge, neither theoretical nor practical, about fisheries management. Most of them were overwhelmed with independence and the new «opportunities» that the absence of efficient state control brought to them. However the private property on the main productive assets does not imply elimination of state involvement into the process of fisheries management. The state following the interests of its citizens must govern the fisheries under the market economy. This should be done by using the economic but not administrative means of regulation, supporting what is useful for the economy and discouraging what brings the opposite effect (Romanov 2004: 9).

Any process happening in a society must be governed if we want to achieve positive results. *«Type of property does not play any role in management. The result depends on the quality of management and on the objectives put by the managers or the owners. All types of property are good under the free market conditions. That is why everything depends on how efficient management is carried out »* (Interview with G. Tishkov). But in order to have efficient management professionals are required that possess appropriate knowledge, economic, managerial and also scientific. It usually takes time to train such specialists. Russia had an established fisheries management practice, knowledge that was generated and institutionalized through the years of practical experience. With elimination of the old system of fisheries management Russian has in a way deprived itself of that knowledge.

Analysis carried out in this subsection suggests that the three institutional pillars have not been strong enough in Russian fisheries throughout the years of the reforms. The federal legal framework that adjusts the overall performance of fisheries was underdeveloped. The normative standards provided little individual conformity and were poorly enforced. The knowledge that was supposed to inform decision-making was not sufficient. The weakness of the three pillars is one of the reasons of instability of the institutional framework in Russian fisheries management and inefficiency of the fishing industry in the reformation period.

Has the situation improved with the latest institutional changes? I would argue «yes to a certain extent». Though there is a lot of critique throughout the northern fisheries community, it is accepted that the Federal Law on fisheries has brought stability to the most important issue – quota allocation. However adoption of such orders as No. 498 (On establishment of the minimal volumes of quotas for catch (extraction) of water biological resources according to the vessel category, gear and type of resources) reminds that there is still too early for the fishers to feel relaxed.

### **5.3. Institutional changes and the administrative reform**

I conclude that institutional changes that took place in the Russian fisheries complex are a product of both external and internal driving forces. Under external



circumstances I place the processes that went on outside the fisheries complex. Institutional development is embedded in numerous social, cultural, and historical factors that define the parameters of permissible change (Peters and Pierre 1998: 574). The economic and political reformation of the Russian state that was primarily initiated by the perestroika processes became a crucial factor in the transformation of the fisheries sector. The Russian fisheries organically responded to the external changes that took place outside the fisheries complex and were strongly influenced by those changes. This was necessary to occur in order to reach correspondence between the evolving political regime and the values that already existed in the established institutional order.

On the other hand, fisheries constitute a complex set of various institutions both at the federal and the regional level. These institutions carry out different responsibilities and conduct relations with each other trying to protect their interests and their position in the institutional hierarchy. I call the processes of interaction between various institutions inside the fisheries complex internal driving forces. These driving forces influence the institutional changes that occur to the fisheries from inside causing further institutional changes. For example, if any change is implemented at the federal level it is supposed to be further established at the regional level. This process can effectuate other important social processes at the regional level that would provoke even further institutional transformations at the federal level.

I consider external forces the main drivers of the institutional changes that took place in the Russian fisheries (return to Figure 16 in the previous section). This is largely because they pushed the whole process of transformations. External forces affect the performance of the fisheries management institutions which are supported by their three pillars.

Though I emphasize the impact of the external forces on the performance of fisheries institutions, changes that occur inside the fisheries complex should not be underestimated either. They create a source of continuous institutional changes that may happen even in the absence of the essential external circumstances.

If we return to the Peters and Pierre's models of institutional change, exhibiting the two dimensions of institutional transformations, we can conclude that the processes

that took place in the Russian fisheries complex can be placed in the upper part of the table if the drivers of the changes are considered (see table 3).

		Nature of Process			
		Continuous	Discrete		
External		Contingent	Disruptive	Drivers	of change
	Internal	Organic	Enacting		

**Table 3. Institutional changes in the Russian fisheries management system as a part of the multidimensional model of institutional changes.**

This supports the argument that the external forces were the main drivers of the institutional changes in the Russian fisheries. However, as it was argued, it would have been a mistake to undervalue the impact of the internal driving forces despite the fact that their influence was not so crucial.

