

# **Weak Property Rights and Unequal Distribution of Wealth as Obstacles for Development: An Institutional Analysis on Russian Transition<sup>1</sup>**

Soili Nysten-Haarala

<b>1 Introduction</b> .....	222
<b>2 History of Weak Property Rights and Delayed Reforms</b> .....	225
2.1 Before the October Revolution .....	225
2.2 The Soviet Period .....	227
2.3 Development of Property Rights after the Fall of the Soviet Union .....	229
<b>3 Example 1: Forest Villages Dependent on the Charity of Forest     Companies</b> .....	232
<b>4 Example 2: Pomor Fishing Villages and Pouching</b> .....	234
<b>5 Example 3: Nenets Reindeer Herders and Oil Companies</b> .....	240
<b>6 Conclusion</b> .....	244
<b>References</b> .....	247

---

1 This article has been written in association with the Finnish Center of Excellence in Russian Studies - Choices of Russian Modernization funded by the Academy of Finland for years 2012-2017.

## 1 Introduction

The Collapse of the Soviet Union was in many ways a historical turning point. Russia as well as the other countries, which formed the Soviet Union, rejected socialism and chose a market economy instead. This led to a transition into a market economy in the former European and also Asian socialist countries. The turning point can also be seen as a collapse of the Soviet Social Contract as in Linda Cook's analysis. She describes the Soviet Social Contract consisting of distributive justice with the state as the distributor but in need of constrained policy. The contract was terminated, because the people in the Soviet Union were not any more satisfied with the absence of political freedom and claimed for more economic opportunities.<sup>2</sup>

Reformers, who came into power in Russia with President Yeltsin as their figurehead, set the objectives of the reforms to be a market economy, democracy and the rule of law. The shock therapy reforms, which were implemented according to advice of western neoliberal economists<sup>3</sup>, led into a chaotic situation. Liberalization of prices caused inflation and hasty as well as badly controlled privatization of state enterprises led to a transfer of state property into a few private hands and disappearance of the state funds. Oligarchs, the immensely rich businessmen, took control of the government and used the impoverished but already corrupted bureaucratic elite to facilitate their success in business.<sup>4</sup>

The chaotic situation, which also happened to occur when the price of oil was exceptionally low<sup>5</sup>, forced to take a couple of steps back in transition. President Putin started to restore order reminding the people of the old social contract and using the old glue, which has kept the multi-ethnic and multicultural nation together, namely the Russian great power policy<sup>6</sup>. With the

---

2 Cook 1993, 3.

3 The Chicago School was popular among young Russian reformers. One of the advisors was Anders Åslund, who published a book "How Russia Became a Market Economy" in 1995. According to him the results would be good, if only the process of liberalization and privatization were speedy, consistent and determinative enough.

4 Stiglitz 2002, 133-165.

5 The price of crude oil was \$ 20 per barrel in 1990 and sunk to only \$ 12 in the 1998 economic crises. In 1999 when Yelstin resigned, the price was \$17. During Putin's presidency the price has come up (\$ 28 in 2000, \$ 30 in 2003) From 2008 to 2009 the price sunk temporarily from \$95 to \$ 61, after which crises it has climbed up fast, being now \$ 107,71 per barrel . (OECD Fact book/2011/ Crude Oil spot prices). The price development has not, however, been fast enough for Russia because of economic recession and new competition of shale gas with Russian natural gas. Prices of natural gas sunk considerably starting from the peak of 2008, and have stayed low especially in the United States, which has own production of shale gas. In the Euro area the price of natural gas has been climbing up slowly.

6 Great power politics is not touched upon in this article, although the author is of the opinion that the Great Power Ideology together with the absence of democracy helps keep Russia together even with uneven distribution of wealth. For an excellent analysis of the functioning of Russian Great Power Policy see Furman 2010.

help of rising oil prices, his policy seemed rather successful for several years. Russian economy started to grow under a regime, which began to silence criticism and strengthen the role of the controlling state. The two cornerstones of the old social contract, the state in lead and constrained policy have started to return, but distribution of welfare continued very unevenly. The former military and security force elite, who became Putin's nearest supporters and assistants, started to form the core of the state politics and administration. The abundant natural resources blinded the elite, which did not bother to take care of enlarging the cake before capturing their share. The corrupted elite ignores the rule of law in rent-seeking from lucrative business and spreads distrust in law and formal institutions contributing to increasing transaction costs of business in this way.<sup>7</sup>

The Social Contract was not restored, corruption has only escalated and the people are not any more willing to relinquish their political rights, since they do not get welfare instead, or actually, since they cannot tolerate the rent-seeking elite any more. Putin's managed democracy, which Dmitri Furman called Imitation Democracy, has shown its weakness, and is sooner or later going to fall down as Furman predicted.<sup>8</sup>

