

**Instrumental Internationalization:  
Regional Foreign and Security Policy Interests  
in Primorskii Krai**

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## Foreword

Situated in Russia's Far East, at the borders of China, Korea and Japan, Primorskii Krai has become a locus of center-periphery disputes over the internationalization of local economies and social and political relations. Given the region's border location and its rich endowment of resources, local elites quickly consolidated political and economic power in the years immediately following the collapse of the Soviet Union. The subsequent fate of key political figures in the region has to a large extent reflected the state of Moscow-Primorskii Krai relations, which have not always been easy.

This study, written by Mikhail A. Alexseev, Assistant Professor at San Diego State University, analyzes the consolidation of economic and political power in Primorskii Krai following the ouster from office of a market reform oriented Yeltsin appointee, Vladimir Kuznetsov, by a coalition of local industrialists and former party *apparatchiks* led by Yevgenii Nazdratenko, a former mining executive. The author describes how Nazdratenko constructed a powerful political base by successfully promoting the interests of local economic elites in his dealings with the federal center. The author highlights how Nazdratenko used the threat of greater regional sovereignty as a strategic bargaining tool for gaining greater control of resources.

Nazdratenko's careful balancing act had the effect of slowing down socioeconomic development in Primorskii Krai. Reliance of the region's leading industries on substantial capital investment and raw material inputs gave the region's economic and political leaders a good position from which to bargain with the federal authorities for continued subsidies and tax relief. This structural leverage was further enhanced by the reluctance of powerful Soviet-era managers to promote free market competition and rule-based, transparent internationalization of the local economy. The resulting deterioration of social conditions in the region ultimately threatened to call into question the sustainability of Russia's governance in the Far East.

## 6 *Ingmar Oldberg*

However, with the leadership change in the Kremlin and the arrival of a new leader in Primorskii Krai, center-periphery relations that characterized the Nazdratenko-era look unlikely to continue. Putin's re-centralization efforts and his positive public image as protector of Russian sovereignty make opposition to Moscow's foreign and security policy harder to exploit. Moreover, Nazdratenko's successor, Sergei Dar'kin, has foregone anti-Moscow posturing on foreign and security policy issues and has instead chosen to focus on economic development in resolving the foreign and security policy issues facing the region. Dar'kin is therefore likely to seek greater cooperation with the center as Moscow negotiates agreements with neighboring states.

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## Primorskii Krai as a political entity\*

### 1.1 *Actors and institutions*

Located eight time zones away from the Kremlin, at the juncture with China, Korea and Japan, Primorskii Krai became one of the focal points of center-periphery disputes over the internationalization of local politics, economics, and society in post-Soviet Russia. The rise and fall of the principal political actors and institutions in the region since the early 1990s has reflected some of the most intense of the disputes that continue at present despite President Vladimir Putin's efforts since mid-2000 to consolidate control over political leaders in Russia's constituent regions and republics.

The collapse of communist institutions, the opening of Primorskii Krai to international exchanges and the wholesale privatization of hitherto state-run property across Russia necessitated a rapid, if ruthless, consolidation of political and economic power, especially in a border region rich in tradable resources, as was the case with Primorskii Krai. The turning point in this concomitant consolidation of political and economic power came with the ousting from office in 1993 of Vladimir Kuznetsov, a young, English-speaking and market-reform oriented former oceanographer appointed by Yeltsin to run Primorskii Krai in 1991. Kuznetsov's policy called for an incremental transition to self-government in Primor'e through integration with the Pacific Rim economies and the concomitant development of free market institutions in the region. His goal was to raise foreign investment for the rapid development of free economic

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and trade zones (“Greater Vladivostok”) stretching from the port of Nakhodka down to the North Korean and Chinese borders along the Pacific coast.<sup>1</sup>

Threatened by this program, local industrialists and former party *apparatchiks* attacked Kuznetsov from a power base in the region’s Soviet of People’s Deputies (legislature), supporting the bid for power of a former mining executive, Yevgenii Nazdratenko, who forged a winning coalition that displaced Kuznetsov in the spring of 1993. In this struggle for power, Nazdratenko presented himself as a stronger supporter of regional economic independence than his political rivals, and as capable of securing Primor’e’s economic interests against the background of plummeting subsidies from Moscow, skyrocketing prices, and privatization.

Nazdratenko’s largest and most important constituency coalesced around an old-boys’ network of Primor’e’s defense industry bosses and new private executives, which Nazdratenko referred to as “a legal union of industrialists.”<sup>2</sup> The official name of this “legal union” was PAKT, a joint stock company founded in 1992 by 213 executives representing 36 leading industrial enterprises in Primor’e. PAKT’s primary goal was to replace the then governor Kuznetsov, a liberal market reformer and internationalist, with someone more sympathetic to the profit motives of the regional industrialists, especially in the face of the federal privatization program urging leaders in the regions to define who gets what, when, and how. Top officials in Nazdratenko’s first administration – Anatolii Pavlov, Ivan Lebedinets, and Vladimir Shkrabov – had all been leading executives at PAKT. The new political and economic alliance quickly went into action with PAKT members acquiring 236’000 shares in privatized enterprises for half the market price at closed auctions that were manipulated through the administration.<sup>3</sup>

After consolidating his position in power, Nazdratenko distanced himself from associates and colleagues in PAKT, but only to establish a new conglomerate in November 1994, recycling key PAKT players and strategies. Named the Primor’e Joint Stock Company (JSC), this financial-industrial group was avowedly set up to “promote structural reorganization of the Krai’s economy, integrate Primor’e’s economic and financial resources, improve the competitiveness of local products, create rational technological and collaborative relationships, increase the export potential, promote the conversion of defense factories, and attract investment.” With the Krai property committee listed as a founding member with a 10% interest in the Primor’e JSC and with the Krai Administration offering special deals to its members, Nazdratenko was

1 Troyakova, Tamara. “Regional Policy in the Russian Far East and the Rise of Localism in Primor’e.” *Journal of East Asian Affairs*, no. 2 (1995), pp. 450–51.

2 “Utro Rossii.” *Vladivostok*, 2 June 1993.

3 Kirkov, Peter. “Regional Warlordism in Russia: The Case of Primorskii Krai.” *Europe-Asia Studies*, vol. 47, no. 6, 1995, pp. 923–47, here pp. 926–27. For “Primorskii Watergate,” see *Izvestiia*, 1 December 1993, p. 5.

clearly increasing his leverage among the regional industry.<sup>4</sup> Thus, Nazdratenko built a powerful political base (known in Primorskii as the “administrative resource”) while striking a workable balance with key economic players – an interdependent relationship that proved resilient throughout the 1990s, ensuring Nazdratenko’s election as governor and political survival through multiple crises. Most notable among the latter were a report of the pro-Yeltsin Democratic Choice Party commission in 1994 that accused Nazdratenko of instituting a personalized dictatorship, and Yeltsin’s bid to remove Nazdratenko from office in 1997.

Having consolidated his control over government institutions at the Krai level, Nazdratenko proceeded to undermine and eventually displace major political opponents within other institutional niches. Within Primor’e, the most serious opposition to Nazdratenko’s rule came from the mayor of Vladivostok, Viktor Cherepkov. As an elected official, Cherepkov was someone whom Nazdratenko could not fire. And as mayor of Vladivostok, Cherepkov was in charge of about two-thirds of the region’s industrial capacity, and nearly one-third of its population.<sup>5</sup> The power struggle between the two turned ugly in February 1994, when armed riot police occupied the Vladivostok city government building in order to question the mayor on charges of corruption. Only an outpouring of public support for Cherepkov enabled him to remain in office a while longer. Yet, a month later, Cherepkov and his closest assistants were physically removed from office by special operations forces of the police, known in Russia as OMON. Wielding his clout in Moscow, Nazdratenko procured Yeltsin’s decree for the suspension of Cherepkov so that he could be investigated for taking a three-million-ruble bribe.<sup>6</sup>

Nazdratenko also used police to close down the pro-Cherepkov newspaper, “Primorets” (its editorial office moved to Khabarovsk and continued to distribute the newspaper in Primor’e through undercover networks). Other newspapers and local TV stations were forced to change editors and to abstain from challenging Nazdratenko’s policies.<sup>7</sup> The solid local power base and support in Russia’s Federation Council by other elected governors after 1996 even enabled Nazdratenko to get FSB General Viktor Kondratov – whom Yeltsin charged with Nazdratenko’s ouster in the summer of 1997 – reassigned to Moldova. And having established control over local courts, Nazdratenko repeatedly annulled the election results for the Vladivostok City Duma (legislature), where Cherepkov supporters continued to win the majority of votes. A city duma was only elected in Vladivostok after Nazdratenko’s departure in May 2001, on the twentieth attempt and for the first time since 1993.<sup>8</sup>

4 Izzhogov, S. “Komu i zachem nuzhna Primorskaia FPG?” (Who Needs Primor’e’s Financial Industrial Group and for What?). *Zolotoi Rog*, 14 December 1994, p. 3.

5 Troyakova, Tamara. “Primorskie ‘Igrы’” (Primor’e Games). *Rossiya i ATR*, no. 3 (1997), p. 124.

6 Troyakova, Regional Policy in the Russian Far East, p. 442.

7 Author’s interview with Oleg Zhunusov, the *Izvestiia* correspondent in Vladivostok, 22 August 2000.

8 Zhunusov, Oleg. “Nazdratenko-Backed Candidate Leads After First Round, Kremlin Routed.” *EastWest Institute, Russian Regional Report*, vol. 6, no. 20, 30 May 2001.

An important aspect of Nazdratenko's power consolidation that is constantly talked about in Vladivostok – but that is little investigated due to its very nature – concerns the Primorskii government's ties to organized crime. In a 1997 report to Yeltsin, the president's representative in Primorskii Krai – who at the time served as the local chief of the FSB (ex-KGB) – implicated Nazdratenko's right-hand man and first vice-governor, Konstantin Tolstoshein, in the allegedly hiring of gangsters to neutralize business rivals. According to General Viktor Kondratov, who filed the report, the FSB investigation established that Tolstoshein used “the leader of an organized crime group, Alekseenkov” to leverage the sale of the then largest hotel, “Vladivostok,” to Amis & Co. at the price 315 times below market value. Further, according to the FSB report, “Along with illegal financial operations, Tolstoshein uses his connections with criminal groups to conduct violent operations against competitors (...) He organized the abduction of radio reporters Aleksei Sadykov and Andrei Zhuravlev.”<sup>9</sup> News reports also suggested that Nazdratenko had engineered the rapid and wholesale management overhaul of a local shipping company, Vostoktransflot, in 1999. One of the management coup's outcomes was an assassination of lawyer Taisiia Ponomareva. She was killed by a bomb that exploded under the floorboards beneath her bed a few hours before she was scheduled to leave for Moscow, where she intended to give evidence of criminal law violations in the Vostoktransflot takeover. Control over shipping and refrigerator vessels, and avoiding the repayment of US\$7 million on a Bank of Scotland loan, were among the issues at stake in the hostile takeover of Vostoktransflot.<sup>10</sup>

Paradoxically, the endurance of Nazdratenko and the robustness of “the administrative resource” he created manifested themselves most explicitly after his *de facto* ouster from office in February 2001. An unusually harsh winter, combined with the Krai government failure to procure coal and heating oil, left an estimated 90'000 people in Primor'e without heat and electricity and prompted Putin to charge his envoy to the Far East Federal District, General Konstantin Pulikovskii, with Nazdratenko's removal. At the time, it appeared that Putin's federal reform of May 2000 that instituted seven federal districts supervised by presidential envoys had worked precisely as intended, and had allowed him to smoothly engineer the replacement of a recalcitrant governor. Yet, fears that Nazdratenko had enough clout to destabilize the political situation in Primorskii Krai prompted Putin to offer the ex-governor a sweet deal – Nazdratenko was transferred to Moscow to serve as the fisheries minister. Charged, among other things, with the assignment of fishing quotas, Nazdratenko maintained a powerful grip on Primor'e's critical economic sector.

The outcome of the May 2001 gubernatorial election showed that Nazdratenko maintained political influence in the Krai with the winning candidate, Sergei Dar'kin who prevailed against both candidates backed by the Kremlin, Gennadii Apanasenko and Valentin Dubinin. Not only was Dar'kin at the time of writing serving as the

9 *St Petersburg Times*, 28 December 1999, on Lexis-Nexis.

10 *The Moscow Times*, 12 February 2000, on Lexis-Nexis; *The Sunday Herald*, 18 February 2001, on Lexis-Nexis.

head of Primor'e Bank – which Nazdratenko established during his governorship with Dar'kin's assistance to service the Krai government accounts – but Nazdratenko's former press secretary, Nataliia Vstovskaia, reportedly worked as one of Dar'kin's campaign masterminds.<sup>11</sup> Whereas Dar'kin stated in an *Izvestiia* interview that he would replace all of the old governor's top appointees in case of his victory in the run-off against former Vladivostok mayor Cherepkov,<sup>12</sup> it was Nazdratenko who hosted Dar'kin on the latter's trip to Moscow following his victory in the first election round on 27 May 2001. Press reports suggest that Nazdratenko staged a warm reception for Dar'kin and arranged a meeting with Putin's chief of staff, Aleksandr Voloshin. Nazdratenko was also reported to have mobilized his Primorskii Krai network of state employees (the “administrative resource”) to help Dar'kin win the second round on 17 June 2001. In an interview with a national online news agency, strana.ru – sponsored by the Kremlin administration – Nazdratenko stated: “Of the candidates who ran, he was the best, in my view.”<sup>13</sup> These developments outside the Nazdratenko-Dar'kin connection demonstrate that Moscow failed to break Nazdratenko's hold on the power his coalition of political and economic backers had acquired in the 1990s.

The Primorskii election to replace Nazdratenko demonstrated that Moscow's capacity to influence regional politics remains limited, even in the personnel policy domain where Putin had hoped his federal reform would be singularly effective in promoting to power governors agreeable to Moscow. The election showed that this is partly due to the emergence of two new political fault lines that constrained Moscow's influence in Primor'e. The first conflict emerged between the presidential envoy to the federal district and the Krai bureaucracy, with General Pulikovskii backing his first deputy from Khabarovsk (Apanasenko) and the bureaucracy aligning behind Nazdratenko's former first deputy (Dubinin). The second conflict, though not played out in public, emerged between the Kremlin administration and the presidential envoy in the Far East. In the final month of the campaign the Kremlin switched its support from Apanasenko to Dubinin, while Pulikovskii continued to promote Apanasenko.<sup>14</sup> The day before the election, federally dominated “power ministries” – the Ministry of Internal Affairs, the office of the prosecutor general, and the Federal Security Service

11 *Ibid.*

12 *Izvestiia*, 2 June 2001, p. 3.

13 Medetskii, Anatoli. “Dar'kin Winner in Election.” *Vladivostok Daily*, 15 June 2001. Available at <http://vd.vladnews.ru>. The same article also reports current allegations of Dar'kin's connections with organized criminal groups – another dimension that explains why, from Nazdratenko's standpoint, he was “an optimal candidate.” One allegation rests on the fact that Dar'kin's wife, Larisa Belobrova, is the widow of Igor Karpov (nicknamed “Carp”), “a businessman and reportedly prominent figure in Vladivostok's organized crime ring” who was assassinated in 1998. The other allegation concerns Dar'kin's own association with Sergei Baulo, involved in Dar'kin's Roliz company. Baulo drowned in 1995 while scuba diving under what the *Vladivostok Daily* describes were “questionable circumstances.” *Ibid.*

14 Interview with Vladimir Vagin, Vice President, Video International (responsible for selling airtime for political advertising on TV and radio networks in Primorskii Krai during the election campaign), Moscow, 27 May 2001.

(FSB) – issued a public warning that 100'000 forged ballots were about to be cast in favor of Apanasenko. According to local observers, this warning would have prevented county governments controlled by Pulikovskii and Apanasenko from stuffing the ballot boxes, had they intended to do so.