Nature of the process is the second dimension of the Peters and Pierre’s model. Considering this aspect the institutional changes should be placed under a discrete column. This is due to most of the changes were not gradually taking place but rather initiated events. The two models (disruptive and enacting) in this column are essentially different since they imply different driving forces of institutional changes and therefore suggest two patterns of behaviour. However, both of them support the arguments of the analysis. The disruptive model supports the conclusion that institutional changes in the Russian fisheries management were strongly influenced by the institutional environments (by the external driving forces in other words). The enacting model emphasizes that institutions themselves represented by their participants are the active actors in the process of the institutional change and they try to enhance their control over the institutional environments.

The process of the continuous institutional changes brings us to the issue of uncertainty. Institutional uncertainty is a fact that is acknowledged as an important condition affecting efforts to manage marine fisheries (Young 1998: 216). Uncertainty is

something that does not provide stability and hence continuously leads to changes. Instability creates the circumstances under which institutions become less resistant to changes. As Young (1998), who divided uncertainties into three categories, noted uncertainty can be a cause of inefficiency of the current marine fisheries management practice (Chapter 2, section 2.3).

Analysis of the institutional structure and the performance of the Russian fisheries suggests that several types of institutional uncertainty are interacting and producing challenges to the efficient performance of the Russian fisheries and the management system. These uncertainties come in a variety of forms. Institutional complexity of the fisheries management structure (internal uncertainty) creates tensions among various institutions. For example conflicts between the State Fisheries Committee and the Ministry of Economic development and Trade or between the State Fisheries Committee and the Federal Border Service have eventually led to the structural rearrangement of the institutions inside the fisheries complex. Compliance problems among fishers and gaps that arise between the provisions laid in the constitutive documents and real practice (behavioral uncertainties) often led to conflicts between the federal and the regional institutions like in the situation with the introduction of the auction quota allocation system. Institutional changes (uncertainties involving spatial and temporal connections among distinct institutional arrangements), numerous and sometimes unpredictable, can be treated as a source of constant uncertainty in the Russian fisheries complex contributing greatly to the instability of the situation.

The long period of dynamic institutional changes in the Russian fisheries, not always successful, has eventually led to the creation of a new management system. The institutions that constitute the fisheries complex have become the main actors of this process. This is a peculiarity of the development of the Russian fisheries that institutions that were inside the fisheries complex had not only to fight with each other but mainly with the outsiders, institutions that have not traditionally been part of the fisheries complex.

The State Fisheries Committee has finally lost its battle with the Ministry of Economic Development and Trade. The administrative reform split the functions previously performed by one federal management authority between three managerial

bodies, the Department of Fisheries Policy of the Ministry of Agriculture, the Federal Agency on Fisheries and the Federal Service on the Veterinary and Phitosanitary Supervision (compare Figures 12 and 14).

The restructuring within Russian fisheries has resulted in a more centralized management system, turning regulatory decision-making essentially into a government affair. All decision-making power in Russian fisheries management is now concentrated in the federal centre.

Structural changes are observable, whereas changes in policy and strategy are often less easily noticed (DiMaggio and Powell 1983: 152). To what extent can we call the administrative reform successful? The overall logic of the reform – the reduction of state bureaucracies, their quality improvement, and assessment of their working efficiency by the final result – does not cause doubts. Though the structural rearrangement has been completed the issue of the real delimitation of the authority between the ministries and the agencies has not yet been settled. This is causing disagreement between different managerial bodies that are fighting for power with each other. This suggests that the process of institutional changes inside the fisheries complex cannot be called completely finished. Taking into consideration the issue of uncertainty there is a very high probability of further institutional rearrangements.

#### **5.4. Centre-periphery relations**

Putin's administrative reform had a clear aim of restructuring political and economic relations throughout Russia where subjects of the federation would need to abandon some of the autonomy they gained under Yeltsin. Analysis carried out in this thesis suggests that the processes that have been taking place in Russia's political life during the last decade have led to substantial centralization of the state's authority. Since it was argued that the events that take place in the fisheries sector are directly connected to the overall situation in the country I conclude that the same tendency can be (and is) traced within the fisheries complex.

Though Sevryba was a federal representative in the northern fisheries basin, the regional authorities had extensive influence on the decision-making process and directly

took part in the management of northern fisheries. This was due to the employees being representatives of the regional fisheries community. The conflict between Sevryba and the regional authorities eventually led to the exclusion of the former out of the management structure. The regional authorities that wished to attain the management power however fell into their own trap-hole. The management power remained concentrated in Moscow.

