



**russian
analytical
digest**

www.css.ethz.ch/rad

www.laender-analysen.de

RUSSIAN ARCTIC SUSTAINABILITY

■ ANALYSIS

Development Challenges for a Single-Industry Mining Town in the Russian Arctic:
The Case of Kirovsk, Murmansk Region 2
By Vladimir Didyk, Kirovsk

■ ANALYSIS

The Curse of Social Engineering:
Settlement Structures, Urbanization and Native Economies in Chukotka 7
By Tobias Holzlehner, Halle (Saale), Germany

■ ANALYSIS

Reluctant Entrepreneurs of the Russian Far East 10
By Aimar Ventsel, Tartu

Development Challenges for a Single-Industry Mining Town in the Russian Arctic: The Case of Kirovsk, Murmansk Region

By Vladimir Didyk, Kirovsk

Abstract:

Arctic single-industry towns are settlements of a special type, due to the influence of the specific economic, geographic, natural and climatic factors that shape them. From a socio-economic development perspective, single-industry towns face higher development risks associated with the “boom–bust” nature of their economies and the corresponding social problems. How is the situation developing now? What measures is Russia taking on the federal and regional levels to support single-industry towns and what are local governments doing themselves? How do local communities in single industry towns react to the measures and how do they try to cope with the development challenges they face? This article briefly discusses these questions, taking the town of Kirovsk in the Murmansk region as an example.

Kirovsk: A Single-Industry Town

Single-industry towns in the Russian Arctic exist as a legacy of the large-scale exploitation of natural resources in the north during the Soviet period (1930s–1980s). One of them is the town of Kirovsk, which was founded in the beginning of the 1930s, following the decision of the Soviet government to develop the rich deposits of apatite-nepheline ores discovered nearby in the 1920s. “Apatit” became the town-forming enterprise, which in 1929 started extracting apatite-nepheline ores and since 1931 processing them at an enrichment plant for the production of apatite and nepheline concentrates. The concentrates then are delivered to central Russia to produce mineral fertilizers and other products.

During the entire Soviet period (up to 1992) the Apatit state enterprise controlled industrial production as well as most of the town’s social sphere. Generally, the area’s social infrastructure units—housing and communal services, retail trade and catering, health care, sport, and culture—functioned as subdivisions of the enterprise. In 1993 the enterprise was transformed into the Apatit Joint Stock Company. The 1990s were a period of deep crises for the company since production fell to barely more than a quarter of its previous level. In 2002 the company was merged into the PhosAgro group of companies—a Russian vertically integrated holding company and one of the world’s leading producers of phosphate-based fertilizers.¹ Today 100 percent of Apatit stocks are owned by the PhosAgro holding. In 2012 the Apatit company, having four open and underground mines and two processing plants, produced more than 90 percent of the town’s total industrial production and employed 32 percent of the workforce (6,400 individuals of the town’s 20,000 working age population). The total number of the company’s employees at

that time was 11,600 people (Riabova & Didyk 2014), but the situation has changed considerably since then.

The town of Kirovsk is the administrative center of the municipality with the same name, having the legal status of an “urban district.” The territory of the urban district is 3,600 km² (2.5 percent of the territory of the Murmansk region), where besides the town there are two rural settlements—Titan and Koashva.² By the beginning of 2014, the population of the municipality was 29,900 people,³ including those living in the town of Kirovsk (pop. 27,700), and in the settlements (pop. 2,200 people) (Municipalities of the Murmansk region, 2014).

The Apatit company, in addition to its crucial role for the Kirovsk municipality, historically was the town-forming enterprise for the neighboring city of Apatity. The latter obtained city status in 1968 mainly because of the fast growth of the population due to the construction of the second apatite-nepheline beneficiation plant (ANOF-2) and the development of the construction base for the further expansion of the Apatit company’s production facilities. Today the population of the city of Apatity is 57,800 people. Even though it is not recognized as a single-industry town, a significant part of its workforce (5,600 people, or about 24 percent of those employed) work in Kirovsk, mainly at the mining enterprises of the Apatit company and the North-Western Phosphorous Company Ltd. (NWPC).

1 For more information, see <<https://www.phosagro.com/about/>>

2 Both settlements were founded to support Apatit’s operation: Titan in the 1930s as agricultural settlement to supply food to the enterprise and citizens of Kirovsk; Koashva at the end of the 1970s as a mining settlement connected to the construction and operation of one of the Apatit enterprise’s open pit mines.

3 By the beginning of the 1990s, the population in Kirovsk exceeded 40,000 people, with a permanent declining trend in subsequent years.

NWPC: A New Company in Town

NWPC began operations in 2005 as a mining company in Kirovsk municipality and its establishment weakened the almost monopolistic position of the Apatit company on the local labor market. NWPC was founded as a subsidiary company of the joint stock company Acron, a large fertilizer manufacturer and consumer of apatite concentrate in Russia. Acron previously purchased concentrate from Apatit and, due to the monopolistic position of the latter on the Russian market, disagreed with Apatit over the price for the concentrate. Acron created NWPC to ensure its own source of the raw material at lower prices. In October 2006, NWPC won a competition to acquire the state mining license to develop two new deposits of apatite-nepheline ore. The sites are known as Olenyi ruhei and Partamchorr. In 2007 construction began on the mine and processing plant at the Olenyi ruhei deposit and they opened in 2012. Today NWPC employs about 2,000 workers, more than half of whom live in the city of Apatity.

NWPC's implementation of the new mining project provoked serious conflicts among several interested parties. First was the conflict between the Apatit company and the new NWPC, since they became direct competitors in producing and supplying apatite concentrate in Russia. Moreover, the new competitor started using ore deposits, which Apatit considered its own future reserves. Second, launching the mine and the new ore processing factory caused conflict with environmental NGOs since the deposits and the processing plant were located in close proximity to the Khibiny National park, which the Kirovsk municipality planned to establish in 2015 on its territory. In spite of the conflicts, the new mining project had the active support of the Murmansk region government which liked the large investments (around 1 billion USD) in the region and expectations for generating additional tax revenues for the regional budget. Likewise, the project promised to provide benefits to the Kirovsk municipality: additional jobs for the locals and the possibility of reviving the formerly depressed rural settlement of Koashva, situated in the vicinity of the newly developed deposits (Riabova & Didyk 2014).