Russia is an institutional failure, which high prices of oil manage to hide. Weak property rights and unequal opportunities in the shadow of a repressive state, which is controlled by the rent-seeking elite, are caused by unwanted path-dependency, a vicious circle, which needs to be broken. The fall of the present Imitation Democracy can be painful and may not even lead to better development, because of institutional hindrances. Although Russia is an industrialized country with educated population, its institutional problems are similar to those of developing countries.<sup>9</sup>

The analysis of institutions and Russian property rights is drawn from institutional economics of Douglass North. With institutions North means "the rules of the game, which structure political, economic and social interactions."<sup>10</sup> Institutions can be formal, such as constitutions, laws and property rights or informal such as customs, taboos, thinking modes and working habits. The interplay of formal and informal institutions differs in societies and also depends heavily on the interplay of the most important interest groups of the subsequent society. Laws can be changed overnight, but

---

7 The Yukos case, which was Putin's attack on oligarchs targeted to frighten them from oppositional politics, is described e.g. in Sakwa 2009. The Magnitsky case was an example of how Putin's new elite "the siloviki" misuse their power for private economic gain (see e.g. Tsvetkova & Gutterman 2013).

8 According to Furman's analysis, Russian imitation democracy has never experienced rotation of power with elections. The corrupted elite do anything to prevent from losing their power and economic benefit connected with it. That is why opposition is never even let to develop (Furman 2007).

9 For example Christer Gunnarsson and Mauricio Rojas (1995) describe institutional reasons of stagnating development in Latin American and in China before the Communist Revolution as being quite similar with Russia with weak property rights and corruption.

10 North 1996, 3.

working habits and thinking modes do not change as easily as the formal rules of the game.<sup>11</sup> When formal rules collapse as happened in the collapse of the Soviet Union, informal rules carry people on during difficult times.<sup>12</sup> Networks based on personal relations still dominate Russian society<sup>13</sup> and function based on thinking modes and working habits of Soviet or even earlier times.

Path-dependency is a debated and often misunderstood concept of North's institutional economics. Distorted markets, because of strong informal institutions or a distorted interplay with formal and informal institutions, can lead to negative path-dependency, which effectively constrains new choices and fixes development of society to a certain path. There are opportunities with potential historical turning points, when a path can be changed and the old path forgotten. Such a window for opportunities was open for Russia, when the Soviet Union collapsed and a planned economy was switched into a new trail towards a market economy. The October Revolution offered a similar window for opportunities. In both cases a lot of negative path-dependency remained even if it was tried to be broken.<sup>14</sup>

North's concept of path-dependency explains why change is so difficult and painful and depends on circumstances. The concept of path-dependency can contribute to acknowledging institutional failures and repairing them more effectively. Institutional economics does not claim that change is impossible, but it only shows how institutions constrain the change and that change is not easy to control. Definitely institutional economics explains why western medicine did not cure the patient in Russian institutional circumstances. The diagnosis was not quite right either.<sup>15</sup>

In the following we analyze the development of Russian property rights in order to find out why they are so weak and how their weakness has affected on Russian transition and development after the collapse of the Soviet Union from the point of view of ordinary people living in the areas of resource extraction. We start from the common assumption of economists, according to which economic development of a market economy requires economic growth with protection of property rights against both other economic actors and arbitrary state power.<sup>16</sup> Russia, however, is an example of better economic growth compared to Western countries in spite of weak property rights. Yet, we start

---

11 North 1996, 36-445; North 2005). In legal theory Kaarlo Tuori has applied a similar, but law centered theory, according to which legal rules form the surface of a legal system, which is built on the subsurface, the legal cultural layers, which cannot be ignored in drafting laws. See e.g. Tuori 2002.

12 Rose 2002.

13 Lonkila 2010.

14 North 2005, 160-165; North 1996, 92-104.

15 See Stiglitz's criticism towards IMF's so called Washington Consensus Policy in Stiglitz 2002.

16 North 1981. Already Adam Smith claimed in 1776 that strong property rights support growth.

from the standpoint of development studies where it has been claimed that as equal rights and as equal possibilities for individuals and groups as possible to participate in a market economy, are prerequisites of a functioning and accepted market economy.<sup>17</sup>

We claim that both weak property rights and inequality in participating in the economy are crucial reasons for the Russian institutional failure. The article applies an institutional analysis of the history of property rights and sheds light on this hypothesis with a few cases or practical examples from research projects, which the author has led during the last ten years of Russian transition.<sup>18</sup>