The outcome of the gubernatorial election also showed that inter-regional political and economic rivalry played a part in the failure of the Kremlin's emissary to hoist Apanasenko into office. After Nazdratenko's resignation, Pulikovskii moved fast to consolidate control over Primor'e's political institutions and economic activity. By mid-February 2001, Pulikovskii had appointed three of his deputies, including Apanasenko, to be in charge of finance, heating, administration staff, and the law enforcement agencies. These deputies showed their muscle by launching an investigation into Nazdratenko's alleged economic mismanagement, starting with Primornefteprodukt – the local monopoly fuel supplier that sold heating oil at three times the market rate during the winter energy crisis of 2001. Apanasenko and his associates succeeded in getting Primornefteprodukt's group of owners, which included one of Nazdratenko's sons, to sell it off to the Al'ans company with "well-established ties to Pulikovskii's team." Pulikovskii's deputies also selected two candidates from Khabarovsk for the position of the regional arbitration court's chief justice. These takeover moves alarmed Primorskii's powerful businesses, including the largest shipping company, which turned to support other candidates. And the local organized crime groups – allegedly controlled by a "godfather" nicknamed "Winnie the Pooh" – reportedly saw Pulikovskii's protégé's bid for the governor's office as the attempt by a powerful Khabarovsk-based mafia boss, known as "Jam," to assert control over Primor'e's lucrative businesses.<sup>15</sup> These developments explain Apanasenko's strong last-ditch effort during the campaign to present himself as "the son of Primor'e" (where he was born, raised, and educated) – as witnessed by this author.

The net result of Nazdratenko's removal and the subsequent election in 2001 was squarely in favor of Nazdratenko's Primorskii coalition: (1) the former governor was given charge of distributing fishing quotas in Moscow, a critical office for Primor'e's fishery industry; (2) the presidential envoy to the Far East who engineered Nazdratenko's removal suffered a political defeat by failing to get his first deputy (Apanasenko) elected as Nazdratenko's replacement; and (3) the best-suited candidate (from Nazdratenko's perspective) won the gubernatorial election. The case of Primorskii suggests that the interconnection between political power ("the administrative resource") and industrial-financial groupings (PAKT and Primorskii JSC) is indeed decisive for the consolidation of regional power structures.<sup>16</sup> Yet, despite enhancing a uniform policy (that in Primorskii Krai devolved into bargaining with Moscow over tariffs,

15 Latynina, Iulia. "Pulikovskii Was Simply Too Greedy." *The Moscow Times*, 30 May 2001, p. 10, on Lexis-Nexis.

16 The general point is made in Perovic, Jeronim. *Internationalization of Russian Regions and the Consequences for Russian Foreign and Security Policy*. Zurich: Center for Security Studies and Conflict Research. Working Paper, no. 1, April 2000, p. 23.

resource allocation and subsidies), this type of regional power consolidation is not necessarily conducive to efficient policy and socioeconomic development.<sup>17</sup>

## 1.2 The socioeconomic situation

With a territory of 165'900 square kilometers and a population of approximately 2.2 million, Primorskii Krai has the largest and most balanced economy in the Russian Far East.<sup>18</sup> Rivalled only by Magadan in terms of natural resources in the Far East, Primorskii Krai has 4–6% of Russia's entire natural resource base. That includes 4.2% of Russia's non-ferrous metals (with sizeable deposits of tin and tungsten), 2.4% of forest reserves, 2.9% of raw materials for the chemical industry (e.g., fluoride), and 7.7% of "non-ore" reserves (such as offshore marine resources and medicinal herbs).<sup>19</sup> With the territory accounting for only 2.7% of the Russian Far East, Primorskii Krai comprised 30% of the region's population by 2000. It generated 22% of the Far Eastern region's share of Russia's GNP, 23% of the region's industrial output, close to 20% of regional agricultural output, and 28% of the regional retail trade volume.<sup>20</sup>

Marine transportation and fishing – with an average annual catch between 1.1 and 1.8 million tons by the late 1990s – remained the biggest sources of revenue in Primorskii Krai, with ship repair, shipbuilding, defense and light manufacturing industries oriented to support fishing and shipyards.<sup>21</sup> Two of the largest companies in the Russian Far East, the seafood processing Dal'moreprodukt Holding Company and the Far East Shipping Company (FESCO), are also based in Primorskii Krai. FESCO ranked seventh in Russia in 1997 in terms of its capitalization (*ustavnoi kapital*), estimated at about US\$300 million, and had 15'000 employees. Among the five other Primorskii companies ranking within Russia's 110 best capitalized companies, three are in the business of marine transportation: the Primorskii Shipping Company, the Port of Nakhodka, and a Vladivostok commercial cargo handling operator, Vladmorgortorgport.<sup>22</sup> In 1998, Primorskii Krai accounted for 35% of Russia's entire seafood production.<sup>23</sup>

17 For alternative cases, see Stoner-Weiss, Kathryn. *Local Heroes: The Political Economy of Russian Regional Governance*. Princeton, N.J.: Princeton University Press, 1997.

18 The Russian Far East – a geographical term synonymous with the boundaries of the Far Eastern Federal District, which stretches eastward of Lake Baikal to the Pacific Ocean and includes Khabarovsk Krai, the Republic of Sakha-Yakutia, Amur, Magadan, Sakhalin and Kamchatka oblasts, and Chukotka and Jewish Autonomous Districts.

19 "Regiony Rossii." *Ekspert*, 1997, pp. 16–17, 462.

20 Goskomstat Rossii. "Primorskii Krai v 1999 godu: statisticheskii ezhegodnik." Vladivostok, 2000, p. 15.

21 Miller, Elisa and Soula Stefanopoulos, eds. *The Russian Far East: A Business Reference Guide*, 3rd edition, 1997–1998. Seattle, WA: Russian Far East Update, 1997, p. 40.

22 Machenko, Grigorii and Olga Machul'skaia, eds. *Regiony Rossii*. Moscow: "Zhurnal Ekspert," 1997, p. 395.

23 Goskomstat Rossii, "Primorskii Krai v 1999 godu", p. 14.

Other key industries, though slow to adapt to market reforms, have been coalmining (“Primorskugol”), non-ferrous ore mining (Kavalerovo, Dal’negorsk, “Dal’polimetal”), electricity generation (“Dal’energo,” the largest in the Russian Far East), equipment for naval vessels and military aircraft (Bol’shoi Kamen’, Arsen’ev), chemicals (“Bor”), construction materials, forestry, and agriculture. By 2000, however, Primorskii’s per capita output in these industries lagged behind the Russian average.<sup>24</sup>

Exports of natural resources dominated Primorskii’s trade in the 1990s. In 1999, the total sales of fish and seafood exported by Primorskii-based companies amounted to US\$408 million abroad and US\$38 million within Russia. Exports of unprocessed timber (logs) over the same year were officially estimated at US\$146 million and export of non-ferrous metals at US\$31 million. Scrap metal exports raised US\$99 million and fuel (primarily coal) exports raised US\$43 million. Combined, these resources were worth US\$765 million, or 89% of Primorskii Krai’s US\$864 million worth of exports in 1999. In contrast, exports of the machine-building industries yielded only US\$36 million, despite the technological potential of defense-oriented manufacturers of electronics, naval equipment, and aircraft. Imports, amounting to US\$368 million in 1999, largely comprised consumer goods, with food (US\$130 million), machine-building industry products (US\$101 million), and fuel (US\$44 million) accounting for three-quarters of the entire import volume. A more diversified cross-border trade conducted mostly by individuals emerged as well, most vividly exemplified by second-hand Japanese cars that replaced Russian-made cars in the streets of Vladivostok, their steering wheels on the right side defying Russia’s left-hand drive system. Colorful street markets trading in inexpensive and low-quality, but diverse and colorful consumer imports from Northeast China sprang up across Primorskii, as they had done throughout the Russian Far East and Siberian regions in the 1990s.

The reliance of Primorskii’s leading industries on large capital investment and raw material inputs gave Primorskii’s economic and political leaders good leverage in demanding continued subsidies and tax relief from the federal government. This structural leverage has been enhanced by the reluctance of powerful Soviet-era managers (including ex-governor Nazdratenko) to accept free market competition and rule-based, transparent internationalization of the local economy. The economic decision-making of the Krai leadership devolved into tough and intense bargaining – often politicized in the local media to build support for Nazdratenko – with the federal government over resource allocation. One of the best insights into the Primorskii administration’s strategy is provided by an internal Krai government document developed early in Nazdratenko’s tenure that outlines the “special economic regime” (*osobyi rezhim khoziaistvovaniia*) for Primor’e. At the core of this program were demands on the federal agencies to appropriate an exorbitant US\$50 billion for Primor’e between 1994 and 2010. Nazdratenko’s administration sought to obtain this money by securing higher transit fees for cargo shipments through Primor’e, larger federal subsidies for fuel and

energy, a waiver on all federal taxes for ten years, special federal subsidies to local industries, and the transfer of all customs duties to the region's disposal for four years.<sup>25</sup>

Whereas the plan was subsequently modified, the general strategy persisted through early 2001, as Nazdatenko continued to argue that Moscow's economic policy favored the regions located in Russia's European core. One could read between the lines in this typical statement and detect the governor's anger: "I am not asking [Moscow] to keep subsidizing Primor'e, as if we were some sort of a backward periphery without any important industries. Let the federal government pay us their debts! And give us an opportunity for development. Make the tax code flexible (...) Let the businesses here make more money and invest more in their modernization. As things stand now, the more you make, the more you get ripped off."<sup>26</sup>

Social conditions in Primorskii Krai, where development was held hostage to Nazdrateko's bargaining with Moscow, deteriorated faster and more significantly in the 1990s than in the central regions, raising questions about the sustainability of Russia's governance in the Far East. Since 1992, Primorskii Krai has experienced a demographic crisis that even exceeded the Russian average. From 1992 to 2001, the Krai population declined by 151'500 (6.6%), dropping to 2'157'700. The prevalence of deaths over births remained the principal factor behind population decline. In 2000, the number of deaths increased by 6.1% over 1999, offsetting the 5% increase in the number of births (the latter was registered for the first time since 1994). The deaths-to-birth ratio amounted to approximately 1.6 in 1999 and 2000. The data indicates that a negative demographic development has emerged in Primorskii Krai during the 1990s. The share of children aged 4 or younger was 8.8%, and five- to nine-year-olds accounted for 8.3% of the population in 1989, but the figures for 2000 were only 4.2% and 5.7%, respectively. At 19.1 per 1'000 people, infant mortality in the region was nearly 17% higher than Russia's average in 1999. The Primorskii Krai statistics committee attributed these trends to "a decline in living standards, the inadequacy of social services and basic medical services, inaccessibility of effective treatment methods to the overwhelming majority of the population, criminalization of society and increasing crime rates."<sup>27</sup> These conditions, in turn, created incentives for out-migration – mostly to central Russia (or, as the locals put it, "to the West") – with a net migration loss to the Krai population amounting to 9,400 people in 1996, 11,000 in 1997, 12,000 in 1998, and 11,600 in 1999.<sup>28</sup>

25 Kraevaia administratsiia Primorskogo kraia (The Administration of Primorskii Krai). *Rezhim khoziaistvovaniia dlia ekonomicheskoi stabilizatsii i razvitiia Primorskogo kraia* (The Economic Regime for Economic Stabilization and Development in Primorskii Krai). Vladivostok, 1994, mimeo, p. 12. Quoted in Kirkow, Peter. "Regional Warlordism in Russia: The Case of Primorskii Krai." *Europe-Asia Studies*, vol. 47, no. 6 (1995), p. 935.

26 *Vladivostok*, 27 February 1996, p. 5.

27 Goskomstat Rossii. "O Demograficheskikh izmeneniiakh v Primorskom krae v 2000 godu." Document No. 10–26/103, Vladivostok, 2000, pp. 1–2.

28 Goskomstat Rossii, "Primorskii Krai v 1999 godu", p. 24.

Low wages under high inflation – a problem exacerbated by chronic wage arrears and payment of incomplete wages but alleviated by undeclared income from private entrepreneurial activities – has been one of the main factors in the decline of living standards. Only about 15% of Primorskii Krai's population had estimated per capita incomes above 2'000 rubles (approximately US\$77) per month in 1999, whereas 40% had monthly incomes below 1'000 rubles (about US\$38), an income distribution suggesting that close to half of the population are at risk of slipping into poverty. The Primorskii statistics committee estimated that the average income available for spending by January 2000 was about 74% of that in December 1997 if the consumer price index was taken into account. The gross regional product per capita (the share of Russia's GNP generated in Primorskii Krai) stood at approximately 80% of Russia's average from 1996 through January 2000, suggesting a lack of necessary financial resources to improve living standards significantly in the short term. Nevertheless, incomes showed some positive trends in 2000 – the number of people making less than 1'000 rubles per month decreased by 27% in 1998, and the income available for spending increased by 23%. Unemployment (measured as the number of people without jobs who turned to government employment services for assistance) was close to 8% in 1996 but steadily declined to 4.7% by the end of 1999. Income increases, however, continue to be exceeded by rising consumer prices: from 1996 to 2000, the average wage increased about fivefold, while the consumer price index rose by a factor of 40.<sup>29</sup>

Primorskii's ranking as 57<sup>th</sup> of Russia's 89 regions on the UN Human Development Index in 1998 testifies to the failure of post-Soviet regional governments to translate the Krai's location, resource endowment and business capacity into sustainable financing of public services. Among the Far East regions, this rating was higher than those of the Jewish Autonomous Region (74<sup>th</sup>), Sakhalin (71<sup>st</sup>), Amur (63<sup>rd</sup>), Kamchatka (62<sup>rd</sup>), and Magadan (61<sup>st</sup>). In the area of human development, Primorskii fell behind Khabarovsk (33<sup>rd</sup>) and Sakha-Yakutiia (39<sup>th</sup>). At US\$4'837 per year, Primorskii Krai's GDP per capita at purchasing power parity amounted to only 75% of Russia's average and was the lowest in the Russian Far East, except for the Jewish Autonomous Region. In contrast, GDP per capita in Khabarovsk was US\$6'552, in Sakha US\$6'434, in Kamchatka US\$5'748, in Sakhalin US\$5'120, in Magadan US\$4'980, and in Amur US\$4'929. The average life expectancy in Primorskii at 65.7 years was also lower than Russia's average (67) and among the lowest in the Far East. Primor'e's share of students in the 7–24 year group (69.1%) was the highest in the Far East, however, and only slightly below the Russian average of 71.4%. Primor'e had the highest education index in the Russian Far East.<sup>30</sup>

To most observers in Russia and to the local residents, the plight of Primorskii's economy is encapsulated not so much in statistical data as in severe and persistent

29 *Ibid.*, pp. 29, 38, 39, 47, 54.

30 *Human Development Report 1998. Russian Federation*. Moscow: UN Development Program (UNDP), 1998, pp. 77–78.

energy and environmental crises. After drinking tea made with boiled tap water upon my first arrival in Vladivostok in May 1999, I had a pernicious metallic taste in my mouth and was advised by my local colleagues not to use tap water for anything other than washing my hands or taking a shower. Local residents rely on multistage water filters or use bottled water, even to brush their teeth. Hot water has been a rarity in Vladivostok for most of the late 1990s and electricity shortages are endemic. Central heating routinely fails, leaving whole neighborhoods, counties and towns exposed to severe weather in winter, with January temperatures habitually reaching  $-20^{\circ}\text{C}$  under wall-piercing winds. The energy crisis came to a head during the particularly harsh winter of 2001 when, according to the Russian Ministry for Emergency Situations, 90'000 people in Primorskii Krai were left without heat in early January. The crisis prompted the allocation of emergency funds by Moscow to provide fuel and electricity and led to the forced resignation of Nazdratenko as governor in early February. Yurii Rybalkin, chair of the Primorskii Duma's Committee on Economic Policy and Property, provided an insight into the economics of the region's energy shortages during that time:<sup>31</sup>

It was colder than usual in the Maritime Territory this fall, so by rights the heating season should have started a few days earlier than the regular date of October 15. In fact, it started two or three weeks after that date. When the heating season began, the territory had only 18'000 [metric] tons of fuel oil (it needs 460'000 for the winter) and 180'000 tons of coal (it needs 800'000). There wasn't any money to buy fuel. Why not? Because the territory failed to collect almost 3 billion rubles from its own revenue base. Second, heating system losses have gone up 35% to 40%, and the reason for the heat loss is that the territory administration has been spending much less money on utilities than it should.

Measures that should have been taken to improve energy efficiency and begin metering water, heat and electricity were not taken. Heat was wasted, and the cost of it didn't go down. The territory doesn't have its own energy efficiency and power supply program. To make matters worse, the territory administration lacks reliable information about the state of affairs at the local level, so it can't monitor the situation. The Maritime Territory needs 2.5 billion to 3 billion rubles to get through the heating season. It doesn't have that kind of money.