Despite the appearance of the new large mining enterprise in the municipality, the Apatit company's dominant role as the town-forming enterprise for Kirovsk remained. As the owner of a large part of the social infrastructure during the Soviet period and given its crucial role in making social policy at the local level, Apatit used to behave as a socially responsible company not only towards its employees, but for the relevant local communities.⁴ Even though strategic decisions were taken in the

holding's headquarters, which were located outside of the region, the company's operational decision making, including for social policies, was locally based and the top managerial staff had strong personal attachments to the local community (ibid).

In general, up to April 2013, the situation in the Kirovsk municipality remained quite stable, with promising prospects for future development. This optimism was clearly reflected in the area's two interrelated strategic planning documents, the "Comprehensive investment plan for modernizing the monotown of Kirovsk" (CIP 2010) and the "Strategy for the socio-economic development of the Kirovsk municipality through 2020" (Strategy 2011). Preparation of the strategic documents was mainly shaped by the policy measures taken by the Russian government in response to the global financial and economic crisis of 2008–2009. These measures included efforts to stabilize the situation in mono-profile settlements, and envisioned financial support for investment projects. One of the requirements to obtain such federal support was preparing Comprehensive Investment Plans (CIP) for the settlements' development in the long term (10 years), according to methodological recommendations suggested by the Russian Ministry of Regional Development (*Minregion* of Russia). In the Murmansk region, due to the active position of the regional government, all eight mono-profile municipalities, which were included in the official list of such municipalities,⁵ prepared CIPs. The CIP of Kirovsk municipality was presented in Moscow, but did not win any financial support,⁶ probably because of the stable position of the town-forming Apatit company at that time. The main target indicators, which were fixed in the strategic plans, and the estimated actual results by 2015, are presented in the table below. The data demonstrate that in 2010–2011 the local government planned to overcome the previous trend of pop-

ing urban infrastructure and realizing socially significant projects in the spheres of health care, education, and culture.

⁴ There are a lot of examples of socially responsible behavior by the Apatit company toward local communities, including improv-

⁵ The official list of mono-profile municipalities of the RF had been annually approved by Minregion of Russia since 2009 in accordance with Ministry criteria. The latest version of it—as of July 26, 2013—contained 342 localities. In 2014 the function of policy formation toward single-industry municipalities was moved to the RF Ministry of Economic Development. The latter suggested new criteria for official recognition of single-industry status to be eligible for federal support measures (Decree of the RF Government of 29.06.2014 No. 709) and developed the corresponding new list of mono-profile municipalities with three categories of such municipalities, depending on the risks they face in socio-economic development (Decree 2014).

⁶ In 2010 financial support from the federal budget was provided to two single-industry towns from Murmansk region—Kovdor and Revda. In total during 2010–2011, federal financial support was provided to 50 single-industry municipalities, out of them three are located in the Russian Arctic.

ulation decline and already by 2015 to reach a healthy growth rate of 10 percent. Moreover, in both strategic planning documents the municipality's population was anticipated to reach 35,400 people by 2020. The main factor stimulating such growth was planned to become diversification of the economy, with an emphasis on developing the tourist industry. Indeed, Kirovsk is well situated for developing tourism related to winter sports and hiking. Thanks to the nearby Khibiny Mountains, Kirovsk is a well known alpine skiing resort in Russia and abroad. However, although most of the investment projects planned in the 2010 CIP have not been realized yet, one of the key among them was recently completed successfully: construction of modern multi-person gondola and chair lifts with the related ski service infrastructure. The investment project was realized through a public-private partnership with the participation of the regional government, the Apatit company and the Kirovsk municipality. Nevertheless, the positive example of the project's completion could not ensure the achievement of the planned development objectives. The main reason was the dramatic change in the situation of the town-forming company Apatit.

Troubles for Kirovsk

Beginning in April 2013 Apatit's main owner, the holding PhosAgro and its managing company Phosagro AG, forced the company to implement a new, deep-restructuring program aimed at reducing operational costs and raising labor productivity.⁷ The restructuring anticipated the dismissal of more than 2,000 employees in 2013 and 3,000 in 2014. Most of the laid-off staff were moved out of the company into outsourced companies or simply retired. As a result, the total number of the company's employees dropped from 11,600 in 2012 to 7,100⁸ by the beginning of 2015.

This downsizing led the Russian Federation special governmental commission to include Kirovsk in the list of single-industry towns with the most difficult socio-economic situation in 2013. This decision was confirmed in 2014 when Kirovsk was included in the first category of the new official list of Russian mono-profile municipalities, i.e. the municipalities with the most difficult socio-economic situations (Decree 2014). Moreover, during the last decade, the company has been transferring all its social objects (the sport complex, palace of culture etc.) to the Kirovsk municipality. As a result, the burden on the municipal budget increased substantially. Over

the last decade, the decision making process in regard to the company's activities, including its social policies, was concentrated outside the Kirovsk municipality. Gradually the top managerial staff of the company was replaced by newcomers from outside the community. These personnel changes obviously led to the weakening of the company's previous commitment to social responsibility (Koivurova 2015). The company's change in behavior, in turn, seriously undermines opportunities and prospects for sustainable development within the local community.

The latest unexpected event, which also would have negative consequences for the development of Kirovsk municipality if it is implemented, is the decision to close the Khibiny Technical College. This decision was made in the beginning of 2015 by leaders of the *National Mineral Resources University* ("Gorny", St. Petersburg), since the college for the last few years functioned as the university's branch. The rector has already issued orders to stop admitting students for the 2015–2016 academic year.