## **2 History of Weak Property Rights and Delayed Reforms**

### **2.1 Before the October Revolution**

Russian economic history before the October Revolution of 1917 is a history of a European state, which stagnated because young capitalism continued to be based on serfdom<sup>19</sup> Serfdom of Russian peasants started quite early, because land belonged to the noble families and there was absence of working force in the country. The property rights of the old noble (*boyar*) families to their inherited land (*vochina*) were so strong, that family members were even allowed within a 49 years' time limit to buy back *vochina* land, which another family member had sold away. Besides *vochina* land, there was also land called *pomest'e*, which the tsar had given as a present to his servants (*dvoryannye*) and which could not have been inherited or sold further, since it stayed in the

---

17 E.g. Gunnarsson-Rojas 1995, Sen 1987; Sen 1997.

18 The research projects, the empirical data and results of which have been used in this article are:

1. Governance on of Renewable Natural Resources in Northwest Russia (University of Eastern Finland with partners from the Arctic Center of the University of Lapland, Center for Independent Social Research in St. Petersburg and Kola Science Center of the Russian Academy of Sciences), funded within the Russia in Flux Program of the Academy of Finland (2004-2007).
2. Trust in Finnish-Russian Forest Industry Relation (University of Eastern Finland. (2008-2011) funded by the Academy of Finland.
3. Companies Coping with Multiple Regulatory Systems (2011 -2015) University of Eastern Finland strategic funding for Finnish-Russian Collaborative Research Projects with the Center for Independent social Research as the strategic partner).
4. Interdisciplinary Network for Studying Company-Community Relations in Resource Extracting Sectors in Russia and Sweden. 1.9.2010-31.8.2013 (Luleå University) Swedish Institute.

19 The final reason of the collapse was the World War I, which led Russia into a Chaos, which allowed a small but determined group of Bolsheviks to seize power.

ownership of the state. There was a competition of working force between the *vochina* and the *pomest'e* estates, which both offered different conditions for the working force. Peasants (or rather farm workers) could move to a new employer if they were offered better conditions. The development towards serfdom was gradual. From 1497 onwards the peasants were allowed to change the estates only during a limited time period of the year. In 1550 they could not move anymore without been paid out from the earlier estate. The famous 1649 *sobornoe ulozhenie* finally declared the peasants as property of the estate of the noble family, the church or the state.<sup>20</sup> This feudal system is similar to the one of Europe after the Collapse of the Western Rome in 8<sup>th</sup> and 9<sup>th</sup> century up till the late middle Ages.<sup>21</sup>

The Russian Orthodox Church was one of the biggest land owners during 15<sup>th</sup> – 17<sup>th</sup> century, because it had received land through wills of believers, who were hoping to ensure their access to Heaven after their deaths. Ivan the IV (the Terrible), who was the first Grand Duke to take the title of the Tsar in 1547 tried to weaken the power of the old aristocracy and the Church, but only managed to spread terror with the help of his gang of rebel nobility (*oprishsina*).<sup>22</sup> He could only dream of Gustav Vasa's, the Swedish King's confiscation of the property of the Roman Catholic Church with the help of Reformation in 1527.<sup>23</sup> In Sweden the aristocracy was considerably poor, and the king could rule finding support from the four competing Estates of the society: free peasants, craftsmen and merchants (later the burghers) as well as the clergy, who all had some kind of property rights. In Russia the tsar could not rule without the support of the strong aristocracy.

Absolutism, the European ideology of the time<sup>24</sup>, finally allowed the Russian Tsar to subordinate the Russian Orthodox Church under his power. Peter the Great gave the Decree on Absolute Power in 1714 and took also the property of the Church under his protection as well as became the head of the Russian Orthodox Church. He also managed to weaken the aristocracy, but still needed its support for his reign. He made the two different forms of land equal, but changed the order of inheritance so that only the first son was entitled to inherit the land. Traditionally the family (husband and wife) owned the land together and their sons inherited it. The rights of daughters depended on their husbands. Although the inheritance right of the younger sons was retrieved quite soon, Peter the Great managed to create a class of aristocracy without

---

20 Gomola & Pantsernaya 2005, 22-35; Isaev 1993, 53.

21 The feudal system started to break down in Europe already during the late Middle Ages, when serfdom only started to be strengthened in Russia. A feudal system with serfdom never developed in Norway, Sweden (and Finland as a part of Sweden) and Switzerland, while in the Baltic countries it was exceptionally severe.