Putin's reforms outlined above have further increased centralization and strengthened the bureaucratic-authoritarian elements in Russian federalism. The Federal Law on fisheries has legitimated that most of the decision-making power rests within the federal management authorities.

The elimination of Sevryba as a management authority led to the loss of general management power by the northern fisheries basin. This is not negative by itself. But what becomes important in the case of Russian fisheries is the lack of professional management at the federal level. This and the inability of the regional authorities to influence the process of decision-making can cause negative consequences for the further development of fisheries. *«The matter is not even the fact that Moscow is making decisions autocratically, but the fact that they do it unprofessionally»* (Interview with V. Torokhov).

In the previous section it was mentioned that Russian fisheries constitute a complex set of various institutions. All these institutions have their interests, norms and values, and knowledge which they try to protect. The rearrangement of the fisheries management structure has partially occurred due to the conflict of the traditional interests, norms and values, and knowledge that were embodied by Sevryba and those that are valued by the institutions outside the fisheries. In a broader sense I would call it a conflict between the «old» and the «new» ideas (interests, norms, values, and knowledge) of how the fisheries should be managed.

The specialists in the region, who have been working in fisheries for many years, compare the old system of organization in fisheries to the present one. Many of them believe that the latest reforms have neither improved the situation in fisheries nor led to a more efficient performance of fisheries. Vladimir Torokhov, the Head of the Department of industrial fisheries of Murmansk Trawl Fleet and one of the oldest employees in

fisheries was very critical in his assessment of the reform: *«They are trying to improve something...But what are they going to improve? We have been refining the fisheries for 70 years and brought it almost to perfection. And now they have managed to destroy everything, and are trying to improve that».*

There is much critique among the regional representatives of the fisheries complex directed to the new institutional arrangement V. Zilanov (Murmanskije Rybnyje Resursy 34/2004: 3) mentioned that for the participants of fisheries in the region, who regularly deal with practical problems *«it is much better to solve all matters with the federal authorities through one institution, or putting it in a different way, through one window; now we have to deal with three windows. In addition to that there are still further issues which require coordination with other departments at the federal level».*

In the discussion of the efficiency of performance of federal authorities the General Director of the Union of Private Fishery Enterprises in the North G. Stepakhno argues that *«unfortunately the bureaucrat is not working today. It is not interesting for him to work with us. In contrast he is trying to find all possible impediments to show that he is the boss. The bureaucrat must serve business today. And business must be the head today and work efficiently of the territory where it is placed...The reform did not give much to the fishermen. Before we had only one institution and now we have four including the Ministry of Agriculture and we are not able to knock any door since they do not hear us ».* Such critical statements are shared by the majority of the informants.

Considering these opinions of the regional fisheries actors I conclude that the regions policy is still largely based of the traditional norms, values and interests, *«traditional»* implying those that existed in the Soviet management practice. During that time the leaders of the federal management authorities were recruited from the regional management bodies from various fishing basins. These people were well trained and experienced and usually started their careers from the lowest positions in the industry. After the elimination of the old management system the policy of the federal authorities have changed. That is why the conflict between the traditional and the present ideas emerged.

So, who is the real winner in the situation? Formally the *«new»* ideas can be called one. However, if we consider a strong wish of the Murmansk regional authorities

to establish a regional fisheries department which could perform the responsibilities close to those previously carried out by Sevryba, the conclusion may be quite different. The old ideas on how the fisheries in Russia and in the region should be managed are alive and they are still respected.

Unfortunately the role of the regional fisheries management authorities has been limited in the decision-making process. Though their job is more concentrated on the preparation of proposals on allocation issues for the federal centre and other issues connected to the performance of the regional fisheries enterprises that can be solved at the regional level, the regional fisheries management tries to protect the interests of the regional actors at the federal centre. Despite the fact that the regional authorities admit that they do not perform their functions professionally all the time, they believe that the main reason of the inefficient performance of fisheries is the failure of the federal authorities to manage the fisheries in the right way (Evenko<sup>69</sup> 2003; Evdokimov<sup>70</sup> 2003).

However it is not only the tensions between traditional and present institutional norms, values and interests that may influence the relations between the federal and the regional institutions in the system of fisheries management. The formal relations between the federal and regional authorities are important since they define the structural arrangements among various institutions and the position of an institution in the organizational hierarchy. The rearrangements of institutions may lead both to the reduction of institutional authority (Murmanrybvod) and to the increase of power (Federal Border Service).