The college is the oldest institution providing vocational education in Murmansk region; it was founded in 1931 as a mining-chemical college. More than 700 students are currently studying there in eight specialties. The loss of such an important educational institution, in addition to the recent closure of the Kirovsk branch of Kostroma University, unavoidably will hamper development prospects in the municipality.

The unfavorable changes in Apatit company policy and the town's social sphere⁹ obviously generate anxiety among local people. In response, some residents began to collect signatures in support of a letter asking President Putin to prevent the closure of Khibiny Technical College. Such examples of actions taken by the local community are rather exceptional. Usually, due to weakly developed local civil society institutions, public participation in the urban development process, both at the stage of planning and implementation is low.

Sustainability Challenges

Given the current situation, the single-industry town of Kirovsk faces the following sustainability challenges, which demand responses:

1) *The demographic challenge.* The demographic situation is the main integrated indicator of viability for any community. Despite the fact that achieving popula-

7 Actually the company introduced some reorganization measures designating internal service subdivisions as separate companies in 2007 and 2011.

8 The data are from annotated part of the Forecast (2014).

9 Beside the events in the educational sphere described here, there a lot of complains about the poor organization of medical services (after the reform of the municipal health care system in 2012, when it was transferred to the purview of the regional government, which merged the Kirovsk and Apatity hospitals), and housing and communal services (especially problems with organizing housing repairs).

tion growth was among the main targets in the Kirovsk municipality strategic development plans, the negative trend of population reduction due to both natural losses and migration continues. Taking into account that both major factors driving such losses—emigration outflows and a high mortality rate—are now beyond the control of the local authorities (in particular, health care services), most probably the trend will continue.

2) *The challenge of future economic development.* The crucial role of the mining industry for the economy of the municipality in the foreseeable future will be preserved. Such is the admission in all long term plans for municipal development, even as they emphasize the need for diversifying the local economy. Such diversification, with the development of the tourist industry as the main method for achieving this end, has to be promoted even more actively under current conditions when the town-forming mining company is rationalizing its operations and cutting personnel. The growing problems of unemployment can be addressed only by means of economic diversification.

3) *The local social sphere development challenge.* The social sphere, including education, housing, communal services, health care, sports, and culture, is a key determinant for the local people's quality of life. Most of these services are under the direct control of the local government. Such direct control means that, despite the chronic shortage of available resources (first of all financial), developing the sphere has to be the highest priority for the local government.

4) *The environmental challenge.* The unique natural landscape and other environmental assets are an essential resource for the Kirovsk municipality, taking into account its ambitions to develop its tourist industry. The progress of the Khibiny National Park project, which is planned to be realized in 2015 (after a long period of preparation) is an important step toward protecting the environment and establishing a tourist industry. The large-scale mining activities on the territory of the

municipality inevitably have a harmful environmental impact. A permanent search for compromise decisions addressing the tradeoffs between the interests of mining development and environmental protection require the participation of the local government and community to cope with the challenge.

Obviously these challenges cover only part of those faced by the local community in real life. Some of them are defined by external factors, which the local community cannot respond to adequately by itself and independently to achieve sustainability. Most important among them is the economic policy of the town-forming mining company. The company's interest to enhance its own economic efficiency leads to negative social consequences under the conditions of a single-industry town.

In the case of the Kirovsk municipality, the capacities of the local government and community to withstand the negative consequences are not enough, particularly in light of the worsening socio-economic situation. At the same time, the local government can more actively take advantage of such internal development resources as strengthening the solidarity of the local community, increasing public involvement and participation in local governance decision making, and boosting efficient partnership between the public and private sectors.

Under Russia's institutional conditions, with a high level of power centralization, the critical role for achieving sustainability goals at the local level, especially for single-industry municipalities, lies with state support from both federal and regional governments. However, taking into account the current economic crisis, chances to win significant state support for single-industry towns are low. Therefore, perhaps the only realistic way to develop the Kirovsk municipality is to mobilize all internal resources and capacities to soften, at least, the negative impact of unfavorable socio-economic trends on the local community.

About the Author

Vladimir Didyk was Deputy Director of Scientific Work at the Luzin Institute for Economic Studies of the Kola Science Center, Russian Academy of Sciences. He passed away on July 10, 2015 at the age of 58.

References

- CIP 2010. *Comprehensive investment plan for modernizing the monotown of Kirovsk.* Available at : <http://minec.gov-murman.ru/files/4_3.doc#_Toc260749594> [Accessed 03.04.2015] (In Russian)
- Decree 2014. Decree of the Government of the Russian Federation of 29.07.2014. No. 1398-r. Available at <<http://pravo.gov.ru/proxy/ips/?docbody=&nd=102356578&intelsearch=%F0%E0%F1%EF%EE%F0%FF%E6%E5%ED%E8%E5+%EF%F0%E0%E2%E8%F2%E5%EB%FC%F1%F2%E0+%D0%D4+%EE%F2+29.07.2014+%B9+1398-%F0>> [Accessed 17.03.2015] (In Russian)
- Forecast 2014. Forecast of socio-economic development of the Kirovsk municipality for the period of 2015–2017. Available at: <http://kirovsk.ru/files/npa/adm/2014/1417/prognoz_2015_2017.pdf> [Accessed 17.03.2015] (In Russian)

- *Municipalities of the Murmansk Region*. 2014. Statistical yearbook. Murmanskstat—Territorial body of the Federal Service of State Statistics in Murmansk Region, Murmansk, 2014.—186 p. (In Russian)
- Koivurova, T., Buanes, A., Riabova, L., Didyk, V., Ejdemo, T., Poelzer, G., Taavo, P. 2015. “Social license to operate”: a relevant term in northern European mining? (In press)
- Riabova, L. and Didyk, V. “Social License to Operate for Mining Companies in the Russian Arctic: Two Cases in the Murmansk Region.” *Arctic yearbook 2014*. Available at: <<http://www.arcticyearbook.com/index.php/briefing-notes2014/120-social-license-to-operate-for-mining-companies-in-the-russian-arctic-two-cases-in-the-murmansk-region>> [Accessed 02.04.2015]
- Strategy 2011. “Strategy of socio-economic development of the Kirovsk municipality up to year of 2020” Available at <http://kirovsk.ru/files/npa/sovet/2011/85/strateg_2020.pdf> [Accessed 03.04.2015] (In Russian)