22 Gomola & Pasntsernaya 2005, s 19; Isaev 1993, 38.

23 Inger 2010, 91-93.

24 Absolutism was the leading political system in Europe from 16th to 17th century. To Sweden absolutism came late with Gustav III 's coup in 1772 and lasted only a couple of decades. Peter the Great's absolutism started about the time, when Louis XIV's (1643-1715) time was already ending. The Great French Revolution started in 1787.

land and dependent on serving the state. Soon a system of state bureaucracy with a complicated ranking order was created.<sup>25</sup>

The economic system of agricultural Russia was based on serfdom.<sup>26</sup> The landowners bought and sold souls as Gogol's famous novel *The Dead Souls* 1842 satirically describes. Several Russian tsars wanted to get rid of serfdom, but could not do it because of the strong resistance of the aristocracy. Catherine the Great (1729-1796) only dreamed of abolishing serfdom, Alexander the I (1801-1825) let the land reform be prepared, but finally withdrew from it in fear of the strong opposition of strong fractions of aristocracy. Alexander the II (1855-1881), who finally managed to free the serfs in 1862, was later assassinated.<sup>27</sup> Freeing the serfs, however, did not solve the land issue, which remained a burning problem, since the former serfs had to pay for the land to their earlier owners. They were given bank credit for 49 years, but they had to earn the money with good crops to buy the land. The reforms up till the October Revolution aimed at trying to prevent land from ending up into a few hands and encourage family farming<sup>28</sup>

Agricultural land was governed by *obshsina*, (the village) and the peasants had some access to water and forest through this *obshsina* system up till the end of serfdom, which, however, took their rights to commons away from them. Natural resources such as precious minerals were the property of the state, not the land owner, already from the times of absolutism, when they started to be economically more and more valuable.<sup>29</sup> Peter the Great considered all the natural resources as belonging to him personally, and afterwards they remained in state ownership.<sup>30</sup> The rights of peasants to the use of natural resources were thus already absent before the socialist regime.

## 2.2 *The Soviet Period*

The Bolsheviks had an own solution to the land problem. They made all land state property – a move, which even absolutist tsars would have envied. They collectivized agricultural land with the Land Decree of 1922. Renting state land for agricultural purposes was possible even after the collectivization of land, but those who used the opportunity, were later during Stalin's repression criminalized as *kulacks*. Renting land was made possible also during

---

25 Isaev 1993, 93-100, Gomola and Pantsernaya 2005, 42-46, 65-66.

26 This was not so exceptional, since e.g. production of American cotton fields also based on serfdom up till the American civil war.

27 Ironically the assassin Nikolai Rysakov was a member of Narodnaya Volya, a left-wing terrorist organization, which would have preferred faster reforms.

28 Gomola & Pantsernaya 2005, 73-74, Isaev 192-95, Ikonitskaya 1999, 9-15.

29 Gomala & Pantsernaya 2005, 52.

30 Bekyashev 2007.

Hrushsev's reforms in the 1960's, but this opportunity was, quite understandably, not used very much.<sup>31</sup>

Industrialization was the main objective of the Bolsheviks, and peasants who were hungry for land, represented old values of the past society to them. The civil war and Stalin's repression broke the family farming type of agriculture and made the peasants workers of *kolkhoz* (collective farm) or *sovhoz* (state farms).<sup>32</sup> However, the small own plots, where people grew vegetables and sold in the *kolkhoz* markets, were popular among *kolkhoz* members, who seemed to put more effort on their vegetable plots than on the collective agriculture. This gave false hopes to many observers assuming that Russian *kolkhoz* peasants would turn into private farmers as soon as it became possible, since they already had experience of some kind of a market economy. The own plots, however, only generated a small profit to *kolkhoz* members, who did not have to care for the costs, since seeds and fertilizers were taken from the *kolkhoz* for free.<sup>33</sup>

All natural resources were state property in the Soviet Union. Forests, waters, minerals each formed a so called fund (*fond*), which belonged to the state. The ruling elite (the Communist Party leadership) controlled the use of natural resources through state enterprises. People, who worked for state enterprises or either in collective or state farms, got their small salary and social security through these state organizations. They were not allowed to move away unless for education or for getting another job. Everybody needed a permit both for a domicile or for travelling elsewhere (*propiska*) The Soviet system can well be described as a new serfdom of peasants and workers. The system, however, was egalitarian, since welfare or poverty was distributed evenly. The socialist elite, the Communist party members, who were also called the *nomenklatura* in the Soviet Union, had privileges, such as their own hospitals and sanatoriums and could get a car without having to wait for it for numerous years. The existence of the *nomenklatura* elite reminded the people that the communist system was not as egalitarian as the official ideology claimed, but the differences in wealth were not upfront. The planned economy, which did not produce enough commodities for consumers, created a growing shadow economy, which could function with the help of a corrupted elite.<sup>34</sup> The heavy bureaucratic structure of the times of the tsars continued its existence in a new form. The lack of political rights and the only allowed and ideologically correct party kept criticism down and created double standards.