## **5.5. Looking into the future**

The logic of any changes is an attempt to reach a kind of institutional stability or reestablish the power balance. However institutional changes rarely satisfy the prior intentions of those who initiate it (March and Olsen 1989: 65). The question here is to what extent the Russian federal government feels satisfied with the results of its actions. Unfortunately the absence of access to federal actors does not allow me to make any

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<sup>69</sup> The Article was written by Anatoliy Evenko when he was taking the position of the Chairman of the Committee on Fisheries of the Murmansk Region.

<sup>70</sup> Juriy Evdokimov has been the Governor of the Murmansk Region since December 1997.

conclusions based on the direct conversation. However the region is sure that «... *the situation will change many times still. And this will go on until professionals come to manage fisheries*» (Interview with A. Tiginov).

The legislation base that should provide for the efficient performance of the fishing industry is far from being fully created yet. It contains many empty spots that have to be filled in. I believe that it will take substantial time to adopt all the sub legislative provisions necessary for the right performance of the Federal Law on Fisheries. The Federal Law on the Coastal Fisheries is being discussed at present both at the federal centre and at the regional level.

Though the main resource allocation strategy adopted by the Governmental Resolution No. 704 and ratified by the Federal Law is already in operation, the allocation issues seem not to be fully settled. It is planned that all scientific quotas will be eliminated from 2006 (Murmanskije Rybnyje Resursy 42/2004: 2). This can evoke other changes in the legislation base.

Despite the fact that the administrative reform has made its major steps, the inefficient performance of the current management structure and the work at the regional level directed to the creation of a regional fisheries department suggests the further possible alterations in the structure of the fisheries management both at the federal and at the regional level.

Moreover, the two essential documents, the Maritime Doctrine of the Russian Federation to the Year 2020 and the Concept of Development of the Fisheries of the Russian Federation to the Year 2020, provide the program for the development of the Russian fisheries to the year 2020 together with the plan of procedures that should be implemented to achieve the main development objectives. This program presumes certain stages<sup>71</sup> of development that the fisheries will go through.

Considering all that I would rather conclude that the Russian fisheries may be finding itself at the beginning of the process of creation of both a stable management

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<sup>71</sup> The Concept of development of the fisheries of the Russian Federation to the year 2020 presumes three (2003 – 2005; 2006 – 2010; 2011 – 2020) stages of the development that the Russian fisheries will have to go through. Each stage includes certain objectives that the fisheries have to achieve in the course of their development.



system and efficiently performing fishing industry. However, as this study has demonstrated, such process of change is uncertain.

## **5.6. The «new» for Russia is the well forgotten «old»**

One of the research questions posed by this thesis was *how the existing system of fisheries management has formed as a result of the economic reforms and institutional changes taking place, following the dissolution of the Soviet Union.*

This thesis argues that the existing management system in the Russian fisheries management was formed as a result of ad hoc reform verifying the statement that careful, incremental institutional change is rather a prerogative of advanced western democracies than changes in a society that starts from something closer to *tabula rasa* (Peters and Pierre 1998: 574). This to some extent can be an explanation of such a great number of changes that have happened during this period in Russian fisheries.

The main actors of institutional changes in Russian fisheries are the federal and the regional authorities and also the representatives of the organized business, in other words the users of the aquatic biological resources. Analysis of the empirical data suggests that the hypothesis that was stated at the beginning – *the interests, norms, and values of the federal authorities versus those of the regional authorities are the driving forces of the institutional changes in the northern fisheries of the Russian Federation* – is confirmed only in part. It is true that the political struggle for power and disagreements about various issues concerning fisheries have been and are still driving the process of formation the management system in the Russian fisheries. However, the major changes that took place in the industry initially were pushed by the overall transformation of the political (in the first place) and economic order that occurred in Russia as a result of the dissolution of the old Soviet political regime.

Another research question posed by this study was *on the influence of the division of the management authority between the federal centre and the region on the institutional changes that took place in Russian fisheries.* The empirical data force the analysis to the conclusion that the decision-making power in Russian fisheries management has rested at the federal centre throughout the process. The region however

had substantial impact on decision-making during the Soviet period and the early years of the reforms due the presence of Sevryba in the management structure. The introduction of the auction system of resource allocation at the end of 1990s followed by the overall reformation of the Russian federative structure initiated by the new government governed by president V. Putin led to a substantial decrease of the regional authority, both political and economic.