Figure 1: Kirovsk and Environs



Sources: map of Murmansk oblast: <[https://commons.wikimedia.org/wiki/File:Location_of_Kirovsk_district_\(Murmansk_Oblast\).svg?uselang=ru](https://commons.wikimedia.org/wiki/File:Location_of_Kirovsk_district_(Murmansk_Oblast).svg?uselang=ru)>, created by “Insider”; map of Russian Federation (inset): <https://upload.wikimedia.org/wikipedia/commons/7/7b/Russia_-_blank_map_%282008-01%29.svg>, created by “Ezhiki”, based on work by “Morwen”, “CrazyPhunk”, and “Hardscarf” (modified by the Russian Analytical Digest)

The Curse of Social Engineering: Settlement Structures, Urbanization and Native Economies in Chukotka

By Tobias Holzlehner, Halle (Saale), Germany

Abstract:

Inhabitants of Chukotka's traditional coastal villages built societies that were in harmony with their surroundings. Soviet planners imposed a different logic on them, but with the collapse of the USSR, that system no longer makes sense. Accordingly, some natives are returning to their old villages. At the same time, former governor Roman Abramovich has rebuilt the capital Anadyr, though it remains to be seen if his investments there are sustainable.

A Century of Change

The 20th century was for Russia a time of deep-seated changes, revolutions, and systemic collapse. Especially in the Russian North, centuries-old traditions and subsistence practices were replaced by new cultural and economic patterns, which accompanied and implemented the Soviet Union's master plan of a new society for all of its citizens. The industrialization of the Soviet Union was a total social fact, to paraphrase here the anthropologist Marcel Mauss, which fundamentally affected native and non-native communities in a long-lasting way.

In Chukotka, Russia's easternmost region, the inhabitants of predominantly native coastal villages on the Bering Strait were subjected to relocation policies implemented by the Soviet state that left dozens of settlements and hunting bases deserted. The state-enforced resettlement of native communities, which peaked during the 1950s and 1960s, led to a creeping depopulation of the coastline, whose intricate settlement history traces back for thousands of years. On the Chukchi Peninsula alone, more than 80 settlements were abandoned or closed in the course of the 20th century.

The traumatic loss of homeland and the vanishing of traditional socio-economic structures sent devastating ripples through the fabric of native communities, with often disastrous results on societal health.¹ State-

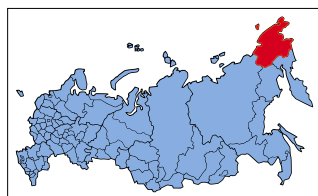
enforced resettlement policies intertwine political macro processes, local communities, and cultural and ecological change in the uprooted landscape of relocation. Industrial impacts and forced relocation altered the ecology of, and the access to, subsistence areas in a permanent way.

Sovietization and the Logics of Littoral Space

The native coastal population of Chukotka was subjected to a twofold loss in the 20th century: the large-scale, state induced and enforced closures of many native villages, the subsequent resettlement of the population to centralized villages, and the following collapse of the Soviet economy and infrastructure. Collectivization of local economies and the industrialization of the sea mammal hunt fundamentally changed and replaced traditional subsistence practices. The traditional mixed economies of the indigenous population, which used the different resources in seasonal cycles over much larger territories, were rigidly centralized and their pastures or hunting grounds allotted to state collective farms. Shift work in processing plants and predetermined catch quotas replaced traditional subsistence activities. The native reindeer herders and sea mammal hunters were incorporated into collective farms, where social ties based on kinship were replaced by economic relationships. Industrial space encroached on indigenous space and the village relocations were an intrinsic part of it. For instance, the introduction of coal fired heating plants in coastal villages severely disrupted walrus rookeries in the vicinity of historic settlements and village closures removed many villagers from their traditional hunting and fishing grounds and relocated them to locations where direct subsistence resource access was often limited or scarce.

The resulting spatial anomaly is particularly visible as an effect of the native village relocation in the Russian North, where differing logics of space usage col-

Figure 1: Location of Chukotka in the Russian Federation



Source: map of Russian Federation: <https://upload.wikimedia.org/wikipedia/commons/7/7b/Russia_-_blank_map_%282008-01%29.svg>, created by "Ezhi-ki", based on work by "Morwen", "CrazyPhunk", and "Hardscarf" (modified by the Russian Analytical Digest)

1 Tobias Holzlehner. 2012. 'Somehow, Something Broke Inside the People': Demographic Shifts and Community Anomie in Chu-

kotka, Russia. *Alaska Journal of Anthropology* 10 (1&2): 13–28.

lided during Sovietization and industrialization during the 20th century. Native coastal settlements were located close to preferred subsistence sites. Maximum access to subsistence resources, like drinking water, sea mammal migration routes, salmon runs, or plant gathering sites, were traditionally key in choosing the optimal place for a settlement site. The Soviet era brought a diametrically opposed spatial logic to the region. For the Soviet economic planners and engineers maximum maritime infrastructural access to villages and state enterprises was one of the prime motivators for the concentration of the native population in centralized villages. The proximity of deep water ports or servicing facilities for barges and trawlers and a suitable terrain for house constructions were dominant factors in the choice for new settlements. Indigenous economic space was thus replaced by an economy that was based on a fundamentally different utilization of space.

The village relocations were part of a larger struggle over environment and space that exposed the fundamentally different spatial strategies and logics of the Soviet state and native communities. In the sense of James C. Scott, Chukotka is truly an “imperial shatter zone,”² a region at the periphery of a nation-state that is characterized by state-making and unmaking. To overcome distance and terrain, the Soviet state heavily invested in transport and urban infrastructure to incorporate the far-flung region into the Soviet world. Economic and infrastructural consolidation was the key term of the time, a kind of applied central place theory. Yet, the Soviets’ developmental master plan for the High North lacked severely what we today would call sustainability. Local native economies and social health problems were largely ignored, a fact that would surface dramatically several decades later.