The irony of the relationship between politics and socioeconomic conditions in Primorskii Krai has been that Nazdratenko pursued a strategy of shifting the cost of public services and infrastructure maintenance to Moscow – thus allowing top economic actors in Primorskii to privatize gains from their business activities without contributing to the local public sector. This dynamic played a large part in bringing about economic stagnation and energy and environmental crises that in turn engendered both rising apathy and support for nationalist and communist platforms, upon which Nazdratenko then played to boost his position in power.

31 The information and the citation come from *The Current Digest of the Post-Soviet Press*, vol. 52, no. 49, 3 January 2001, p. 12.

### 1.3 *Regional social awareness*

The political orientation of Primorskii's electorate generally supports the thesis that less economically developed regions are more likely to support nationalist and communist parties and agendas. The extreme nationalist and grossly misnamed Liberal Democratic Party (LDPR) of Vladimir Zhirinovskii has enjoyed disproportionately strong support in Primorskii Krai, winning approximately twice as many votes as the national average in the Russian State Duma elections in 1993, 1995 and 1999. The mid-1990s saw a major shift of support away from the pro-democracy parties (Russia's Choice, Yabloko, and Russian Movement for Democratic Reform) to the Russian communist party (KPRF), the LDPR, and the Agrarian Party. In the Duma elections, parties of democratic orientation won 28.3% of the Primorskii vote in 1993 but only 20.5% in 1995, whereas the communists and the nationalists won 34.6% in 1993 and 61.6% in 1995. In the 1999 Duma election, despite two large centrist blocs (Putin's "Unity" and Luzhkov's "Fatherland") cutting into the nationalist and communist electorate, the KPRF won 4.4% more votes (about 23%, close to the Russian average) than in 1995. Despite a decline in nationwide support for Zhirinovskii (from 11.4% in 1995 to about 6% in 1999) – that was mirrored in Primorskii Krai – his party still received 10.1% of the 1999 Duma vote in Primor'e, nearly twice the national average.<sup>32</sup>

Partly reflecting these preferences, electoral support for Putin has been among the weakest in Primorskii Krai. In the March 2000 presidential election, Putin won only 40.1% of the Primorskii vote (in contrast to 52% nationwide), beating the runner-up, communist leader Gennadii Ziuganov, by less than 4%. This was a lower level of support than elsewhere in the Russian Far East. Putin won close to 50% of the vote in Khabarovsk, 49% in Amur, 47% in Sakhalin, 49% in Kamchatka, and 62% in Magadan. Only in Magadan, however, did Putin score above the nationwide average, suggesting that his support in the Far Eastern regions is among the lowest in the Russian Federation.<sup>33</sup>

Nazdratenko, who was re-elected as governor in December 1999, extensively used nationalist and anti-market reform messages in his public campaigns, attempting to appeal to the nationalist-communist and "statist" (*gosudarstvenniki*) electorate. His book – provocatively entitled *And All of Russia Behind My Back* – opens with a selection of press articles crediting Nazdratenko with nearly saving Primorskii Krai from the threat of "Chinafication" (*kitaizatsiia*) of the Russian Far East. The article claimed – without any basis in fact – that "in the spring of 1993, every third passer-by in Vladivostok was Chinese," while in the border town of Pogranichnyi there were allegedly 2.5 Chinese nationals per local resident. Accompanying the article was a picture featuring Nazdratenko in Khasan County (*raion*) close to the border with China, vowing

32 McFaul, Michael, Nikolai Petrov and Andrei Riabov, eds. *Biulleten' nomer 4: Itogi Vyborov, Tablitsa P3*. Moscow: Moscow Carnegie Center. Available at <http://pubs.carnegie.ru/elections/Bulletins/default.asp?n=bulletin0400.asp>.

33 "Putin Proves Particularly Popular in 'Ethnic Republics' But Less So in Far East, Siberia." *IPR Strategic Business Information Database*, 30 March 2000, on Lexis-Nexis.

never to give away a military cemetery that had been assigned to China according to the bilateral border demarcation treaty of 1991.<sup>34</sup>

This publication, media interviews and campaign literature signaled that fear of geopolitical threats to Russia has been used extensively at the highest levels in the formation of the region's social awareness. A public opinion survey designed by the present author and conducted in September 2000 by the Center for the Study of Public Opinion at the Vladivostok Institute of History, Ethnography and Archeology (IHAE) of the Russian Academy of Sciences shows that local Russians significantly overestimate the scale of Chinese presence in Primor'e. The survey covered 1'010 respondents selected randomly from six locations within Primorskii Krai.<sup>35</sup> When asked what proportion of the Primorskii Krai population was Chinese, 46% of respondents excluding the "don't knows" said this proportion amounted to 10–20% (modal response). Looking to the future, most respondents (41%) said the proportion of ethnic Chinese would grow to 20–40% in 5–10 years, while another 20% said it would become 40–60%. Moreover, this survey reveals a strong perception that Chinese migration in Russia's southernmost Pacific province is much more likely to increase than to stay the same or decline in the next 20 years. For example, respondents who estimated that at present up to 5% of the local population was Chinese are most likely to believe that 10–20% of the local population would be Chinese in 5–10 years (correlation coefficient,  $R = 0.6$ ). The same holds for those who said this proportion would be 10–20% in 5–10 years, and then rise to 20–40% in 10–20 years ( $R=0.55$ ). These public perceptions – partly due to the Russian Far East's history of isolation and partly to the xenophobic campaigning by the governor's administration – suggest that fear of external threat is a tangible factor in local politics, making resistance to internationalization politically beneficial.

However, the May 2001 gubernatorial election to fill Nazdratenko's position after his forced resignation showed that playing on this fear has political limitations, and that while it worked under Nazdratenko's monopolization of political power in the region, it would not necessarily work when political power is shared. In the by-election, the candidate (Gennadii Apanasenko) who was backed by the presidential envoy

34 Nazdratenko, Yevgenii. *I vsia Rossiia – za spinoi*. Vladivostok: Ussuri, 1999, pp. 8–29.

35 The sample was stratified by location (border *vs.* non-border), population change and population density, rural-urban population split, and economic indicators (average wage purchasing power and trade with China). The areas include the cities of Vladivostok and Artem and the counties of Ussuriisk (including the city of Ussuriisk), Dal'nerechensk, Khasan and Lazo. Voting districts served as primary sampling units (*psus*). In cities the *psus* were selected randomly (by drawing lots) and in rural areas where voting districts vary significantly in size, by random selection proportionate to estimated population size (a method which ensures random representation of small and large size *psus* without skewing the sample toward either one or the other unit type). The number of dwellings in each *psu* was then counted and classified by type and proportions of residents in each *psu* by dwelling type were estimated. Interviewers then selected the dwellings and the respondents randomly by drawing lots. This procedure improves on ROMIR and VTsIOM sampling methods that are based on various types of quota sampling where interviewers are allowed to choose respondents themselves.

to the Russian Far East consistently played on fears of “Chinafication” and separation from the rest of Russia. Apanasenko’s advertisements on Primorskoe Radio, which is available to most households on radio sets through radio sockets that are installed in all apartment buildings, commented on 21 May 2001 that China’s government allegedly encouraged labor migration into the Russian Far East. These comments made sovereignty an issue in Primorskii’s gubernatorial election: “Whether Primorskii Krai and the Far East will remain Russian or whether they will come under Chinese rule will also be determined by the choices we make during this election.” Another radio advertisement and a series of TV advertisements intimated that voting for Apanasenko meant that Russia would be “a strong, united country and not a raw-materials appendage of foreign states and the source of cheap labor for them.” Apanasenko’s campaign also publicized in the local press the endorsement of his candidacy by the LDPR.<sup>36</sup>

Despite these strongly articulated messages neither Apanasenko nor former first deputy governor Vladimir Dubinin, both of whom enjoyed the Kremlin’s support in the election, won enough votes to get into the second round. The two front-runners after the 27 May vote, Sergei Dar’kin and Viktor Cherepkov, distinguished themselves by abstaining from geopolitical threats.<sup>37</sup> Instead, both candidates emphasized the economic benefits of cross-border exchanges. A significant part of Dar’kin’s election platform on international economic relations was written by Viktor Larin, the IHAE director who had been a consistent proponent of intense and constructive multilateral economic engagement of the Russian Far Eastern regions with the Pacific Rim nations.<sup>38</sup> Cherepkov denounced Nazdratenko’s xenophobic campaigning and said that he saw cross-border economic cooperation through joint ventures and free-trade regimes as the best way to alleviate political, economic and social challenges associated with Chinese migration.<sup>39</sup>

36 Recorded by the author, Vladivostok, 21–26 May 2001.

37 Apanasenko finished third in the first round, but qualified for the run-off election on 17 June 2001 after the courts – where Nazdratenko’s coalition continued to exert significant influence – disqualified the second-place winner, Viktor Cherepkov for appearing on a radio show prior to the commencement of the official campaign (other candidates, included Dar’kin, also gave media interviews prior to the election campaign, but they were not disqualified).

38 See Larin, V. L. *Kitai i Dal’nii Vostok Rossii*. Vladivostok: Dal’nauka, 1998. This book triggered an angry reaction from Governor Nazdratenko’s office that purchased the remaining unsold print run and ordered the Far Eastern branch of the Russian Academy of Sciences to remove all the copies of the book from its inventory.

39 Interview with the author, Vladivostok, 25 May 2001.

## Primorskii Krai in the Federal Union

Nazdratenko and his coalition repeatedly voiced the idea of a Maritime Republic while contesting or defending their power in Primorskii Krai.<sup>40</sup> However, the Primorskii Krai Charter (constitution) that Nazdratenko signed into law in October 1995 states unambiguously that the “territory of Primorskii Krai is an integral part of the Russian Federation” under “the sovereign rule of the Russian Federation.” Moreover, according to the Charter, Primor’e “has no right to secede from the Russian Federation.”<sup>41</sup> The charter is careful to specify that “the laws and other normative legal documents of Primorskii Krai may not contradict the federal laws on issues under the jurisdiction of the Russian Federation” – a list of these issues is provided in the Russian constitution. Moreover, the Primorskii charter states that if any local law completely or partially disagrees with the federal law, then the federal law has supremacy and that, in this case, the laws of Primorskii Krai must be changed to comply with the federal laws.<sup>42</sup>

The Charter, however, reflects the political and economic elites’ vested interests in securing a “special economic status” (*osobyi rezhim hoziaistvovaniia*) for the region. In practical terms, this status brings reduced transportation and energy tariffs, an increase in funding for defense-related industries and the military, and guaranteed increased subsidies and tax breaks for Primor’e. These goals are reflected in the Charter’s provision that “in its relations with the federal government agencies, Primorskii Krai has the necessary independence to insure the well-being of the population and the

40 For a detailed account of Nazdratenko’s instrumental use of the Maritime Republic slogan to rise to power and wrestle economic benefits from Moscow, see Alexseev, Mikhail A. and Tamara Troyakova. “A Mirage of the ‘Amur California:’ Regional Identity and Economic Incentives for Political Separatism in Primorskii Krai.” In *Center-Periphery Conflict in Post-Soviet Russia: A Federation Imperiled*, ed. Mikhail A. Alexseev, pp. 205–246. New York: St Martin’s Press, 1999.

41 *Ustav Primorskogo Kraia*, N 14–K3, 6 October 1995, Articles 1, 4 and 5.

42 *Ustav Primorskogo Kraia*, N 14–K3, 6 October 1995, Article 7.

development of the Krai and has equal rights with other subjects of the Russian Federation, regardless of whether these rights are stated in this Charter or not.”<sup>43</sup> The subtext here is that if other regions or republics of the Russian Federation get a better deal from Moscow, Primorskii Krai may take measures to protect its economy. One of the largest and actively politicized grievances held by Primorskii leaders is associated with the disproportionately high costs of transportation in comparison with other Russian regions: “Some market reformers in Moscow say that everyone in a market economy should play by the same rules. How can they claim that the rules are the same? If so, why don’t we start counting distances in Russia not from Moscow (the political center), but from Vladivostok (where the sun rises first)? Then our [transportation] tariffs would be zero and we’d be prospering!”<sup>44</sup>

The leaders of Primorskii Krai did not sign a power-sharing treaty (*dogovor o razgranichenii polnomochii*) with Moscow and the region’s charter is predictably ambiguous on the delineation of powers between Moscow and Vladivostok on issues of joint jurisdiction. Particularly important among these issues are the “ownership, use and disposal of land, mineral resources, water and other natural resources,” “delimitation of state property,” and “the establishment of general principles of taxation and levying duties.”<sup>45</sup> The Primorskii charter for the most part refers the resolution of these issues to treaties between the Russian Federal government and the government of Primorskii Krai. One of the major issues where the charter stakes out a claim to Primorskii Krai’s exceptional powers is the establishment of “territories with special status” such as the Nakhodka free economic zone. Indicative of the high economic and political stakes of Primorskii leaders in free economic zones, the charter mandates that “the establishment of such territories upon the initiative of the government agencies of the Russian Federation may proceed only upon the approval of the Duma and the Governor of Primorskii Krai or upon approval in a Krai referendum.”<sup>46</sup>

Within this legal framework conducive to bargaining for control over resources with Moscow, Nazdratenko’s government developed a regional sovereignty model as a tool for strategic bargaining with Moscow. For example, in an interview carried shortly after his election as governor in 1996, the pro-Nazdratenko *Vladivostok* daily asked the governor: “If Moscow persistently refuses to understand the region’s problems, do you think that a Far Eastern Republic may be established again, or some other combination of regions could form a separate government?” Nazdratenko replied, without bothering to substantiate his dire warnings:

43 *Ustav Primorskogo Kraia*, Article 1.

44 *Vladivostok*, 27 February 1996, p. 5.

45 *The Constitution of the Russian Federation*, Article 73.

46 *Ustav Primorskogo Kraia*, Article 86.

Support for the Far Eastern Republic in the area is very strong. The threat is knocking on our door. I am categorically against the establishment of such a republic. But this hardly depends on me. If the events take such a turn, I will resign.

We must not break Russia apart. Russia should be expanded and strengthened, and yet in recent years we have been on the losing side. I am afraid that the emergence of some kind of autonomy in the Russian Far East is very feasible. People have come to hate the way they are treated within the current system, oh boy, do they hate it! If spontaneous protests against such treatment erupt, and if they generate demands for local autonomy, for separation from Russia, who can help me stop them, even if I am a fearless opponent of these ideas? (...) I oppose the establishment of any kind of republics; I do not want to initiate and promote any kind of centrifugal developments. Russia must be one and indivisible, with the president exercising full control from the top down.<sup>47</sup>

In crafting this balancing act – with an implied message that Moscow’s policies undermine Russia’s unity while Nazdratenko’s opposition to Moscow actually serves to consolidate the Russian state – the governor and his support groups exploited public opinion in Primor’e. In the mid-1990s, the public appeared to be dissatisfied with the Kremlin’s economic reform program and seemed to prefer greater economic autonomy for Primorskii. At the same time, respondents in surveys displayed a wholesale rejection of political separatism (Table 1). And yet, the public proved somewhat responsive to the idea of converting Primorskii Krai into a constitutional republic within the Russian Federation (by association with republics such as Tatarstan that secured greater economic autonomy from the federal government). However, this idea enjoyed the support of only a quarter of survey respondents, even when its popularity increased in 1997. Not surprisingly, the Far Eastern Republic Freedom Party – established at the time of the Soviet collapse – failed to win any seats in the Krai elections. Moreover, evidence emerged that the party was financed and manipulated by the governor so that Moscow could be occasionally reminded of the threat of regional separatism in Primor’e.<sup>48</sup>

47 Nazdratenko, Yevgenii. “Ia-chelovek gosudarstvennyi,” *Vladivostok*, 27 February 1996, pp. 5–6.

48 Stephan, John J. *The Russian Far East: A History*. Stanford: Stanford University Press, 1994.

Table 1: Results of Opinion Surveys on the Political Status of Primorskii Krai

Questions and Responses	Percent Responses	
	1997 (N=620)	1998 (N=522)
<i>What political status do you expect [Primorskii] Krai to have in the future?</i>		
Continuation of current status (a Krai within the Russian Federation [RF])	65	66
Constitutional republic within the RF	25	19
A republic outside the RF within the borders of the Russian Far East	7	6
A republic outside the RF within the borders of Primorskii Krai	1	5
<i>Does the Krai Administration need greater autonomy from the central government?</i>		
Yes	65	59
If yes, in which areas:		
Economics	60	52
Politics	22	19
International relations	37	27

*Source:* Plaksen, Yevgenii. "Sotstium Vladivostoka: Osen'- 98" [Vladivostok opinion survey results: autumn, 1998], Interim Report, Institute of History, Far Eastern Branch, Russian Academy of Sciences, 1998.