In the last years the federal government has been the most important driving force in the process of institutional changes in the fisheries. It has taken control of quota allocation, secured an increased income to the state budget (through auctions and resource fees), and tried to eliminate corruption in the State Fisheries Committee by dividing its responsibilities between three management authorities. At present the federal authorities have concentrated all the decision making power in the fisheries management.

In the end of the analysis I have to admit that the picture of the present situation in the northern fisheries complex drawn from my empirical information looks negative to a certain extent. This can be partially explained by the limited access to the informants. In chapter one of the thesis it was mentioned that I did not have any access to the participant of fisheries at the federal level. However, being focused on the situation in the northern fisheries complex, it was important for me to get an overview of the present situation presented by the actual participants.

In conclusion to my analysis I still wish to return to the three institutional pillars. Having argued about their weakness I have rested the responsibility for the inefficient performance of both fisheries and fisheries management inside the industry and external to it. I claimed that institutional failures are in charge of the inefficiency of the Russian fishing industry. But maybe I need to consider another issue? In his interview G. Tishkov has mentioned that «...*the old Soviet planned economy did not provide conditions for competition. Every enterprise was a kind of monopolist in its sphere or in its branch, like for example Packing Equipment Combinat (was producing packing material for the whole northern fleet); Ship Repairing Plant (Sudoverf) (was repairing the vessels belonging to all fleets); Murmansk Marine Fishing Port... But there was a very strict coordination of the activity. Then this system of management was destroyed...*». Russian economy started to implement a system of market relations which is largely build

according to the laws of the perfect competition where only the strongest companies survive. Russian fishing companies were simply not ready for these economic conditions.

The structure of the fishing industry has proved mal-adapted to a market economy. The state subsidies and institutional arrangement during the Soviet period led to substantial overcapacity. In a «perfect» market subsidies do not exist. There was no state program that would provide for the gradual and planned reduction of overcapacity. This process was happening chaotically. Does it imply that crisis in the Russian fisheries was inevitable?

While analyzing the three institutional pillars I mentioned that Russia was not prepared to operate in a market economy due to the lack of sufficient knowledge. Russian fisheries management had very good managerial knowledge. But transformation to the new economic condition also required knowledge of market economy. In order to predict how the market would operate under the «Russian conditions» and to estimate the causes of the failures the combination of both management and market-knowledge is required.

Can we therefore argue that, having no sufficient knowledge, the Russian fisheries management could not distinguish between the management malfunctions and operation of the market economy? Should we then try to move the responsibility for the inefficient performance of fisheries in Russia on the market? Can we argue that the crisis in fisheries is not only because of the institutional failure but it is to some extent due to the market economy doing its job?

When analysing the situation in the Russian fisheries we cannot fail to remember that one of the objectives of the reforms was the intention to take a «*respectable position in the civilized world*» (Titova 2003: 62). However, according to N. N. Moiseev<sup>72</sup> «*civilization is created by the intellect combined with collective memory, which constitutes a system of generation and transmission of the collected knowledge and information*» (ibid). Russian fisheries management has been generating its experience and knowledge during 70 years.

Many practical issues concerning operation of fisheries that were applied by the Soviet fisheries management but were hastily abandoned in the course of the liberal reforms, are used or at least considered today in the western economies. This is related

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<sup>72</sup> Academic of the Russian Academy of Science

not only to the system of control and statistics, but also to the issues of state support and geopolitics which is inseparably connected to the ocean fisheries. Russian scientific base was considered one of the best in the world. However the knowledge that was collected is not being used for the most part. It becomes lost together with the valuable statistical information that is required for the efficient decision-taking (Titova 2003: 62).

There is a reason to believe that during the process of finding the ways to stabilize fisheries, Russian federal authorities will eventually understand that «*the new for Russia is a well forgotten old. Forgotten by the authorities, but not in the tradition fisheries complex*» (ibid).

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Marine Biological Institute

Interview with **Vladimir Berezkin**, the Press-secretary of the Arctic Regional Head-Office of the Border Service of the Federal Security Service in Murmansk Region

Interview with **Geir Hønneland**, Director of the Polar Program at the Fridtjof Nansen Institute, Norway

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<http://fishagency.ru/?p=4#> - Official web sight of the Federal Agency on Fisheries of the Russian federation

[http://www.government.ru/normdocs/index.html?he\\_id=511](http://www.government.ru/normdocs/index.html?he_id=511) – The system of search of documents of the Government of the Russian Federation

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