Post-Soviet Collapse

The 1990s were for Chukotka a disastrous time, marked by infrastructural collapse, economic disintegration, massive outmigration and community anomy. The collapse of the Soviet infrastructure, especially the stark reduction of air transport in the High North, led to an increase in the friction of distance and terrain.³

Yet, beyond infrastructural constrains, the relationship between Russian newcomers and the native Chukchi and Eskimo population was fundamentally altered,

as access to resources in coastal villages of Chukotka changed significantly. During the Soviet period, Soviet settlers and administrators were key brokers of resource access (food, fuel, etc.), while the native population was at the receiving end of a long supply chain. As brokers between the state and the indigenous population, Russian settlers were instrumental at the center of the economy. Yet, the retreat of the state and economic collapse in rural and remote Chukotka, accelerated by the outmigration of many Russians, led to a socio-economic inversion of this hierarchy. With the collapse of the industrial sea-mammal hunt and commercial reindeer herding, and in absence of basic provisions, Chukotka’s coastal communities witnessed a revitalization of subsistence practices. The sea-mammal hunt and fishing were crucial for the survival of many communities during the arduous 1990s. Individual native hunters and cooperatives thus became central players in a post-Soviet informal economy and Russian settlers were suddenly in a position of dependency on local resources and facilitators.

The breakdown of the Soviet Union and infrastructure in its remote periphery regions created new local opportunities as well. Formerly relocated and abandoned coastal villages became a focus of local hunters. After the failed experiment of large-scale social and cultural engineering, the depopulated coastal landscape with its abandoned settlements represents new points of anchorage for a partial re-settlement and for revitalization movements. The logic of subsistence practices and a longing for the lost places draw groups of people to the old sites, with the effect that those former settlements are now almost continuously (re-)inhabited by rotating groups of hunters during the summer and winter. Embedded in the landscape and local ecology, it allows some people to escape the shattered utopia of Soviet modernization.

Enter Roman Abramovich

In 2000, Roman Abramovich took over the position of Chukotka’s governor from his predecessor Alexander Nazarov, whose mismanagement of the region’s resources and ostensible corruption was blamed by many local residents for Chukotka’s misery during the 1990s. During Abramovich’s term (2000–2008), Chukotka experienced an immense influx of money and infrastructural support.

The main beneficiary was the region’s capital Anadyr. In the course of a few years the city, which had lost more than a third of its population since the beginning of the 1990s, was subject to a complete overhaul. Moscow designers in unison with Russian alpinists refurbished the exteriors of the ubiquitous Soviet apartment blocks into colorful facades. The local airport was lifted from

2 James C. Scott. 2010. *The Art of Not Being Governed: An Anarchist History of Upland Southeast Asia*. New Haven: Yale University Press.

3 On the Russian North’s infrastructural predicament see for instance Fiona Hill and Clifford G. Gaddy. 2003. *The Siberian Curse: How Communist Planners Left Russia Out in the Cold*. Washington, DC: Brookings Institution Press.

a post-Soviet ruin to international standards, a newly built church and a state-of-the-art ethnography and history museum now flank the renovated city square high above the River Anadyr. New kindergartens, convenient stores, and galleries mushroomed in a city that was known for its bleak character. Chukotka's capital is now rebranding itself on numerous placards suspended across streets and buildings as a "City of Childhood" or "City of Dreams." It nowadays houses one of Russia's most modern hospital complexes, including a state-of-the-art maternity clinic.

These infrastructural development efforts partially trickled down to the village level. Hunting cooperatives were supplied with boats and outboard engines and a major reconstruction program erected prefabricated houses and clinics in the coastal settlements, improving greatly the weathered and crumbling village infrastructure. The construction boom of the last years attracted many foreign workers from the former Soviet republics, Serbia, and Turkey. Yet, after Abramovich's resignation in 2008, the influx of money into Chukotka dwindled and time will tell how sustainable the infrastructural infusions of the last years actually were.

It is difficult to assess Abramovich's role in Chukotka during the last decade, as media coverage has scrutinized and juxtaposed both his philanthropic as well as ulterior motives. The visible improvement of the Anadyr's city façade and infrastructural enhancements in village communities (e.g., houses, hospitals, schools and elderly care facilities) were underscored by an almost fourfold increase in wages. Since 1999, Abramovich has invested more than \$2.5 billion of his own funds into infrastructural projects in Chukotka.⁴ As a result, Anadyr has recently become popular among young families, reflected in rising birth rates and visible in the stroller count on the streets during a mild Arctic summer evening. In addition, a five-year moratorium on deer slaughter brought back the herds to sustainable numbers, supplying a recently built reindeer meat processing factory in Anadyr.

On the other hand, Abramovich's economic stewardship follows the classical script of centrally planned and executed Soviet paternalism that focused from the distance on central urban places to improve them with an unsustainable inflow of goods, money and materials while at the same time neglecting peripheral areas. Churches, museums and other forms of symbolic architecture seem to be the main beneficiaries. Besides the personal financial advantage that Abramovich gained by

registering some of his major companies in Chukotka, which boasts one of the lowest corporate tax rates in Russia, his political career seems to be clearly a case of forced personal patronage. Abramovich's vita as a politician coincides with the rise of Vladimir Putin and his decision to run for a second term as Chukotka's governor clearly correlates with his sale of Sibneft to Gazprom in 2005. Equally, his final resignation in 2008 parallels the power "castling" of Putin and Medvedev during the same year.

Land of Suspension

The Russian Far East has been described as a land of suspension and reserve, oscillating like a two-stroke mechanism between periods of substantial inflow of resources from the center and times of imperial amnesia, when the region plunges into suspension and intra-regional space becomes invisible for the state.⁵ Recent urban developments thus have to be seen in the larger historic field of a distant state trying to control its easternmost periphery.