Along with these public opinion trends, Nazdratenko's policy by the late 1990s shifted from wresting political and economic autonomy from the center toward enhancing Primorskii's role in the Russian Far East economic association<sup>49</sup> and, after 2000, in the Far Eastern Federal District.<sup>50</sup> In this new symbolic confrontation with the Kremlin, however, the principal strategy of Primor'e's elites was to maximize the chances of

49 Nazdratenko, Yevgenii. *I vsia Rossiia za spinoi...* (And All of Russia behind Our Back...). Vladivostok, 1999. The title implies that the author is presenting himself as a defender of the Russian borders who at the same time is under the threat of being stabbed in the back by Russia's central government.

50 The causality between public opinion and Nazdratenko's policy is complex. On the one hand, Nazdratenko has exhibited sensitivity to opinion trends over the years and has extensively employed polls, including the data presented in Table 1, to gauge public views on key political issues. On the other hand, given Nazdratenko's near domination of the local media, shifts in his policies have most likely affected opinion trends.

Nazdratenko's re-election as governor – which he secured in December 1999 – as well as their capacity to resist the Kremlin's envoy to the federal super-region.

After Nazdratenko's removal as governor in February 2001, the power game in Primorskii was resumed, leaving relations with Moscow fragmented. The governor's position and the interests of the governor's core support groups and constituents are paramount in defining the region's interactions with the federal authorities. The Primorskii Charter assigns representative function in relations with Moscow, with other constituent units of the federation and with the local governments exclusively to the governor.<sup>51</sup> This representation function is not granted to the Krai Administration executive branch collectively, the Krai Duma (restricting it to interactions with the Russian State Duma), or the judiciary. The governor is thus the pivotal channel of communication on key political, economic, and security issues between central and Primorskii authorities. At the governor's disposal are multiple – formal and informal – channels for advancing his interests in Moscow. However, Putin's federal reform of 2000 and the forced resignation of the Primorskii governor threw open the interactions game between Primor'e's political leadership and Moscow. Several institutional avenues along which these interactions are likely to be organized in the future deserve a review.

*The Federation Council*, which since 1996 has been composed of elected governors and heads of regional legislatures, provided Nazdratenko with a public platform to promote his views and interests, a permanent office in Moscow with staff to monitor center-region interactions, a support group of likeminded regional political leaders with a veto power over the executive branch and the State Duma, and an avenue for socializing with influential political and economic players in Moscow. Nazdratenko's finest hour in the Federation Council came in the summer of 1997, when he sought and received solid backing when threatened with removal from office by Yeltsin.

Putin's reforms in 2000 significantly changed the nature of this channel of communication mandating that governors and regional assemblies appoint representatives to the Federation Council. The utility of the Federation Council for the governors will therefore increasingly depend on their representative to the Council. Their presence in Moscow reduced, the governors now have less opportunity for personal lobby work in the Kremlin. The reform of the Federation Council also raises the stakes of the federal government in regional elections.

Should the protégés of the Kremlin or of its envoys in the federal districts win gubernatorial elections, the new governors would then be in a position to appoint Kremlin loyalists to the Federation Council, potentially creating a “circular flow of power” typical of unitary rather than federal states. The reform of the Federation Council also denies governors the kind of corporate security that became evident in 1997 when fellow governors supported Nazdratenko to prevent Yeltsin from setting a precedent for removing an elected governor from office. The governors' appointees to

51 *Ustav Primorskogo Kraia*, Article 54.

the new Council will not have this corporate identity.<sup>52</sup> The new political battle lines in the regions are emerging between incumbent governors and presidential envoys over election outcomes and the appointments of representatives to the Federation Council. As the Primorskii gubernatorial election of 2001 has demonstrated, these battles are not only likely to be harsh, but also have the potential to engender divisions between Moscow and its emissaries in the federal districts. At the time of writing, the center-region channels of interaction through the Federation Council are blurred, will take several years to crystallize and, barring some new major reforms, will be less significant than in the past.

*Personal ties*, especially within the executive branch, comprise perhaps the most important channel of center-region interactions, considering that personal connection networks continue to prevail over enforceable institutional rules in Russia's political establishment. In addition, these interactions remain especially important for Primorskii's new leadership after the 2001 gubernatorial election. The headline in the *Kommersant* daily, reporting on Sergei Dar'kin's visit to Moscow shortly after winning the first round of gubernatorial elections on 27 May 2001, illustrates the importance of making these connections: "Candidate Dar'kin Has Arrived in Moscow: In Order to Conquer Primor'e."<sup>53</sup> After returning from Moscow, Dar'kin said at a press conference in Vladivostok that he had worked on deals with his "many influential acquaintances (...) in Moscow political circles." Dar'kin's meetings in Moscow on that visit suggest the importance of the following players in his relations within the executive branch of the Russian federal government:

*The President:* According to Dar'kin's campaign headquarters his visit to Moscow took place upon the invitation of Putin. And yet, the Kremlin denied reports that Putin was going to hold a meeting with Dar'kin. According to a *Kommersant* source, "The president never met with any of the [gubernatorial] candidates. Why would he make an exception for Dar'kin?"<sup>54</sup> This controversy suggests that while Dar'kin sought personal contact with the president to boost his standing in Primorskii, Putin maintains – at least in public – his earlier stated position of making all governors politically "equidistant" from Moscow. It is unlikely, however, that governors are going to cease their efforts to curry favor and gain personal access to Putin. At a press conference in early June 2001, Sergei Dar'kin said his office prominently featured a portrait of the Russian president. In contrast, Nazdratenko most prominently displayed the portrait of the maverick 19<sup>th</sup> century governor-general to the Far East, Murav'ev-Amurskii.

52 This will be predominantly the case even if Sergei Dar'kin, elected as the Primorskii governor in June 2001, appoints former governor, Yevgenii Nazdratenko as Primor'e's representative at the Federation Council, as some reports have intimated. See *Vladivostok Daily*, 8 June 2001 (Internet edition). Available at <http://vd.vladnews.ru>.

53 *Kommersant*, 30 May 2001, p. 2.

54 *Ibid.*

*The President's Chief of Staff:* Whereas Putin declined to meet with Dar'kin, an ITAR-TASS source in the presidential administration indicated that some "officials from the presidential administration" were going to see Dar'kin "with the purpose of consultations ahead of the second round of elections."<sup>55</sup> While neither Dar'kin nor the Kremlin released the names of these officials, the *Kommersant* source indicated that one of them was Putin's media-shy but powerful chief of staff, Alexander Voloshin. The latter represents the most logical point of contact for the newly-elected Primorskii governor. As a result of the federation reforms of 2000 and subsequent administrative measures to consolidate the central vertical axis of power, it was Voloshin whom Putin gave authority to supervise the presidential emissaries in the super-districts. The latter wanted to be directly subordinate to the president. Voloshin demonstrated a keen interest and tangible influence in Far Eastern affairs when he appointed Vitalii Gulii as a representative of the Kremlin's envoy to Sakhalin in September 2000 over the head of the envoy, Konstatin Pulikovskii.<sup>56</sup>

*The Prime Minister:* Whereas Nazdratenko cultivated close relations with Sergeii Kirienko, Yevgenii Primakov, and Sergei Stepashin when they served as prime ministers,<sup>57</sup> nothing is known of personal connections between the newly-elected governor and the current prime minister, Mikhail Kas'ianov. However, only two days after Dar'kin's victory, Putin announced that his prime minister would visit Primorskii on 26 June 2001 to work out improvements of the local energy sector. Stressing the importance of interpersonal interactions, Primor'e's vice-governor, Nikolai Kretsu said: "This will really be a working meeting, the results of which would not remain on paper and that the Premier's participation in it in person would make it possible promptly to resolve problems connected with the Territory's preparation for the winter heat-supply season."<sup>58</sup> Mikhail Kas'ianov's visit was also intended to boost horizontal and vertical interactions involving federal agencies and regional governors. Seven ministers and 13 governors were slated to discuss energy supply problems in the Far East and the trans-Baikal area.<sup>59</sup>

Contacts at the lower departmental level are also in a state of flux at the time of writing, considering that the newly-elected governor, Dar'kin, pledged to replace the entire administrative team in Primorskii.<sup>60</sup> Dar'kin's report at a press conference in Vladivostok in early June 2001, however, suggests that he is likely to develop con-

55 Kalmykov, Mikhail. "Putin Has No Plans to Meet with Maritime Poll Frontrunner." *ITAR-TASS*, 29 May 2001.

56 *Vladivostok Daily*, 22 September 2000. Available at <http://vd.vladnews.ru>.

57 See photos in Nazdratenko, *I vsia Rossiia za spinoi*.

58 Shatilova, Marina. "PM's Arrival is Expected to Help Solve Energy Problems." *ITAR-TASS*, 19 June 2001, on Lexis-Nexis.

59 Vinogradov, Leonid. "Premier to Far East for Winter Energy Talks." *ITAR-TASS*, 19 June 2001, on Lexis-Nexis.

60 *Izvestiia*, 2 June 2001, p. 3.

nections with the ministries overseeing the military-industrial complex, non-ferrous metallurgy, and the coal industry.<sup>61</sup> In Vladivostok, Dar'kin met with former governor Nazdratenko, currently in charge of Russia's State Fisheries Committee. Given that Dar'kin and Nazdratenko have strong business connections (Dar'kin remains in charge of the Primor'e bank established by Nazdratenko to manage Krai administration accounts and, as head of the ship leasing company, Dar'kin stands to gain from Nazdratenko's supervision of fishing quotas), Nazdratenko is likely to remain a strong contact for Dar'kin with Russia's executive branch.<sup>62</sup>

*The Presidential Representative in the Far Eastern Federal District:* Early statements by Governor-elect Dar'kin suggested that he would continue to maintain his political distance from Konstantin Pulikovskii, as the former governor, Nazdratenko, did. During the election campaign, one of Dar'kin's chief opponents was Pulikovskii's first deputy and protégé, Apanasenko. The latter intimated during the campaign that other candidates undermined Russian unity and would destabilize local politics. At the 3 June 2001 press conference, Dar'kin indicated that Apanasenko's negative messages would be studied after the election was over and would have an impact on the new governor's political relationships with former opponents. Dar'kin told the media that his lawyers were preparing lawsuits "based on numerous facts involving offensive statements, lies, and slander" directed against him. Suggesting targets for legal action, Dar'kin also invited other major contenders, with the visible exception of Apanasenko and Cherepkov, to join in his lawsuits.<sup>63</sup>

Asked about his relations with Pulikovskii, Dar'kin was tactful, but said nothing positive about Pulikovskii's work as presidential envoy. Dar'kin only stated that he "deeply respected him [Pulikovskii] for his work for the Motherland" (evoking Pulikovskii's part in military operations in Chechnya – in itself a politically controversial experience). Rather than expressing any support for Pulikovskii's policies, Dar'kin made a general pledge to "support the president and his envoy to ensure order in Russia."<sup>64</sup> These developments challenge Putin's assertion in late May, 2001 that presidential emissaries became a "stable, reliable, and effective" channel of communication" of the regional governors with the president.<sup>65</sup>

As the new political elites in Primorskii consolidate their power, they will be dealing with top-ranking politicians in Moscow that Putin had entrusted to ensure centralization of political power in Russia. These key political players can be identified

61 At the press conference, Dar'kin said he held talks on contracts for the "Progress" factory in Arseniev (the manufacturer of Russia's "Black Shark" attack helicopter) and the "Dal'polimetal" (non-ferrous metals) corporation in Dal'negorsk. He also mentioned discussions about his program of increasing production at local coal mines. *Vladivostok*, 5 June 2001. Available at <http://vd.vladnews.ru>.

62 Personal communication with Oleg Zhunusov, *Izvestiia* correspondent, Vladivostok.

63 *Vladivostok*, 5 June 2001. Available at <http://vd.vladnews.ru>.

64 *Ibid.*

65 *Narodnoe Veche*, 25 May 2001, p. 4.

from a list of those invited by Putin to mark the anniversary of the establishment of Russia's seven federal districts, which included Prime Minister Kas'ianov; Chief of Staff Voloshin and his three deputies, Dmitrii Medvedev, Vladislav Surkov, and Aleksandr Abramov; Defense Minister Sergei Ivanov; Interior Minister Boris Gryzlov; Minister for Emergency Situations, Sergei Shoigu; FSB Director Nikolai Patrushev; and Secretary of the Security Council Vladimir Rushailo.<sup>66</sup> Addressing the anniversary meeting, Putin credited the new institution of federal emissaries with the "increased efficiency of government in Russia" and with arresting the state's disintegration by bringing local laws into compliance with federal laws. In addition, Putin noted success in the center's efforts to reclaim control over regional branches of the "power ministries" (the police, the intelligence and security services, and the military). Overall, the presidential envoys were credited with helping the center to reclaim control over 450'000 federal employees based in Russia's constituent regions and republics (which is nearly twice as many as the number of local government employees).

As Dar'kin indicated in his report on visiting Moscow after winning the first round of the gubernatorial election in May 2001, governors have a substantial "relationship capital" at the center besides government institutions. Apart from his contacts in the federal government, Dar'kin also emphasized his connections "within [Russia's] largest banks" and "industrial holding companies." While no other information emerged on these contacts at the time of writing, as chair of the Primor'e bank, Dar'kin had established good relations in the past with the head of the Interros Group and former deputy prime minister Vladimir Potanin. Other contacts are also likely to include stakeholders in Kompas-One, a Moscow firm (and one of the Primor'e bank shareholders) that is reportedly engaged in selling "old Soviet-era military vessels."<sup>67</sup>

Apart from the governor, Primorskii charter assigns interactions with Moscow to the Krai Duma (legislative assembly). The Primorskii Duma ratifies "treaties and agreements signed by the governor of Primorskii Krai and government agencies of the Russian Federation or of other subjects of the Russian Federation." The Duma is also granted authority to introduce bills to the Russian State Duma and to address the president and the Constitutional Court of Russia "to seek dispute resolution." Finally, Primor'e's legislature is granted parity with the governor's administration in setting up a "unified representative office" with the federal government, in appointing the head of the same office, and in passing regulations for running the office of the Krai representative.<sup>68</sup> Along with a number of other legislative assemblies, the Primorskii Duma has a unique legislation forum in the Russian State Duma called the Committee on the Problems of the North and the Far East. During the spring 2001 State Duma session, for example, the LDPR deputy representing Primorskii Krai initiated two bills dealing with the legal status of Russia's continental shelf.<sup>69</sup> In November 2000, the committee

66 *Ibid.*

67 *Russian Far East Update*, 1 January 1998, Lexis-Nexis version.

68 *Ustav Primorskogo Kraia*, Article 47, parts, 2, 27, 28, 29.

69 The official Web site of the Russian State Duma, <http://www.Duma.gov.ru/listlaw/law/27.htm>.

chair, Valentina Pivnenko, urged the State Duma at parliamentary hearings to ratify the intergovernmental Russian-Korean agreement to turn 3.3 million square meters of land in the Nakhodka free trade zone into a high-technology complex leased to Korean companies.<sup>70</sup> Overall, however, only two legislative initiatives during the same session out of 593 bills listed on the agenda of the State Duma committees came from the Primorskii Krai Duma. One bill, listed under review with the committee on legislation, dealt with changes in Russia's penal code on negligence during military service. The other bill, reviewed by the Duma Committee on Defense, dealt with postponement of conscription of students completing their secondary education.<sup>71</sup> The Russian-Korean treaty on a technology park, ratified by Korea in 1999, still remains to be ratified by the Duma. This data suggests that the Krai Duma has at best a limited and episodic role in promoting the interests of Primorskii Krai within the federal government institutions, with its legislative initiative focusing on functional issues, rather than on issues of political and economic strategy.

70 Serebrennikov, Robert. "Industrial Estate in Russian Far East to Boost Development." *ITAR-TASS*, 20 November 2000, on Lexis-Nexis.