The resettlement policies enacted by the Soviet Union initiated a struggle over environmental access and settlement space. Fundamentally different relations to space and environment were set against each other in the course of the village resettlements. Local voices, which expressed skepticism in light of changing subsistence regimes, were silenced by a state discourse of progress and development, which related to Chukotka's coastal space and maritime environment mostly in terms of infrastructural access and control. Chukotka's resettlement history is situated in a contested landscape, where "local theories of dwelling"⁶ collided with governmental ideas of proper housing and settlement structure. With the coastal village resettlements and economic consolidations, the Soviet development strategy inscribed a building and settlement plan into Chukotka's society with little consideration of local sentiments and subsistence strategies. Economic and infrastructural changes were planned and implemented from outside and local communities had to comply with the newly made world.

The opposite is true for the settlement and building structure of traditional villages, which evolved in close interaction with the environment, its peculiar coastal topography, and subsistence opportunities. The peculiar littoral culture of coastal villages, where proximity to the

⁴ Henry Meyer and Laxander Sazonov. 2013. Most Charitable Russian Abramovich Leads Billionaires. Bloomberg Business, April 24.

⁵ L.E. Bliakher and L.A. Vasileva. 2010. The Russian Far East in a State of Suspension: Between the "Global Economy" and "State Tutelage". *Russian Politics and Law* 1: 80–95.

⁶ Tim Ingold. 2000. "Building, Dwelling, Living: How Animals and People Make Themselves At Home in the World." In *The Perception of the Environment: Essays on Livelihood, Dwelling and Skill*: 172–188. New York: Routledge.

sea and its resources were paramount in the location of a particular settlement, was superseded by a coastal culture of maximum infrastructural access and economic output implemented by the Soviet state.

To adequately address the recent effects of urban planning initiatives and village renewal strategies, which were initiated by Abramovich since the early 2000s, one

has to look beyond the mere architectural and industrial makeup. Similar to the Soviet urbanization and industrialization of the High North, recent urban planning initiatives have to be addressed as a total social fact, with their own intertwined architectural, spatial, social, and economic dimensions.

About the Author

Tobias Holzlehner is a senior lecturer at the Seminar for Ethnology at Martin-Luther University Halle-Wittenberg, Germany.

ANALYSIS

Reluctant Entrepreneurs of the Russian Far East

By Aimar Ventsel, Tartu

Abstract:

Many individuals in the Sakha Republic become entrepreneurs as a matter of survival. Given the institutional environment in which they operate, they do not always behave as one might expect. For example, these “reluctant entrepreneurs” do not necessarily try to expand successful enterprises, but instead seek to diversify their holdings in order to avoid risks.

Entrepreneurship as a Survival Strategy

The defining line between the socialist society and “what came next” is apparently when the former “shortage economy” was transformed into a market economy, where goods became widely available and entrepreneurship was allowed to exist legally. The collapse of the socialist planned economy in Eastern Europe was hailed not only as an economic transformation pushing these societies toward Western thinking, but as an event that stoked the emergence of an entrepreneurial class, associated in Weberian tradition with the appearance of a fundamental need for innovation, free thinking and democracy.

This article focuses on a group of business people in the Russian Far East that I call “reluctant entrepreneurs,” individuals who often took up their new occupation not because they dreamed of becoming entrepreneurs, but because “*biznis*” seemed for them to be the best option for survival.

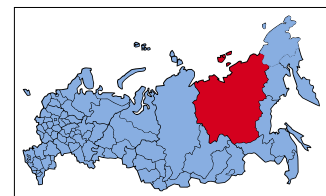
The Republic of Sakha (Yakutia) and the Economic Environment

The Republic of Sakha (Yakutia) is the largest territorial unit of the Russian Federation and belongs to the easternmost Far East Federal District. The republic is

a large but sparsely populated territory covering more than three million square kilometres, where slightly less than a million people live, 55 percent of whom are the titular ethnic group, the Sakha. The republic is famous for its diamond resources, producing 30 percent of the world’s diamonds and almost 100 per cent of Russia’s diamonds. The extraction of natural resources is the domain of big companies, which also work in large scale construction, and air and water transport. Urban dwellers make up 73 percent of the population in the Republic of Sakha.

In 2009, in the whole of the Russian Far East, there existed 181,514 small enterprises, 80 of which were “microenterprises,” enterprises that hired up to 15 employees on a permanent basis. Small enterprises tend to

Figure 1: Location of Sakha in the Russian Federation



Source: map of Russian Federation: <https://upload.wikimedia.org/wikipedia/commons/7/7b/Russia_-_blank_map_%282008-01%29.svg>, created by “Ezbiki”, based on work by “Morwen”, “CrazyPhunk”, and “Hardscarf” (modified by the Russian Analytical Digest)

have low investment and profit levels: 60 percent of Russian Far East small enterprises are engaged in wholesale and retail sales.

In 2010, there were 115 medium size enterprises and 4,952 small enterprises registered in the Republic of Sakha (Yakutia). In 2009, small enterprises contributed only 6.6 percent to the regional GDP, but gave work to 40 percent of the local workforce. The particularity of the region is that 80 percent of these enterprises are concentrated in four cities (the capital Yakutsk, Nerungri, famous for its coal industry, the diamond industry's centre Mirnyi, and Lensk). Statistics shows that in Sakha small enterprises are engaged in trade, building, real estate and transport. The role of small scale enterprises in specific sectors can be high: 94.3 percent of the service sphere (*bytovye uslugi*) and 100 percent of small bus transport belongs to small enterprises. They also account for a majority of activity in tourism, clothing repair, cargo transport, and car and truck repair and services. Local economists have highlighted one peculiarity of small scale enterprises: their need for high skilled specialist labour is much lower than their demand for unqualified manual labour.

In the following analysis, I draw on fieldwork I conducted in the Republic of Sakha in July and December 2013 and in July 2014.

The Beginning

In general, one expects that a person who enters the small business sector desires to be engaged in entrepreneurship and has some vision or strategy as to how he or she will develop their business. Another popular argument in the academic literature emphasizes "path dependency," an assumption that entrepreneurs have role models, have been active in business before or that new post-socialist enterprises follow in the footsteps of similar state companies of the socialist period.

The group studied had quite similar motivations for switching their occupation. "When in the 1990s wages were not paid, I had nothing else to do but to open my own kiosk. We sold everything, day and night!" The majority of such people worked, until that period, in low-paid public sector jobs, which were the first to go unpaid or receive extremely poor salaries in the new economic conditions. Among the respondents were former teachers, library workers, day care attendants, university faculty, accountants and middle level clerks in various state enterprises.

There is one different story represented in my data. One of the informants was forced to start leading a fishing and hunting enterprise because her mother died and left the enterprise behind. "My mother died and I had no choice. Somebody had to take control. That was an enterprise she had built up and we could not abandon

it!" In answer to my question as to why she felt obliged to take over the leadership, she replied: "My mother had established the enterprise, how could I give it up. Moreover, all the people working for the company are our relatives in the North (in the village of Tiksi on the coast of the Arctic Ocean). How will they receive their salaries if the company ceases to exist?"

Morality of the Business

The experience of this woman introduces another phenomenon related to the reluctant entrepreneurs in the Russian Far East: the moral dimension of the business that follows these entrepreneurs during their active career. Different moralities seem to play a significant role in shaping the business ideology. These norms are embedded in local kinship ideology, a notion of social value and morality. Different theoretical approaches to morality agree that the perception of what is moral is anchored in cultural values (Brandtstädter 2003; Estrin, Aidis, and Mickiewicz 2006), though according to some scholars morality should be publicly demonstrated through behaviour and the decisions made (Robbins 2007).

As mentioned, entry into the world of entrepreneurship for the informants in most cases was involuntary, the incentive being a need to seek income, not the desire for self-realisation. This entry did not exclude, however, following certain moral principles that remained consistent. It was not only providing income for relatives and demonstrating kinship solidarity that was important for Far Eastern entrepreneurs in the early 1990s. Even as people entered the new world of business, traditional values and perceptions of gender roles held firm.

"Working in a kiosk is quite dull. You just sit in there and sell what people want. I never hired young men (*parnei*) because this is not a man's work to sit and sell cigarettes. Girls are more able to adapt [to the situation], this work is more suited for them. Moreover, girls have a better sense of discipline. They do not drink heavily and then skip the next day. For a girl, it is a good opportunity to earn some money when they have just arrived to the city and need some finances. But this is not a job for a guy to start a career." In this and similar statements, practical reasons are merged with local perceptions about gender and masculinity. In the Russian Far East, the man is considered the family's breadwinner. Work in a kiosk contradicts the local perception of masculinity, where a man should earn money through heavy physical work and not sitting in a small booth.

Perceptions of gender are important for hiring employees, as is the obligation to provide income for relatives. Moreover, many respondents confessed that they prefer to hire pensioners. From the practical side, pensioners in Russia usually agree to work without a con-

tract, are more disciplined and accept lower pay. This practice was also, however, seen as a form of charity by some entrepreneurs, because old people were able to earn additional income to supplement their low state pensions.

The entrepreneurs were sometimes making decisions that were clearly, and especially in the short term, unprofitable. Most respondents who had food shops stated that they refused to sell alcohol. I was told, "We do not support it [the alcohol trade]. We support a healthy way of life (*ZOZh* in Russian, a common acronym for *zdorovye obrazy zhizni*)." To sum up this section, it seems that when economic rationale comes into conflict with social norms, reluctant entrepreneurs give preference to the social norms.

Explaining Reluctance

As is apparent from various studies conducted by anthropologists, sociologists and economists, members of the newly emerging entrepreneur class may not behave according to the rules of transparent trade, however they possess a certain amount of the required way of thinking: a desire for enlargement, a keen eye on innovation and a rational cost effective strategy.

First a story of a successful female entrepreneur who had moved to the city in the early 1990s, when salaries remained unpaid in the villages: She started with kiosks, and soon opened a small enterprise, initially producing toilet paper. After some years she sold her business and invested the money in some food shops. The accumulation of income was not used for enlarging her initial business but for opening a laundry. When the laundry became successful, she opened a hair salon. In my interview with her, and after getting additional information from other people, I understood that she managed her enterprises herself, using only the occasional help of her children.

A similar pattern became apparent with other entrepreneurs: they relied on informal kinship networks and were not interested in the growth of their enterprise, but rather the diversification of risks by investing in an unrelated sphere. The reluctance to grow and develop the otherwise well-functioning enterprise was also signalled by the near invisibility of the shops. Most enterprises I visited had either extremely modest signs on the street or nothing at all. As the owner of a non-marked laundry explained to me, her customers come to her by word of mouth. People who were engaged with supplying village people with furniture and domestic tools relied upon a network of customers and had no formal catalogue or web site.

The mistrust of formal institutions and a preference for informal networks in the post-socialist economy is

widely known. It is stressed that the institutional environment explains the low level of entrepreneurial development in Russia and this is true but in a different way. Namely, in the Russian Far East, small enterprises have an unexpected freedom in their activities. The reality shows that local government structures have little interest in controlling this segment of the economy and support large companies. In a situation where nearly 60 percent of the Yakutsk population has problems with finding suitable work, most small entrepreneurs are engaged with reselling imported goods and focus on satisfying the elementary needs of the population.

The reluctance of people to follow "normal business rules" was especially obvious when it became clear that entrepreneurs do not form a community, as one would expect. All the respondents told me that they have little interest in knowing their competitors and that they do not communicate with them at all.

Concluding Remarks

Personal relationships in the world of business include a variety of social norms and strategies that affect what defines "economically rational behavior." The entrepreneurs of the Russian Far East demonstrate that economic practices can be better understood when looking at the economic environment in the region and people's biographies.