71 The official Web site of the Russian State Duma, <http://www.Duma.gov.ru/listlaw/index.htm>.

## Primorskii Krai in its international environment

Primorskii Krai's location in the southernmost part of Russia's Pacific coast places the region in the crossfire of economic opportunity and transnational security challenges, substantially influencing both internal politics and economic development and the local outlook on foreign and security policy issues. In this section of the case study, specific issues arising from the Krai's border location are examined as part of the broader political, economic, and cultural dimensions of Primor'e's international environment.

### *3.1 Military aspects*

Home to the Pacific Naval Fleet and its bases stationed along Primor'e's coast, the Far Eastern Regional Directorate of the Russian Border Service, army and air force bases stationed along the border with China, and armaments factories, Primorskii Krai entered the post-Soviet era as a strategic outpost of the Soviet Union. The collapse of the communist government, the end of the Cold War, and the normalization of relations with China (codified in the 1991 Border Demarcation Treaty) exposed this strategic military outpost to internal and external market forces giving rise to a complex mix of political, economic, and environmental challenges.

Since the early 1990s, federal debt and several months' unpaid wages to the military and defense industry workers imposed massive economic burdens on Primor'e. Workers at the Zvezda nuclear submarine repair plant in Bol'shoi Kamen,' north of Vladivostok, and at the Progress helicopter and missile plant at Arseniev, not only staged strikes and demonstrations, and blocked roads, but demanded that Primor'e become a Maritime Republic. Meanwhile, a high official from Moscow who came to negotiate with the striking nuclear submarine workers in 1997 said the federal government would at best deliver one-third of the funds appropriated for the plant. By

November 1997, the backlog in outstanding payments for Moscow's military orders fulfilled by the plant exceeded 63 billion rubles, the equivalent of about 100'000 average monthly wages. Investment from Hyundai was expected to plug this federal budget hole,<sup>72</sup> but the solution was incomplete.

The legacy of the Soviet military deployment resulted in economic inefficiency and environmental damage in the Russian Far East. Ammunition depots exploded, military personnel were starving, and garbage and hazardous waste were dumped illegally. In one of the explosions in the late 1990s, 12 mine-and-torpedo systems detonated at a depot in Gornostai, sending shock waves through the entire city of Vladivostok and causing power blackouts and heat-supply breakdowns. Specialists later concluded that if all 56 mine-and-torpedo systems had exploded, Vladivostok would now be ruined.<sup>73</sup>

Large military bases of the Pacific Fleet and the Far Eastern military district failed to cover the cost of energy supplies and maintenance borne by local and regional governments and businesses. Workers at the 27<sup>th</sup> Electricity Grid Facility that supplies Russia's naval bases on the Pacific had gone 14 months without pay by September 1998. And when five workers went on hunger strike, a special commission set up by the Pacific Fleet to investigate their demands failed to arrive due to an absence of gasoline.<sup>74</sup> Federal funding for conversion of military industries to peacetime production – critical to Primor'e's industrial development and employment – has been chronically delayed and by mid-1997 fell 80% short of original promises.<sup>75</sup>

In 1996, Nazdratenko complained that Moscow's defense strategy was seriously hampering the development of energy resources in Primor'e: "We have always depended on free electricity transfers amounting to 5 million megawatts. Without this, Primor'e cannot survive because the [federal] government has not built and will not build new power plants here. Meanwhile, our access to sites rich in natural resources is blocked by military airfields, where air defense fighter planes and strategic aircraft are stationed. That's because according to our former political ideology and military doctrine, we were always at the first line of defense."<sup>76</sup>

72 Press-department administratsii kraia (Press Department of the Krai Administration). "Bol'shoi Kamen: za grekhi pravitel'stva otduvaetsia gubernator" (Bol'shoi Kamen: The Governor Sweats it Out to Make Up for Central Government Blunders). *Vladivostok*, 7 August 1997. Available at <http://vl.vladnews.ru>; RIA Novosti. "South Korean Corporation Hyundai Is to Place Orders for Building and Repairing Civilian Vessels with Zvezda Military Plant." *Hotline*, issue 23, 10 November 1997. Available at <http://www.ria-novosti.com/products/hotline>.

73 RIA Novosti. "Torpedo Depot Explodes in Primor'e Territory." *Hotline*, issue 21, 7 November 1997; Bakshin, Valerii et al. "Na Gornostae 7 noiabria vzorvalsia minno-torpednyi sklad" (A Mine-Torpedo at Gornostai Depot Exploded on 7 November). *Vladivostok*, 11 November 1997.

74 Motorina, Tat'iana. "Dovedennye do otchailaniia energetiki glavnoi bazy Tihookeanskogo flota nachali bessrochnuiu golodovku" (In Desperation, Energy Suppliers of the Main Naval Base of the Pacific Fleet Went on an Indefinite Hunger Strike). *Vladivostok*, 10 September 1998.

75 "Business Briefs." *Vladivostok* (English edition), no. 151 (1997).

76 *Vladivostok*, 27 February 1996, p. 5.

After the end of the Cold War, Moscow broke this strategic deal, retaining the military installations while cutting off free electricity and providing few rules for working out solutions or for bargaining. In 1997, Vice-Governor Vladimir Kolesnichenko said the federal and Krai government contracts could finance no more than 60% of existing defense projects, even if all the funds were disbursed on time (a big “if” in Russia). Kolesnichenko then said that “it should be easier for current [industry] leaders to develop projects more reliant on international investment than government contracts.” The director of Variag, a major Vladivostok company, complained that frequent changes of federal laws and neglect by bureaucrats made such investment proposals impossible, despite relative economic stability at the time.<sup>77</sup>

Moreover, Primor’e is still dealing with the legacy of what was arguably the world’s worst nuclear submarine explosion at Chazhma Bay near the secret Shkotovo-22 village in 1985. As a result of the explosion, one assembly with a freshly loaded nuclear core was thrown out of the submarine reactor. A refueling hut was partially destroyed, and its roof was catapulted as far as 70 to 80 meters. This roof fell into the water 30 meters from the coastline. The explosion set the submarine reactor section, which was localized only after four hours, on fire. According to a Russian government report completed eight years after the accident, sizable radioactive contamination affected submarines, special service vessels, repair plant buildings, docks, and the surrounding territory. Radioactive fallout, attributed primarily to cobalt-60, caused intense contamination in the Chazhma Bay covering approximately 100’000 square meters. Ten people died in the accident, 49 got radiation sickness, and 290 were overexposed to radiation.<sup>78</sup> Radioactive waste from the accident was dumped in a temporary burial trench in the fallout trace. The site was left unguarded, and local residents passed at will through the barbed-wire fence erected around it while hunting for mushrooms (mushroom hunting is an extremely popular hobby in Russia).<sup>79</sup>

Moreover, in the post-Soviet period, the situation of the Pacific Fleet’s nuclear submarines deteriorated. Valerii Butov, a 30-year veteran of the Soviet nuclear submarine program and Yeltsin’s representative in Primor’e from 1991 to 1994, told *Vladivostok* (English edition) in 1997 that about 60 retired nuclear-powered submarines were sitting in harbors around the Russian Far East, their hulls threatening to leak. A leaking hull could cause a submarine to sink, which could set off the nuclear

77 Waldhams, Nick. “Defense Directors Feel the Squeeze.” *Vladivostok* (English edition), no. 150 (1997).

78 Yablokov, A. V. et al. *Facts and Problems Related to the Dumping of Radioactive Waste in the Seas Surrounding the Territory of the Russian Federation*. Materials from a government report on the dumping of radioactive waste, commissioned by the President of the Russian Federation on 24 October 1992. Decree no. 613, Moscow, Administration of the President of the Russian Federation, 1993, para. 3.4.

79 Joshua Handler. Testimony for the U.S. Senate Permanent Subcommittee on Investigations on Threat Posed by the Proliferation of Weapons of Mass Destruction, Washington, D.C., 13 March 1996. Available at <http://www.princeton.edu/~jhandler/cu/Tstmy%20Threat%20of%20WMD%20us%20Senate%2013Nov96.pdf>.

reactor inside. Some statements by Butov echoed the reasoning of many Lithuanians and Ukrainians when they campaigned for independence from the Soviet Union in 1989–1991: “Waiting for the Russian government to deal with the situation is foolish. It [radioactive waste] will all go sooner or later into the sea – because Russia doesn’t care.”<sup>80</sup>

While Moscow’s control over its military bases triggered economic and environmental disasters, seizing control over some of the Kremlin’s premier strategic assets provided direct benefits to the local economy. In a dramatic, if technologically questionable, illustration that taking matters into one’s own hands could work, one local authority near Vladivostok kept Typhoon-class nuclear submarines moored to the jetty and wired to a local power grid. In this manner, the submarines provided electricity to a nearby town during the acute energy crisis in the summer of 1997. The Russian public television news show *Vremia* reported this story and showed footage of this innovative power source.<sup>81</sup>

Since his ascent to power, Putin has repeatedly stressed the importance of having a stronger military for Russia, and he initiated substantial spending increases in the defense sector in 2000. However, the scale of socioeconomic problems arising from managing the military sector in Primorskii, the limitations of the Russian federal budget, and implementation problems suggest that Primorskii leaders are likely to face persistent uncertainty over trends in Russia’s military capabilities and the military balances in Northeastern Eurasia. Vice-Governor Vladimir Stegnii, for example, said: “At present our military capabilities are such that, according to one estimate, we can destroy China 33 times. But the future of the military balance is uncertain. In the future, the military balance will worsen for us. China has a lot of money that it can spend on the military. We [Russia] cannot invest at the same rate. Whereas President Putin ordered to strengthen the armed forces, our Pacific Naval Fleet did not have the resources to stage a traditional show of naval vessels [in the bays around Vladivostok, held on the Navy Day annually].”<sup>82</sup> A photo display at the entrance to the Primor’e government building in August 2000 – as witnessed by this author – showed Navy Day festivities featuring a lot of young females but no naval vessels. The rusting Kilo-class submarines in Ulis Harbor and the decaying electronic intelligence and space communications vessel “Kosmonavt Komarov,” stranded nearby, are reminders of the challenges facing the post-Soviet military in the Russian Far East.

Three trends have been addressing these challenges since mid-2001. On balance, these trends suggest the easing of tensions between economic internationalization and geopolitical security threats in Primorskii Krai:

80 Brown, Heidi. “Critic Warns of Pending Nuclear Sub Disaster.” *Vladivostok* (English edition), no. 152 (1997).

81 Alexseev, Mikhail. “Vladivostok.” *The Seattle Times*, 17 June 1997.

82 Interview with the author, Vladivostok, 15 August 2000.

*First*, Putin's bid to reassert Russia's military power – implicit in the new military and naval doctrines – has resulted in increased activities, readiness, and centralized command-and-control of the military based in Primorskii. On 21 May 2001, for the first time in seven years, warships put to sea as part of the Pacific Fleet Day celebrations.<sup>83</sup> The Pacific Fleet command issued an order in March 2001 to prepare Primorskii-based Kilo (“Varshavianka”) class diesel submarines – capable of approaching other submarines undetected – to put to sea in the summer.<sup>84</sup> Despite fund-raising problems, the Pacific Fleet's large anti-submarine vessels, Admiral Panteleev and Admiral Vinogradov, sailed to Bombay and Ho Chi Min City in April 2001 – the first such voyage in the Pacific Fleet in a decade. Proud of resumption of Russia's naval presence in the Indian and Pacific Oceans, the Pacific Fleet commander, Admiral Mikhail Zakharenko said: “The Pacific Fleet's seamen have proven their ability to carry out tasks in any region. They were met with surprise abroad, because nobody could believe Russian ships are still capable of going to sea.” After the naval visit – followed by president Putin's visit to Vietnam – the Primorskii territorial military registration office announced job vacancies in Cam Ranh, the maintenance base of Russian vessels in Vietnam, seeking doctors, dentists, cooks, drivers, teachers, and plumbers.<sup>85</sup> In late April 2001, the chief of naval staff of Russia inspected the Pacific Fleet's combat readiness in a series of exercises involving anti-aircraft missile launches, gunnery exercises, and missile launches. The commander-in-chief of the Russian navy, Admiral Vladimir Kuroedov, pronounced the Pacific Fleet “equal to all modern challenges” at a meeting with the officers after the exercises.<sup>86</sup>

All military and security forces of Primorskii Krai took part in the largest military exercises in Russia in the second half of the 1990s from 19–24 March 2001, spanning from centrally located Ryazan to the Pacific. Motorized infantry and tank units, air force and anti-aircraft units, and headquarters staff and operational groups of the Far East Military District and the Pacific Fleet held simultaneous exercises at several testing sites and shooting ranges. Under the authority of the commander of the Far East Military District, Colonel General Yuri Yakubov, the exercise embraced all operational headquarters and units of security services, including the Far Eastern Internal Forces District (police), the Far Eastern Regional Directorate of the Federal Border Guards Service, Far East Regional Center of the Emergency Ministry, railroad troops, and even paramilitary formations of the Ussuri Cossack Army. The exercises featured “thousands

83 *Kommersant*, 22 May 2001, p. 9, on Lexis-Nexis.

84 “Pacific Fleet Diesel Subs Prepare to Put to Sea.” Russia TV, Moscow, Russian 0800 GMT, 19 March 2001, on Lexis-Nexis. The report, however, also suggests that major recruitment and funding problems persist as the crew of *Varshavianka* sub, the captain of which was interviewed, numbers 17 instead of the required 67.

85 Kalachinskii, Andrei. “The Return of the ‘Admirals.’” *Novye Izvestiia*, 29 March 2001, p. 2, on Lexis-Nexis.

86 Shatilova, Marina. “Russian Pacific Fleet Meets All Combat Requirements.” *ITAR-TASS*, 26 April 2001, on Lexis-Nexis.

of servicemen, hundreds of armored personnel carriers and infantry combat vehicles, tanks, mobile artillery units, field artillery and mortars, 60 aircraft and helicopters, anti-aircraft arrays, and ships of the Pacific Fleet.”<sup>87</sup>

In an example suggesting that local governments in Primorskii Krai may enlist the support of Russia’s intelligence services to deal with the negative effects of the military presence, the Vladivostok city government got the Federal Security Service to watch over the storage and removal of highly toxic missile fuel from the city in the spring of 2001. Rear Admiral Nikolai Sotskov, in charge of the Primorskii territorial FSB department overseeing the Pacific Fleet, assured the Vladivostok government that 167 tons of missile fuel had been poured into special cisterns and transported out of the city, whereas the remaining 91 tons of missile fuel would be removed by the end of the first quarter of 2001.<sup>88</sup>

*Second*, Primorskii leaders partially adapted to post-Soviet challenges by opening the local defense industry to economic internationalization and by partially re-orienting the defense industry toward civilian production. Developments at the Zvezda nuclear submarine repair facility at Bol’shoi Kamen’ in the late 1990s provide a focal point. To offset the funding shortage resulting from lack of submarine repair orders from the government, the local authorities, the Primorskii government and Russia’s federal agencies struck a series of deals to maximize the economic benefits derived from Bol’shoi Kamen’s special standing in Russia’s military industrial complex while allowing Zvezda to solicit international contracts and investment. On the one hand, in 1997 Bol’shoi Kamen regained its status as a “secret city” or ZATO (*zakrytoe territorial’noe obrazovanie*, or “closed administrative entity”) after giving it up in 1992. The closed city status grants Bol’shoi Kamen’ tax breaks and federal subsidies. On the other hand, this “secret city’s” economy has been sustained since 1999 by a contract to repair 10 Chinese diesel submarines – resulting from an agreement to increase economic ties signed between Russia and China, with input from the Primorskii government.<sup>89</sup> In April 1999, the US construction and engineering company McDermott (with its subsidiary, Babcock & Wilcox Power Generation Group) was completing a multi-million dollar project in Bol’shoi Kamen’ to provide pollution control facilities.<sup>90</sup> Elsewhere, contracts to produce Moskit anti-ship missiles for the Chinese navy and for the Vietnamese armed forces, as well as orders from Japan for large-size containers, accounted for a 13% increase in production volume for 1999 over 1998 at the Progress aircraft

87 Mukhin, Vladimir. “From Ryazan to the Pacific.” *Nezavisimoe Voennoe Obozrenie*, no. 12, 6–12 April 2001, EV, on Lexis-Nexis.

88 “Vladivostok City Administration Forced to Obtain Information About Pacific Fleet’s Missile Fuel Over the Head of Fleet Command.” *Ezhednevnye Novosti*, 21 March 2001, p. 2, on Lexis-Nexis.

89 “Shipyard in Russia’s Far East to Repair Chinese Submarines.” *Interfax*, 9 March 1999, on Lexis-Nexis.