In the case of reluctant entrepreneurs, entry into business was often involuntary, a step to choose the best option between the bad possibilities available. While there is a widespread understanding that private business maintains affiliations with state structures in order to profit from that connection, my research shows that this connection is also needed in order to withdraw from private entrepreneurship "when the time is over." All but one of my informants told me that being a "state employee" is significantly better than being a self-employed entrepreneur. In a state job, one receives a stable income, sick leave and (very important in the Far East) annual paid travel inside the Russian Federation during the holidays.

Considering the future plans, biographical facts and business ideology of my respondents, their reluctance to follow "normal" business rules is explained by the fact that they see their activity as temporary. They are reluctant to let their enterprises grow beyond the limit where they need to hire educated managers. Instead, the "reluctant entrepreneurs" often prefer to exist in a grey area and diversify their activities to avoid economic risks.

About the Author

Aimar Ventsel is a faculty member in the Department of Ethnology at the University of Tartu, Estonia.

ABOUT THE RUSSIAN ANALYTICAL DIGEST

Editors: Stephen Aris, Matthias Neumann, Robert Ortung, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder, Aglaya Snetkov

The Russian Analytical Digest is a bi-weekly internet publication jointly produced by the Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen (<www.forschungsstelle.uni-bremen.de>), the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology Zurich (ETH Zurich), the Resource Security Institute, the Institute of History at the University of Zurich (<<http://www.hist.uzh.ch/>>), the Institute for European, Russian and Eurasian Studies at The George Washington University, and the German Association for East European Studies (DGO). The Digest draws on contributions to the German-language *Russland-Analysen* (<www.laenderanalysen.de/russland>), the CSS analytical network on Russia and Eurasia (<www.css.ethz.ch/publications/RAD_EN>), and the Russian Regional Report. The Russian Analytical Digest covers political, economic, and social developments in Russia and its regions, and looks at Russia's role in international relations.

To subscribe or unsubscribe to the Russian Analytical Digest, please visit our web page at <www.css.ethz.ch/publications/newsletter_RAD_EN>

Research Centre for East European Studies at the University of Bremen

Founded in 1982, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to the interdisciplinary analysis of socialist and post-socialist developments in the countries of Central and Eastern Europe. The major focus is on the role of dissent, opposition and civil society in their historic, political, sociological and cultural dimensions.

With a unique archive on dissident culture under socialism and with an extensive collection of publications on Central and Eastern Europe, the Research Centre regularly hosts visiting scholars from all over the world.

One of the core missions of the institute is the dissemination of academic knowledge to the interested public. This includes regular e-mail newsletters covering current developments in Central and Eastern Europe.

The Center for Security Studies (CSS) at ETH Zurich

The Center for Security Studies (CSS) at ETH Zurich is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public. The CSS is engaged in research projects with a number of Swiss and international partners. The Center's research focus is on new risks, European and transatlantic security, strategy and doctrine, area studies, state failure and state building, and Swiss foreign and security policy.

In its teaching capacity, the CSS contributes to the ETH Zurich-based Bachelor of Arts (BA) in public policy degree course for prospective professional military officers in the Swiss army and the ETH and University of Zurich-based MA program in Comparative and International Studies (MACIS); offers and develops specialized courses and study programs to all ETH Zurich and University of Zurich students; and has the lead in the Executive Masters degree program in Security Policy and Crisis Management (MAS ETH SPCM), which is offered by ETH Zurich. The program is tailored to the needs of experienced senior executives and managers from the private and public sectors, the policy community, and the armed forces.

The CSS runs the International Relations and Security Network (ISN), and in cooperation with partner institutes manages the Crisis and Risk Network (CRN), the Parallel History Project on Cooperative Security (PHP), the Swiss Foreign and Security Policy Network (SSN), and the Russian and Eurasian Security (RES) Network.

The Institute for European, Russian and Eurasian Studies, The Elliott School of International Affairs, The George Washington University

The Institute for European, Russian and Eurasian Studies is home to a Master's program in European and Eurasian Studies, faculty members from political science, history, economics, sociology, anthropology, language and literature, and other fields, visiting scholars from around the world, research associates, graduate student fellows, and a rich assortment of brown bag lunches, seminars, public lectures, and conferences.

The Institute of History at the University of Zurich

The University of Zurich, founded in 1833, is one of the leading research universities in Europe and offers the widest range of study courses in Switzerland. With some 24,000 students and 1,900 graduates every year, Zurich is also Switzerland's largest university. Within the Faculty of Arts, the Institute of History consists of currently 17 professors and employs around a 100 researchers, teaching assistants and administrative staff. Research and teaching relate to the period from late antiquity to contemporary history. The Institute offers its 2,600 students a Bachelor's and Master's Degree in general history and various specialized subjects, including a comprehensive Master's Program in Eastern European History. Since 2009, the Institute also offers a structured PhD-program. For further information, visit at <<http://www.hist.uzh.ch/>>

Resource Security Institute

The Resource Security Institute (RSI) is a non-profit organization devoted to improving understanding about global energy security, particularly as it relates to Eurasia. We do this through collaborating on the publication of electronic newsletters, articles, books and public presentations.

All opinions expressed in the Russian Analytical Digest are exclusively those of the authors.

Reprint possible with permission by the editors.

Editors: Stephen Aris, Matthias Neumann, Robert Ortung, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder, Aglaya Snetkov

Layout: Cengiz Kibaroglu, Matthias Neumann, Michael Clemens

ISSN 1863-0421 © 2015 by Forschungsstelle Osteuropa, Bremen and Center for Security Studies, Zürich

Research Centre for East European Studies • Publications Department • Klagenfurter Str. 3 • 28359 Bremen • Germany

Phone: +49 421-218-69600 • Telefax: +49 421-218-69607 • e-mail: fsopr@uni-bremen.de • Internet: <www.css.ethz.ch/publications/RAD_EN>