90 Viatkin, Sergei. “Pollution Control Equipment Market.” *Global News Wire*, Industry Sector Analysis, 23 April 1999, on Lexis-Nexis.

company in Arseniev.<sup>91</sup> In August 1999, the Primorskii government hosted an Indonesian delegation showcasing local enterprises capable of repairing warships and fishing vessels.<sup>92</sup>

*Third*, following the end of the Cold War, the Russian military continued to develop international contacts and cooperation agreements throughout the 1990s. In January 2001, a 30-strong delegation from the Japanese National Defense Agency visited the Pacific Fleet command in Vladivostok to discuss opportunities for military cooperation.<sup>93</sup> Following up on his visits to Japan while serving as the Russian Pacific Fleet commander, Admiral Vladimir Kuroedov became the first commander-in-chief of the Russian navy to pay an official visit to Japan in April 2001. At his meetings with the chief of the Japanese National Defense Agency, the head of the Japanese navy and chair of the Joint Chiefs of Staff of the Japanese self-defense forces, Admiral Kuroedov proposed a moratorium on submarine reconnaissance, joint assessments of security threats in Asia Pacific by the countries' Navy staff, and a hotline between the two Navy staffs. The Japanese military leaders, for their part, invited up to five Russian navy ships to visit Japan and one Russian ship to take part in a Japanese-Korean offshore rescue exercise.<sup>94</sup> Since 1990, US warships have visited Vladivostok more than 20 times and have taken part in joint exercises to provide disaster relief to civilian populations. In June 2001, the commander of the US armed forces in the Pacific, Admiral Dennis Blair, visited a surface warship and other naval formations in Vladivostok after attending Russian military exercises in Khabarovsk. In April 2001, US military experts inspected the Pacific Fleet's Rybachii nuclear submarine base under Russian-US treaties on strategic arms reduction.<sup>95</sup>

The Pacific Fleet also maintained multilateral international cooperation through Russia's membership in the Western Pacific Naval Symposium, set up in 1988 to provide its 21 members with a framework for interactions and discussion on common maritime interests. Russia and 11 other countries participated in a multilateral tactical training exercise in Singapore in 2001, practicing computer-simulated maneuvering

91 Lents, Evgeniia. "Primor'e Territory Witnesses Boom in Defense Industry." *ITAR-TASS*, 10 February 2000, on Lexis-Nexis.

92 "Indonesia Delegation Has Got to Know the Military-Industrial Complex of Primorskii Krai." *RIA OREANDA*, 3 August 1999, on Lexis-Nexis.

93 "Japanese Defense Delegation Visits Russian Naval Base." *Agence France Presse*, 24 January 2001, on Lexis-Nexis.

94 Ivan Zakharchenko. "Russia Navy Chief Rounds Off Japanese Visit." *ITAR-TASS*, 22 April 2001, on Lexis-Nexis; "Russian Pacific Fleet Ships to Visit Japan," *Interfax*, 3 May 2001, on Lexis-Nexis.

95 "Head of U.S. Pacific Fleet Visits Russian Naval Base in Vladivostok." *Agence France Presse*, 20 June 2001, on Lexis-Nexis; "U.S. Military Inspects Russian Nuclear Submarine Base." *Agence France Presse*, 13 April 2001, on Lexis-Nexis.

and search-and-rescue operations<sup>96</sup> and participating in a 12-day mine countermeasure exercise in Indonesia. The Indonesian exercise featured 1'500 naval personnel and 15 ships from 16 national navies – including those of China, Vietnam, Japan, Indonesia and the US – “to build and foster common operational procedures and to cooperate in humanitarian mine-disposal efforts.”<sup>97</sup> In order to derive economic and security benefits from international cooperation, the governments of Russia and Primorskii have been cooperating with the US Navy program that provides up to US\$35 million to assist in the decommissioning of about 60 of the Russian Pacific Fleet’s nuclear submarines, which pose environmental and proliferation risks.

### 3.2 *Territorial disputes*

Primorskii Krai is the site of the only armed dispute over interstate borders in the Russian Federation after World War II. Soviet armed forces engaged in battles with the Chinese armed forces over Damanskii island on the Ussuri River in March of 1969. Since then, the Soviet government has invested heavily in border infrastructure, including an electrified barbed wire fence stretching through the Russian-Chinese border. At the border crossing in Grodekovo in October 1999, the present author noted that a three-tier barbed wire fence was in place complete with a warning sign that read: “Danger! High Voltage.”<sup>98</sup> Following Mikhail Gorbachev’s visit to China in 1989 and the signing of the Border Demarcation Treaty in 1991, territorial disputes affecting Primorskii Krai were resolved at the Moscow-Beijing level. In a memorandum issued at the present author’s request in May 1999, the Far Eastern Regional Directorate of the Russian Border Service stated: “The situation on the border with the PRC in recent years has been stable and predictable. It reflects the mutual aspiration of China and Russia to develop the necessary political conditions for a constructive partnership.”<sup>99</sup> And despite Nazdratenko’s high-profile confrontation with the Russian foreign ministry about transferring three pieces of Chinese territory under the 1991 border treaty, these disputes largely subsided after Nazdratenko’s re-election in December 1999. After winning the 2001 gubernatorial election, Dar’kin explicitly ignored this issue – in sharp contrast to Nazdratenko, who made opposition to border demarcation a prominent theme in every campaign. This shift has to do in part with Putin’s rise to power, whose and massive military campaign in Chechnya made accusing Moscow of lack of support for Russia’s territorial integrity baseless.

96 “Japan Participates in Computer-Simulated Naval Exercise in Singapore.” *Kyodo News Service*, Tokyo, in English, 0938 GMT, 9 May 2001, on Lexis-Nexis; “RSN Hosts Western Pacific Naval Symposium,” Channel NewsAsia, 9 May 2001. Other participating countries were Australia, Canada, Chile, France, Indonesia, India, Malaysia, New Zealand, South Korea, Thailand, and Singapore.

97 “16 Navies in Mine-Disposal Exercise.” *The Straits Times*, 13 June 2001, p. H2, on Lexis-Nexis.

98 The photographs from this visit to the border crossing and papers on Russia-China cross-border interactions in Primorskii Krai are available on the author’s “Russia in Asia” web site: <http://www.rohan.sdsu.edu/%7Ealexseev/index.htm>.

99 TORU Press Service. *Spravka o migratsii grazhdan Kitaia v Rossiiu i tret'i strany cherez ee territoriiu v 1998–99 gg.*

However, this author's interviews with policymakers and business leaders and the analysis of local press indicate that the shadow of territorial disputes with China is likely to factor largely in Primorskii Krai politics in the foreseeable future. An article published in a local paper, *Dal'nevostochnoe vremia*, during the gubernatorial campaign of May 2001 and entitled "Expansion: The China Leadership Encourages the Robbing of Russia," reflects the views of some key regional and federal decision-makers and explains why territorial disputes between Russia-China are likely to re-emerge. (In fact, the chief of the Russian Federal Migration Service for Primorskii Krai, Sergei Pushkarev, who gave a copy of the article to the present author, said he "totally agreed with the points the article made."). These views also represent an "idea pool" upon which local politicians would be likely to draw if, for example, they perceive that the Kremlin's patriotic credentials weaken or if they need to attract Moscow's attention and resources to deal with security and socioeconomic issues arising from cross-border exchanges. At the heart of these views from Vladivostok is the idea that China's leaders entertain territorial claims towards Russia and conceal their aggressive intentions, as suggested by the following allegations:

- According to China's leaders, the 1858 Treaty of Aigun and the 1860 Treaty of Beijing that form the basis for present-day border demarcation were unjust treaties imposed on China by Russia at a time when China was weak.
- To this day, China's leaders have failed to distance themselves from Mao Zedong's declaration in 1964 when he claimed 1.5 million hectares of Russian territory for China.
- In Primorskii Krai, Chinese leaders are guided by China's official strategy entitled "The Concept of Geographic and Strategic Borders," which implies that migration of Chinese nationals into Primorskii Krai would over time result in Primor'e's "Chinafication," thus extending China's "geographic borders." These new "natural" borders would pave the way for China "to eventually establish its strategic (military) control over territories in the Russian Far East.
- Instructions issued by the Central Committee of the Communist Party of China to provincial party leaders state that in recent years [the 1990s], the Russian government's capacity to control migration has weakened significantly, creating favorable conditions for the establishment of Chinese migrant colonies.
- One of the policy scenarios commissioned by China's leadership envisions Primorskii Krai or the entire Russian Far East seceding from Russia and recommends that China tighten its control over these territories by encouraging Chinese nationals to infiltrate local government institutions and businesses.
- In the face of overpopulation and high unemployment rates, the Chinese leadership has passed a resolution "On Measures to Further Stabilize the Problem of Employment and the Distribution of Labor Resources" that encourages the

export of labor from China's Northeastern provinces to the Russian Far East. According to *Dal'nevostochnoe vremia*, this resolution instructs Chinese businesses to seize upon every opportunity for converting seasonal labor contracts to annual contracts to promote permanent settlement of Chinese citizens in Russia.<sup>100</sup>

My September 2000 opinion survey in Primor'e shows that these views resonate strongly with the local public. Perceptions of insecurity are manifest there in the widely held view that China is nursing territorial claims on the Russian Far East. Excluding the "don't knows," almost 82% of those polled say the Chinese see Primorskii Krai as historically belonging to China and 74% of respondents feel that China will, in the long-run, annex Primorskii Krai or parts of it. Fear of a Chinese takeover also fits into a "tidal wave" pattern similar to the perception of increasing migration. For example, most respondents believe that military clashes with China over border territories – such as the one at Damanskii Island in March 1969 – are unlikely at present. In the next 5–10 and 10–20 years, however, they see such military conflicts as more likely than not. The shadow of the future is rather dark for Primor'e residents – the further ahead they look, the greater their anticipation of hostile actions by China amidst increasing uncertainty.

Most respondents do not associate the military balance of power with the likelihood of China's takeover of Russian territories in the Far East (the statistical correlation is insignificant and close to zero). Of those who said Primorskii Krai or parts of it would be taken over by China, a minority (19%) said this would happen through use of force. Relations between Moscow and Beijing are, in fact, inversely related to the threat perception: 25% of respondents in the same group feel that Moscow is simply likely to negotiate Primor'e away. This perception is consistent with the message of Nazdratenko's campaigns throughout most of the 1990s, in which he persistently accused Moscow of neglecting Russian interests in the Far East.

From among 57% of respondents in the sample who see Chinese takeover as imminent, 56% believe the main threat comes from seemingly mundane, routine activities of Chinese nationals in Primor'e, such as work, trade, tourism, and marriages. In a sense, this logic can be described as a "demographic security dilemma." A local Russian respondent who fears that these routine activities would encourage ethnic Chinese to settle, start families, have children and invite friends and relatives over from across the border could never be certain whether the real intentions of Chinese migrants in the area are offensive or cooperative. In the worst case scenario, perceptions of insecurity can quickly spiral out of control.

100 All of the points in this bulleted list are made in Murav'ev, Sergei. "Ekspansii: rukovodstvo KNR pooshchriaet razgrablenie Rossii." *Dal'nevostochnoe vremia*, 13 May 2001, p. 4.

### **3.3 Ecological issues**

The opening of Primorskii Krai to international interactions in the early 1990s created opportunities both to improve environmental conditions through international cooperation and to meet customers' demands for environmentally sensitive products, as their financial resources exceed those of local government agencies.

Cooperation with the US, Japan, and international organizations in 2000 focused on the most serious ecological problems in Primorskii. A multi-million dollar project funded by the Japanese government developed a barge to be based at Bolshoi Kamen' for off-shore processing of low- and high-level radioactive waste originating in the Pacific Fleet and its arsenals, which poses the most dangerous environmental threat to Primorskii. The arsenals include nuclear weapons, naval nuclear reactors, and stored nuclear waste. A subsidiary of McDermott, the Babcock & Wilcox Power Generation Group, completed the Russian-Japanese-US project. In 1999, the Krai government worked with a US company, AZAZ Corporation, raising US\$100 million to clean up the Golden Horn bay at the heart of Vladivostok by removing scrap metal, dredging and recovering metals and oils in the harbor and processing waste. The Primorskii and Vladivostok governments had developed international projects by 2000 to build water treatment facilities on Abrosimova Cape, on the First River, and the De Freeze peninsula. (The Krai facilities at the time were capable of treating only 7% of water waste, while 90% of the sewage flowed into the Pacific Ocean bays around Vladivostok untreated). Addressing concerns of the Primorskii government that large-scale industrial development in the neighboring Chinese provinces along the Tumen (Tumangan or Tumannaia) river would pollute the delta wetlands and the coastal ecosystem, the World Bank's Global Environmental Facility Council in 1999 approved a US\$5.2 million fund for the protection of the Tumen river. Yet, the challenges remain significant, with air and water pollution substantially exceeding the accepted health standards and with opportunities for project development limited to outside funding or local bond issues.<sup>101</sup>

One of the gravest challenges to the environment arising from Primor'e's international economic interactions is presented by the large-scale export of unprocessed timber and other natural resources to China and Japan. According to Andrei Kopaev, a senior investigator at the "Tigr" department that deals with cross-border smuggling at the State Environmental Committee for Primorskii Krai, Chinese traders who buy illegally harvested ash-trees in Primor'e at US\$40 per cubic meter can resell this timber for US\$80–100 per cubic meter in China, generating, in Kopaev's estimate, over US\$1'000'000 in 1999. The chief of the "Tigr" department, Sergei Zubov, estimated that in Krasnoarmeiskii county alone, 5'000 cubic meters of ash-trees were harvested in 1998 with Chinese traders making a profit of up to US\$70 per cubic meter.<sup>102</sup> According to Anatolii Kotlobai, an analyst at the Russian office of the World Wildlife

101 Viatkin, Pollution Control Equipment Market.

102 Interview with the author, Vladivostok, 25 May 1999.

Fund, illicit export of timber from Primorskii Krai reached approximately 1.5 million cubic meters by 2001<sup>103</sup> – a volume that would generate US\$105 million for Chinese timber resellers.

Approximately one ton of wild ginseng is illegally harvested each year, which Chinese resellers can expect to sell at US\$2 million a year at the going rate of US\$2 a gram. Chinese smugglers reselling tiger parts provided by Russian poachers can expect to generate each year around US\$100'000. Overall, Kopaev estimates that about 90% of poaching and smuggling is prompted by demand across the border in China. The “Tigr” department – funded primarily by the World Wildlife Fund with smaller contributions coming from Exxon and Coca-Cola – intercepts only a portion of this illicit trade (according to the departmental memo, its workers confiscated US\$219'395 worth of ginseng roots, dried sea cucumbers, timber, and musk deer sex glands in 1998).<sup>104</sup>

Even discounting smugglers' profits from items such as fish, frogs, sea cucumbers (trepan), sea urchins, bear parts, musk deer glands, and others, Chinese traders made upwards of US\$3 million per year from smuggling operations (with a similar amount going to Russian poachers and sellers) in 1998. By 2001, these illicit revenues, as Kotlobai's data suggests, had increased approximately 30-fold through timber sales. This rise in illicit trade coincided with a decline in tax revenues in Primor'e's largest cities and border districts. In dollar terms, these tax revenues fell from US\$2 billion in 1997 to US\$656 million in 1998, reflecting a sharp drop in the ruble-to-dollar exchange rate after the August 1998 currency devaluation.<sup>105</sup> Illicit traders have increased their financial resources (mostly in ready cash) against the background of declining tax revenues, especially in remote districts, such as Dal'nerechenskii, (much of it on paper and in the form of promissory notes). This increasingly available illegal cash, combined with a decline in legally available resources, is highly conducive to the corruption of government officials in Primor'e.'

### **3.4 *The economy as an external factor***

As the home of Russia's key maritime ports and located in close proximity to an area of impressive economic growth in the 1980s and early 1990s, driven by China, Korea, and Japan – Primorskii Krai is also positioned to take advantage of a direct trans-Pacific connection to the world's leading economy, the US.<sup>106</sup> As the communist rule weakened in the late 1980s, the opening of this previously closed region promised rapid

103 *Vladivostok*, 11 May 2001, pp. 1, 3.

104 Interview with the author, Vladivostok, 25 May 1999.

105 Goskomstat Rossiiskoi Federatsii, Primorskii kraevoi komitet gosudarstvennoi statistiki, No. 19sv-39, 28 May 1999.

106 Vladivostok and Seattle established the first ever US-Soviet joint venture as far back as 1975. By the early 1990s, the venture's partners, the Lenin *Kolkhoz* and Marine Resources International, Inc., were in a multimillion-dollar business together.

growth for Primor'e. At the time, the Soviet government was drafting plans for free economic zones around the port of Nakhodka, relations with China were restored to normal after decades of tension and cross-border skirmishes, and Mikhail Gorbachev and George Bush signed an agreement to establish consulates in Vladivostok and Seattle. New airline corridors were in the making, and restrictions on entry and business in Vladivostok were being lifted. As the Soviet Union fell apart and Moscow no longer controlled major ports on the Baltic and the Black Sea, Vladivostok became Russia's main gateway to the world's oceans. That, and abundant coal, timber, tin, fluoride, tungsten, and marine resources, easily encouraged the perception that Vladivostok was poised to become a new Pacific "tiger." According to the *Economist*, as reported in 1997, Vladivostok easily evoked comparisons with Hong Kong and San Francisco: "It sprawls across hills overlooking a great sheltered port. It has the Pacific at its feet. It has the vast natural resources of Russia's Far East at its back. It ought to be humming with trade and investment."<sup>107</sup>

Even though this promise remains for the most part unfulfilled – with energy shortages, demographic decline, and ecological crisis eclipsing the effects of partial internationalization – Primorskii Krai's setting within the world's most dynamic macro-region, the Pacific Rim, remains a powerful factor in regional politics and government decision-making. The 2001 gubernatorial election campaign signaled the ascent of new incentives among the regional elites for taking advantage of the proximity to external economic actors. The winning candidate, Dar'kin, pledged in his election brochures to reverse the situation where "a resource-rich territory [Krai] in a uniquely favorable geopolitical setting has gone broke."<sup>108</sup> Dar'kin's dramatic rise in business would have been impossible outside of this "uniquely favorable geopolitical setting," irrespective of the backing he received from Nazdratenko's administration, from Moscow banks, and, allegedly, from businesses linked with organized crime. One of Dar'kin's first business ventures in the early 1990s was an investment in four AN-74TK planes that were built in Kazan and Omsk and then leased to timber producers in Malaysia and Australia. These operations set the stage for Dar'kin's flagship business, the Joint Stock Company, Russian Leasing ("Roliz"). By 1998, Roliz was building seven seiner vessels; had obtained credits for seven refrigerated vessels; and owned one medium-size fishing vessel, ten refrigerated transport vessels (of Raduzhnyi type, 529 tons deadweight), and a trawler-processor. Roliz also diversified into the hotel business (operating the "Soyuz-Roliz" hotel in Vladivostok), took up log exports to Japan and retail trade through two consumer goods stores in Vladivostok.<sup>109</sup> Primor'e's proximity to high-paying seafood markets in Japan and the US made operating and leasing these vessels profitable for Roliz. One of the opening photos in Dar'kin's campaign brochure features a Roliz fishing vessel and another photos shows Dar'kin signing a shipment

107 "Russia's Far East: Rotten to the Core." *Economist*, 18 October 1997, p. 54.

108 "Nam zdes' zhit':razgovor s Sergeem Dar'kinym." Campaign brochure handed to the author by Dar'kin staff in the streets of Vladivostok, 22 May 2001, p. 4.

109 "Russian Far East Fishing Company Profile." *Russia Far East Update*, 1 January 1998, on Lexis-Nexis.

contract in the Philippines in 1994.<sup>110</sup> These images – selected during a tight, high-stakes gubernatorial race in Primorskii – stand in sharp contrast to images prevalent in Nazdratenko’s campaign materials. Nazdratenko’s 1999 campaign book, for example, is dominated by images of the former governor shaking hands with Cossacks, veterans of the 1969 Damanskii Island border battle with China, and World War II veterans. On several photos throughout the book, Nazdratenko is shown visiting border territories to protest their transfer to China under the 1991 Demarcation Treaty.<sup>111</sup>

The 2001 gubernatorial campaign also revealed a major shift in the Tumen River Delta project, sponsored by the United Nations Development Program with a potential US\$30 billion investment into port development at the juncture of China, Russia, and North Korea. In his 1999 campaign book, Nazdratenko argued that the Tumen River project would be “a betrayal” of Russian economic and political interests in the Russian Far East. Nazdratenko saw the UNDP project as allowing China to build ports that would put out of business Primorskii’s ports of Nakhodka, Zarubino, Pos’et, and Khasan and would divert overland cargoes from the Trans-Siberian Railroad to China.<sup>112</sup> In contrast, Dar’kin’s economic development program supports Primor’e’s participation in the Tumen River project.<sup>113</sup> Another younger gubernatorial candidate, Primorskii Duma speaker Sergei Zhekov – who, like Dar’kin, enjoyed the support of Nazdratenko – articulated this strategy shift on Tumen River project:

We must obtain full benefits from Primorskii Krai’s location in the Asia Pacific Region, emphasizing development of transportation infrastructure. The international community views Primorskii Krai as a territory that promises gains from transit routes to facilitate import-export shipments by sea and by overland by rail. Domestic and foreign investors began to rehabilitate the “Tumangan” [Tumen] project envisioning the establishment of the free economic zone in the Tumangan river basin in the Khasan county. The projected investment volume is expected to amount to \$30 billion. The government of Primorskii Krai must urgently and actively get involved in the development of this project, ensuring guarantees for targeted use of investments and seeking contracts within the Tumangan project framework for manufacturing, construction, transportation, and other Primorskii-based companies.<sup>114</sup>

Furthermore, external economic factors feature prominently in Dar’kin’s agenda for the socioeconomic development of the region. According to his economic program, Primorskii government should:

110 “Nam zdes’ zhit’,” pp. 4–5.

111 Nazdratenko, *I vsia Rossiia za spinoi*.

112 *Ibid.*, pp. 15–20.

113 Baklanov, P. Ia, Iu A. Avdeev, A. N. Kachur, V. A. Larin, A. V. Moshkov, M. T. Romanov, and V. A. Sozinov. “Osnovnye polozheniia kontseptsii stabilizatsii i razvitiia ekonomiki Primorskogo Kraia (Ekonomicheskaiia programma Dar’kina).” *Krasnoe Znamia Primor’ia*, 11 May 2001, p. 8.

114 “Koe-chno iz tezisov: iz programmy kandidata v gubernatory Primorskogo Kraia Zhekova S. V.” *Moskovskii komsomolets vo Vladivostoke*, 24–31 May 2001, p. 21.

- Develop a transportation and cargo processing infrastructure while/by/through/after/and improving access to the Sea of Japan by building railroad-to-port complexes, port facilities, and port cities;
- develop new border crossings on the Russian-Chinese border with an improved transit infrastructure and new roads linking major Russian and Chinese highways;
- develop a “second echelon” network of towns and cities near the border and the coastal transportation hubs;
- develop new “contact zones” with Japan by (a) extending the Turii Rog-Chuguevka railroad by 200km to the town of Olga on the Pacific coast (on Primorskii coastline north of Nakhodka), providing access to cargo from the Chinese city of Mishan and from the remote mining counties of Primorskii Krai to the Sea of Japan; (b) developing a railroad or a highway linking Khabarovsk with the northern Primorskii town of Samarga and converting the Samarga area into a major transit port; (c) extending the Baikal-Amur railway through the port of Sovetskaia Gavan’ down to Vladivostok, boosting development in marine resource rich areas and providing new access to the ocean in the process; (d) building a railroad link from the Nakhodka free economic zone and the deep-sea warm water port of Vostochnii to the Komsomol’sk-on-the-Amur industrial and mining area, which is rich in tungsten and other mineral ores;
- seek to increase the export of seafood, soy beans, non-ferrous ores and metal concentrate, chemicals, and timber to the US, China, Japan, North and South Korea, Singapore, the Philippines, Vietnam, Taiwan, Canada, Malaysia, and the Virgin Islands (as well as to major European countries and the former Soviet republics);
- coordinate electricity prices with neighboring Chinese provinces;
- stage more trade shows and exhibits in 2001–2003;
- develop product certification to international standards;
- encourage the establishment of trade representative offices from other countries;
- support the establishment of export associations (interest groups) to promote trade and price policies that reflect the interests of the Russian state, of Primorskii Krai and the respective economic sectors;
- promote the development of an international trade database at federal government level in 2001–2002;
- establish an association of transportation companies in Primorskii Krai to develop business partnerships with international cargo shipment businesses;
- build and reconstruct municipal airports and arrange international air travel for tourists and business people;

- establish fiber-optic and digital radio-relay communication networks;
- simplify customs procedures for transit passengers and cargo;
- make customs duties compatible with internationally accepted standards;
- cap transit fees at border checkpoints for automobile transport.<sup>115</sup>

The younger candidates backed by the Nazdratenko constituency, Dar'kin and Zhekov, also recognize the importance of encouraging foreign investment in the local economy. In Dar'kin's economic program, the section entitled "Financial Resources for the Development of Primorskii Krai" names foreign investment as the second principal financial resource after federal budget funds.<sup>116</sup> Zhekov's program emphasized "minimizing the tax basis" in order to attract foreign investors.<sup>117</sup> In order to attract investors, Dar'kin's economic program proposes amendments to the Primorskii Krai law on investment that would facilitate tax breaks for hi-tech projects and for the development of ecologically safe resource extraction procedures. Dar'kin's campaign statements, however, reveal tension among the principal economic actors in Primorskii Krai who have stakes both in international trade and investment and in the protection of domestic production: "Foreign investment procedures should be designed in such a way that the Primorskii economy receives a substantial inflow of capital without at the same time becoming dependent on foreigners."<sup>118</sup> Not only does Dar'kin fail to elaborate on this point in his brochure, but he also reveals a lack of appreciation of the workings of the global economy, where the economic resources of transnational, non-governmental actors often exceed the resources of national governments. Comparing his group of companies' annual revenue of one billion rubles – derived for the most part from international operations – with the Primorskii budget's volume of three billion rubles, Dar'kin comments: "I think it is absurd when the Krai budget and the budget of one single company, even such as Roliz, are comparable."<sup>119</sup> This analysis suggests that whereas the new leaders of Primorskii Krai are most likely to emphasize international economic cooperation over geopolitical concerns, they are still facing a long learning curve on how to implement these ideas in practice.

### **3.5 Ethnic and cultural factors**

Cross-border migration, especially from China, has been the most prominent development in Primorskii Krai concerning the ethnic and cultural dimensions of the region's international exchanges. The opening of the Russian-Chinese border in the early 1990s exposed the almost mono-cultural and mono-ethnic society of Primorskii Krai (with

115 "Ekonomicheskaiia programma Dar'kina." *Krasnoe Znamia Primor'ia*, 11 May 2001, pp. 7–8.

116 *Ibid.*

117 "Koe-chto iz tezisov;" *Moskovskii komsomolets vo Vladivostoke*, 24–31 May 2001, p. 21.

118 "Nam zdes' zhit," p. 12.

119 *Ibid.*

a population comprised of 90% ethnic Russians and 6% Ukrainians) to interactions with ethnically and culturally distant migrants arriving from China, Korea, and Vietnam. For example, data supplied by the Primorskii Krai visa and registration service suggests that the number of Chinese visitors to Primor'e steadily increased in the late 1990s. At the same time, the movements of Chinese nationals came under closer surveillance, with fewer tourists engaging in illegal trade (Table 2). Nevertheless, as shown earlier in this paper, the Primorskii public perceives these news as a threat to their security and to Russia's sovereignty over Primorskii Krai. Ethnic and cultural stereotypes shape these perceptions.

Table 2. Number of PRC Citizens Visiting Primorskii Krai.

	Total	PRC VISITORS TO PRIMOR'E		SANCTIONS AGAINST VIOLATORS		
		Without Visas	Failed to Return	Administrative Penalties	Deportation Orders	Forced Deportation
1994	40'000	18'500	14'400	9'500	2'700	1'500
1995	35'000	18'500	11'200	12'300	6'600	4'500
1996	35'500	21'000	1'065	8'250	3'700	1'900
1997	52'000	39'000	468	8'250	4'000	2'100
1998	73'000	61'000	292	8'250	3'200	1'190
1999	80'287	No data*	Jan-Mar: 105	No data	No data	No data
Jan-June 2000:	41'355					

\*Whereas no data was provided, Lt.-Col. Plotnikov indicated that migration trends remained the same as in 1998, showing approximately the same proportion of administrative penalties, deportation orders and forced deportation.

Source: Otdel viz i razreshenii Primorskogo kraya (OVIR), *Spravka*, Lt.-Col. Viktor M. Plotnikov, deputy head of the department, Vladivostok, June 2, 1999 and August 17, 2000.

In a survey of September 2000, the Russians in Primor'e appear to view Chinese migrants as distant, socially undesirable and fiercely protective of their cultural values. Asked about stereotypes contrasting Chinese migrants from Russians, respondents claimed that the Chinese are twice as hardworking, almost twice as entrepreneurial, three times as sly, twice as greedy, and almost 20 times less generous. Moreover, 56% of respondents disapprove of their relatives marrying Chinese citizens and another 50% believe that Chinese migrants in Primorskii Krai cannot be assimilated. In other words, there is a widely held prejudice that if Chinese migrants settle down in the area, they will not play by local Russian rules but gradually impose their own way of life and will ask for autonomy and protection from across their border. In fact, the correlation between opposition to one's relatives marrying Chinese citizens and support for com-

plete closure of the Russian-Chinese border is statistically significant (with less than 5% probability that this association can happen by chance).

The survey data shows that preferences for hostile responses to Chinese migrants among Primorskii residents are strongest on political issues. Most respondents are adamant about making it impossible for Chinese nationals to obtain residency rights in Russia and there is a strong preference for completely (25%) or partially (39%) closing the Russian-Chinese border. Preferences become more complex and softer as we move toward military, economic, social, and cultural issues, in that order. On the one hand, 84% of respondents want to prevent Chinese nationals from ever owning land in Primor'e and 60% of respondents want to ban the use of migrant labor. On the other hand, a lot fewer respondents support negative measures against Chinese traders (36% of the sample) and fewer still (27%) support increasing taxes and duties on Chinese goods, the shoddy quality of which, in fact, most respondents complain about. Two factors appear to cue these preferences systematically – the physical presence of Chinese people in Primor'e and degree of control over their presence. The most hostile responses are on issues associated with the uncontrolled presence of Chinese people in Primor'e, current or prospective. Hence the strong preferences for closing the borders, letting paramilitary units assist the police in detaining illegal migrants, abolishing legal residency rights for migrants, deporting illegal migrants, banning Chinese land-ownership, restricting the import of Chinese labor, and banning Russian-Chinese marriages (even though only a handful of such marriages have been registered in Primorskii Krai and most couples moved to China). Conversely, increasing the number of Chinese language classes, controlled cultural exchanges and organized tourism are supported by most respondents. Chinese cultural centers set up under control of local authorities are supported, but Chinatowns (perceived as centers of independent Chinese activities) are opposed.<sup>120</sup>

Outside the constantly packed and noisy street markets dominated by colorful, yet shoddy, wares imported from China by cross-border “shuttle traders,” Chinese restaurants and karaoke bars, the Korean food stands on street corners selling pickled vegetables and hamburgers, advertisements of imported products from Coca-Cola to Samsung Electronics, and American movies (dubbed into Russian) dominating the inventory of ubiquitous music kiosks, the cultural scene in Vladivostok – and even more so outside the Krai capital – remains decidedly parochial. Since 1999, the Pacific Sky Bar at the top floor of Hotel Hyundai has been the only venue featuring food and live music entertainment that meet the standards of quality, service, and hygiene to which the residents of most global cities from Paris to Seattle would be accustomed.<sup>121</sup>

120 Alexseev, Mikhail. “Identity, Interests, and Security: Cross-Border Migration and Policy Preferences Vis-à-Vis China and Chinese Nationals in the Russian Far East.” Paper presented at the 42nd Annual Meeting of the International Studies Association, Chicago, 21 February 2001. Available at the ISA official web site.

121 Author's observations.

During the 1990s, however, Primorskii Krai developed a number of nodes of cultural internationalization, mainly in Vladivostok. The city's international connections are currently enhanced by diplomatic representations based in the city, including the consulates of the US, Japan, South Korea, the Philippines, Vietnam, India, and Australia, with honorary consuls representing Britain and Bangladesh. International non-governmental organizations in Vladivostok include the Soros Foundation, the Eurasia Foundation, the Far Eastern Branch of the World Wildlife Fund, the International Research and Exchanges Board (IREX), and the US Peace Corps. These organizations advertise their programs in the local media and are introducing a culture of competitive, merit-based project funding and participant selection for exchange programs. One such program, IREX's "New Leaders," has provided tours for dozens of young professionals from Primorskii Krai to the US for training, information exchanges, and contact development. The present author met the participants of this program – including the deputy director of the Nakhodka free economic zone – in Seattle in 1998. In other educational exchanges, in September 1999, 40 students from Vladivostok received management certificates from the University of Maryland after training at the Russian-American management department at the Far East State University. This was the fourth group of graduates from this Russian-US joint department, which has been unique in the entire Asian-Pacific region since 1991. The joint department had trained 150 specialists by early 1999.<sup>122</sup> On the whole, however, whereas the established programs persist, they have not grown substantially from the late 1990s to 2001 and the new Intergovernmental Organization (IGO) centers have been slow to emerge.

122 Itar-Tass Asian news-in-brief for Thursday, 2 September 1999, on Lexis-Nexis.



## Center-Primorskii interactions on foreign and security policy issues

From the mid- to late 1990s, the Kremlin took measures that gradually reduced the regions' ability both to influence decision-making processes of the central government in foreign policy and to develop their own foreign policies and independent "para-diplomacy." The outspoken public resistance of former governor Nazdratenko to the implementation of the 1991 Border Demarcation Treaty with China that included a visit to North Korea represented the kind of developments that the Kremlin sought to reverse. Moscow also increased its centralized coordination of regional initiatives to attract business and foreign investment. Several channels were used. Not only did Putin signal to regional leaders that lobbying the Kremlin would be costlier – especially without a permanent base at the Federation Council – but his arrival also made opposition to Moscow's foreign and security policy harder to sell to the local public. In Primorskii Krai, for example, while residents perceived Nazdratenko as a more effective leader than Yeltsin, they perceived Putin as a more effective leader than Nazdratenko. Thus Nazdratenko had a fighting chance against Yeltsin's attempts to remove him from office by playing the "defender of Russian lands" with the local public, but had no such chance against Putin at his forced resignation in February 2001. The new governor-elect, Dar'kin, reflected in one of his press statements during the campaign: "It's time to stop fighting battles against Moscow. I think that today we have a truly strong and competent person, Vladimir Vladimirovich Putin, as the head of the Russian state. With him one can find a common language and resolve any problems."<sup>123</sup>

Since the change of leadership in the Kremlin and the arrival of new leaders in Primorskii Krai, the Nazdratenko-era patterns of center-regional interactions on for-

123 "Obrashchenie kandidata na post gubernatora Primorskogo Kraia, Sergeia Dar'kina k zhiteliam Primor'ia." *Zolotoi Rog*, no. 40, 24 May 2001, p. 7.

eign and security policy in Primor'e have been disrupted and it will take time for new patterns to emerge. Nevertheless, considering Primor'e's location and distance from Moscow, the divergence of economic trends and interests of the principal actors, the emerging conflicts between the Kremlin and the presidential envoy to the Far East, and the tenacity of the support groups whose interests Nazdratenko represented in dealing with Moscow, it is likely that the leaders in Vladivostok will continue to seek influence with the central government on foreign and security policy issues and pursue some of these policies independently.

#### ***4.1 Regional influence on the center***

Considering Dar'kin's emphasis on economic development in resolving the foreign and security issues facing Primorskii Krai and his non-confrontational attitude towards the authorities in Moscow, it is likely that he will seek a part in consultations when Moscow negotiates agreements with neighboring states and international organizations. The key issues include the development of the Tumangan free trade zone, the China-Sea of Japan transportation corridor, South Korea's high-technology park in the Nakhodka free economic zone, economic cooperation with North Korea and implications of a rapprochement between North and South Korea, international fishing in the Sea of Okhotsk, and, potentially, the joint Russian-Japanese development of the Kuril Islands.

If Dar'kin follows through on his economic program with the development of new ports, railroads, highways, and urban settlements on the Pacific coast, his administration will be particularly active in lobbying the transportation and railroad ministries in Moscow. These efforts are likely to be helped by friendly relations between Nazdratenko and the railroads minister, Nikolai Aksenenko (and by the same token this gives Nazdratenko another lever of influence in the relations between the center and Primorskii). As the official in charge of allocating fishing quotas, Nazdratenko also holds decisive influence over Dar'kin's own business, a large part of which depends on fishing revenues. It is also likely that these consultations and cooperative efforts towards the implementation of interstate treaties will be low-key compared to the public protests surrounding Nazdratenko's participation in the border demarcation process.

In contrast, given the reduced and diminishing importance of border demarcation issues and tighter controls on cross-border migration, the Dar'kin administration is less likely to seek influence through the Russian Foreign Ministry and the "power ministries." In this sense, the foreign relations agenda is likely to be "desecuritized" and pursued through Moscow's ministries bearing on international economic development, State Duma committees, and Dar'kin's business contacts. One plausible avenue for Dar'kin's strategy to increase his political clout in Moscow on these issues would be to cultivate contacts with German Gref, one of the principal architects of Putin's foreign and security policy and a federal minister charged with international economic relations.

A major obstacle for Dar'kin's cooperation with Gref's ministry, however, – and an illustration of potential conflicts with federal agencies arising from divergent regional and federal economic interests – materialized in March 2001 when Nazdratenko, in his new capacity as the Minister of Fisheries, proposed to close the Sea of Okhotsk to foreigners. Nazdratenko explained his position by arguing that Russian fishing companies – and thus the key industry in Primorskii Krai – were unable to buy all the quotas for Alaska pollack, herring, king (Kamchatka) crab, scallops, and cod. Allowing businesses from outside Russia to buy the remaining quotas would both create competition for Primorskii-based companies and deplete a resource that would provide steady hard-currency revenues to these Primorskii companies in years to come. Nazdratenko's position clashed with that of Gref's ministry for economic development, whose mission is to earn additional revenues for the federal budget – a task that by early 2001 proved more challenging than originally estimated. Commenting on the situation, *Izvestiia* wrote: "Nazdratenko's statement is the first sign of the beginning of a confrontation between the State Fisheries Committee and the Ministry for Economic Development which everybody expected when the former governor of Primor'e was appointed to head the committee (...) If the proposal made by the new head of the Fisheries Committee is adopted in one way or another, it will be pointless for fishermen from other countries to buy quotas because they will not be allowed into Russian waters (...)." <sup>124</sup>

If Dar'kin pursues his economic program, his administration is likely to seek greater rule-making authority for Primorskii government on the following issues affecting Russia's external relations:

- the right to set export quotas for items produced in Primor'e (with the federal government retaining the power to determine the upper limits for these quotas);
- the regulation of export-import operations within federally determined intervals;
- the establishment of joint ventures and the attraction of foreign investment;
- the management of natural resource use in Primorskii Krai and in its coastal waters. <sup>125</sup>

However, Dar'kin's economic program suggests that his strategy for interacting with Moscow on foreign policy is likely to focus not on convincing the players at the federal level that Primorskii Krai should have more autonomy, but on the idea that what is good for Primorskii Krai is good for Russia. The thrust of several passages in Dar'kin's program is that it is in Moscow's own best interest to pool federal and regional resources in order to achieve the development goals he sets for the region. On the ambitious agenda for new "contact zones" with Asia Pacific states, Dar'kin's program ends with

124 RusData DiaLine. *Russian Press Digest*, 12 March 2001, on Lexis-Nexis.

125 "Ekonomicheskaiia programma Dar'kina," p. 6.

the argument: “The implementation of these projects will constitute an additional measure ensuring Russia’s long-term access to external – Asia Pacific – markets, something that in the end serves to solidify Russia’s position in the international economy and Russia’s geostrategic posture in this vitally important region.”<sup>126</sup>

#### 4.2 “Independent” regional foreign and security policy

Since Putin’s ascent to power, the departure of Governor Nazdratenko from office and the election of Dar’kin, the political landscape in Primorskii Krai has undergone changes suggesting that the regional government is unlikely to pursue a foreign and security policy that would come into conflict with the central government. The political incentives for “para-diplomacy” – such as Nazdratenko’s visit to North Korea in March 1995 to sign agricultural cooperation agreements and his meetings with the leaders of neighboring Heilongjiang and Jilin provinces of China in part to establish local economic ties while stalling the Tumangan free trade project supported by Moscow<sup>127</sup> – have diminished for at least three major reasons.

*First*, Moscow has consolidated its control over federal government agencies in the regions, especially in the domain of foreign and security policy. Moscow’s leading edge in this area became evident when federal agencies dealing with foreign relations established regional offices and branches. The Russian Foreign Ministry expanded the number of regional offices from three in the late Soviet period to 26 in the late 1990s, and planned to open an additional 20 offices in the next few years. Thus, for my visits to Vladivostok in August and September 2000, the academic institute that issued me an invitation to come to Russia had to get approval for it from the Maritime regional branch of the foreign ministry – signaling, if anything, tighter federal control over international interactions at the regional level as a result of these institutional changes.<sup>128</sup> Moreover, the passage of the “Law on the Coordination of Foreign relations and international trade of the subjects of the Russian Federation”

126 *Ibid.*, p. 7.

127 Even these instances – that Nazdratenko presented in the local press as evidence of his battle with Moscow to preserve Russian territories and influence in the Far East – may not qualify as “para-diplomacy.” Nazdratenko’s talks in North Korea focused on economic issues and they were conducted in the presence of the Russian ambassador to Pyongyang (“Russian Far East Invites North Koreans to Grow Rice.” *ITAR-TASS*, 23 March 1995). Nazdratenko’s contacts with the Chinese provincial leaders were consistent with the letter of Russia-China bilateral treaties that called for enhancement of province-to-province economic cooperation.

128 In a telling example, Russia’s Foreign Ministry held a special meeting on 30 January 2001, attended by President Putin and a group of governors, at which the Russian president “criticized the ministry for not doing a better job in coordinating foreign policy.” Responding to the criticism, Foreign Minister Igor Ivanov warned the governors that they should not pursue foreign relations without prior approval from Moscow. Moreover, the foreign minister criticized the governors for friendly ties with President Alexander Lukashenko of Belarus, stressing that “the national interests of Russia and Belarus are not identical,” and thus suggesting that decision-making centralization supercedes the stated goal of CIS integration. This clearly stated preference underscores Moscow’s acute perception that international cooperation – even with a closely related states that Moscow wants ultimately to integrate – poses a threat to domestic governance.

(No. 4F-3, Russian State Duma, 4 January 1999) meant that the regions would be violating the law if they concluded international agreements, unless they went through a complex process of securing federal approval with all government agencies that might potentially be affected by the agreement. The law also makes it illegal for regional leaders to engage in any interactions other than trade and economic relations, scientific and technological exchanges, and environmental, humanitarian, and cultural projects. As the presidential envoys can secure the resignation of non-compliant governors by initiating lawsuits (the fate Nazdratenko avoided by filing a resignation), violating this law implies significant political risks to governors – especially in Primorskii Krai, where Dar'kin's main opponent in the gubernatorial race was a candidate backed by Putin's envoy to the Far East.

*Second*, Dar'kin's election victory meant that a protégé of the Nazdratenko coalition seized political power in Primorskii Krai, while explicitly foregoing anti-Moscow posturing on foreign and security policy issues, such as border demarcation, the Tumen River project, Chinese migration, or the Kuril Island dispute with Japan. Dar'kin has little incentive to shape technocratic or functional interactions abroad in terms of opposition to Moscow, as something that demonstrates Primorskii Krai's potential to pursue its own international agenda. Third, Dar'kin has so far eschewed political grandstanding, being introverted by nature and not much of a public speaker – he is more likely to tamper with the implementation of technical provisions of Russia's international treaties than to risk losing political capital by exposing his deficiencies as a public figure. Dar'kin's economic program also suggests he is likely to favor quiet lobbying of the Russian executive agencies rather than “para-diplomacy” while seeking to increase Primor'e's gain from international economic interactions.

In the long term – depending on Dar'kin's political standing within Primor'e, and on Putin's popularity and his reforms to consolidate the state – the Primorskii government is likely to engage in some form of regional foreign policy distinct from Moscow's in Northeast Asia, depending on whether the regional leaders develop high stakes in the “contact zone” program and on whether Moscow supports it. In some form, the potential for Primorskii “para-diplomacy” has been based on economic issues on which Moscow is viewed as incapable of having a decisive and beneficial bearing. For example, Yurii Likhoida, director general of the Primorskii energy monopoly, Dal'energo, argued in late June 2001 that his company needed 350 million rubles in July 2001 alone to buy coal for the autumn and winter heating season. But local banks, Likhoida complained, had no such assets and federal loans could only be obtained with guarantees from the Primor'e government. The latter were limited, however, to 140 million rubles. Thus, Dal'energo began a feasibility analysis for purchasing coal in China, Vietnam, and New Zealand, threatening to leave Russia's railroad companies without delivery orders.<sup>129</sup> Moscow, however, has little to lose in supporting the program politically while encouraging the new leadership of Primorskii Krai to seek (and

129 Kutenkikh, Nikolai. “Tiagat'sia s tiagoi.” *Vladivostok*, 19 June 2001. Available at <http://vl.vladnews.ru>.

share) financial resources that are likely to materialize if the new Asia Pacific integration agenda is implemented.

## Conclusion

Developments in Primorskii Krai following the forced resignation of Nazdratenko suggest that the regional political and economic elites that rose to power in the 1990s have the capacity to survive even the most aggressive efforts of the Kremlin envoys to place their own cadres in key government positions. At the same time, Putin's ascent to power and his push for state consolidation diminished the usefulness of publicly articulated opposition to Moscow for the Primorskii elites in their quest for political capital. In Primorskii Krai, the net result of Putin's state consolidation strategy has been the consolidation of the entrenched regional elites associated with the defense sector, fishing industry and natural resource extraction. Moreover, Nazdratenko's promotion to head of the State Fisheries Committee provides these elites with a new powerful channel to exert political influence in Moscow. Relations between the center in Moscow and Primorskii are therefore likely to affect Moscow's foreign and security policy especially at the level of economic disputes, rather than at the level of "high politics" as was the case during Nazdratenko's opposition to privatization, border demarcation, and cross-border Chinese migration.

The principal actors' economic interests are therefore likely to be the best clue to the future development of the Moscow-Vladivostok conflict and cooperation on issues pertaining to foreign and security policy. Developments in recent years indicate that these interests have converged on increasing the output of defense-related industries in Primor'e, as Moscow increases its procurement orders, stages military exercises, and promotes international military contacts, and as the regional elites gain experience in securing international contracts for local defense enterprises. The development of international economic interactions involving Primorskii Krai however remains uncertain as it is unclear whether Moscow will support the newly elected governor's ambitious projects for converting the Primor'e's coastline into a "contact zone" with Japan and other Pacific Rim states. Whereas the new governor has reversed the plan to sup-

port the UNDP-sponsored US\$30-billion development project for the Tumen River Delta, Moscow has yet to ratify a much smaller project for creating a Korean-owned and -operated high-technology park in the Nakhodka free trade zone.

The development of any international economic projects in Primorskii Krai also hinges on the ability of the central and regional governments – so far uncertain – to alleviate the region's persistent energy shortages and to improve the ecological situation, especially by reducing water and air pollution. The resolution of these problems will remain a major challenge since the regional elites have shown little interest in promoting transparency, the rule of law, political accountability, or a free media – conditions that discourage interest in providing and maintaining public goods. As these problems persist, a worsening demographic crisis will continue to impede Primorskii's economic development. Given these conditions, recent changes in Primor's government and in institutions regulating center-regional relations are unlikely to have a significant impact on these fundamental socioeconomic problems.

As these problems demand increasingly urgent and costly responses, this study suggests that the conflict between Primorskii and Moscow will increasingly be waged not between regional and federal government agencies, but within the executive branch of the Russian federal government, as the Primorskii leaders learn to exploit divergent interests between and within federal government agencies. Thus, while center-periphery disputes are likely to be less politically prominent, they are also likely to slow down decision-making and project implementation by the executive branch. These problems are likely to have a negative impact on the Krai's development, since the latter requires simultaneously a major commitment of resources from Moscow, liberalization of Krai politics, political stability, and attractive conditions for integration into the Pacific Rim economic area.

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