---

31 Ikonitskaya 1999, 16-20, Hosking 1990.

32 *Kolkhoz* was legally a cooperative farm, which the members owned together. The *kolkhoz* leaders were, however, implementing the policy of the Communist Party and collective ownership was only imaginary (Mozolin 1992). *Sovhoz* was a state owned farm.

33 See e.g. Hosking 1990.

34 Hosking 1990.



### **2.3 Development of Property Rights after the Fall of the Soviet Union**

The reformers (also called “democrats”) of Eltsin’s time were eager to start a land reform and privatize agricultural land. The objective of the Land Reform of 23 November 1990 was to develop favorable conditions for alternative forms of agriculture.<sup>35</sup> The opposition, however, was too strong. Especially the kolkhoz leaders formed an important interest group opposing the idea of family farms and lobbying agro companies instead. The sovhoz and kolkhoz members got a right to separate an imaginary lot of the kolkhoz, but it did not open possibilities for private farming. Kolkhoz leaders and civil servants did not want to give an opportunity to separate small lots of land. Those, who could find a job in a city, sold their right to the kolkhoz or to the new company and pensioners sold their right against the right to obtain agricultural products from the farms.<sup>36</sup>

New agro companies now work as firms, but the land still mostly belongs to the state. Only 2,7 % of agricultural land is in private ownership. 51,1 percent is in permanent possession for indefinite use (Art. 268 of the Civil Code) of mostly companies<sup>37</sup> and 46,2 % is leased from the state. The maximum lease period is 49 years. Such categories of property rights as permanent possession for indefinite use, were created by the Civil Code of 1994 between lease and ownership. The holder of the land plot can agree upon building and using the land or a lease only with the approval of the owner, which most often is the state. Such kinds of forms of property rights resemble ownership in Russia before the October Revolution. Private ownership was opposed or considered as strange and therefore such state controlled hybrid forms were created.<sup>38</sup> Permanent possession and lease contracts force the user to ask for permissions and become vulnerable for demands and new conditions from the part of state bureaucracy. It is a control mechanism supporting rent-seeking of the bureaucracy.<sup>39</sup>

The opponents of private property rights have an easy task to refer to the badly managed privatization of state companies during Yeltsin’s time and argue that the oligarchs would then get the ownership of all land property for themselves and could not be controlled any more.<sup>40</sup> The control keepers, however, seem to have their own interests to look after, not those of the state. They do not need property rights themselves, since they can gain from the

---

35 Ikonitskaya 1999, 41.

36 Interview of Irina Ikonitskaya 3 April 1999. She represented reformers in favor for privatization of agricultural land in the drafting committee of the Land Code.

37 There is also another special form of possession called inheritable right of possession, which is only allowed for small land property with smaller holdings for gardening or dwelling (Article 265 of the Civil Code).

38 There has been a discussion on abolishing unnecessary hybrid forms of property rights from the Civil Code in the ongoing Civil Code reforms.

39 Shagayda 2012.

40 Nysten-Haarala 2001, p.172-175 , 140-158.

absence of them. The fight for property rights of natural resources has been ongoing almost totally between the regional and the federal level of the state.<sup>41</sup> There were some assumptions connected with the drafting of the present Federal Forest Law (2006) that one of the reasons for starting the drafting process was a faint attempt to make private ownership of forest land possible, but it was not seriously discussed during the actual drafting process.<sup>42</sup>

According to the Article 9.2 of the Federal Constitution natural resources can be in private, state or municipal ownership. The Constitution also states in Article 8.2 that natural resources should benefit those, who live in the area. Furthermore, the constitution placed natural resources under the joint jurisdiction of the federation and the subject (region) of the federation (Art. 72). Joint jurisdiction made drafting legislation complicated and disputed. As a part of the centralization process of the Putin regime in the 2000's ownership and rights of use of the federation were strengthened by federal legislation on the cost of the regions.

The Forest Code of 1997 already took all the forests into the ownership of the federation. Actually this concerns the so called forest fund. Some forest, such as parks can be in municipal ownership, but the forest for economic use and nature conservation are included in the fund. Since the constitution allows private ownership and forests earlier had been in the joint ownership of the federation and the region, Khabarovsk Territory and the Republic of Karelia challenged the Forest Code of 1997, which for the first time allocated the forest fund to the federation, before the Federal Constitutional Court. The court, however, ruled that since state ownership of forests is a long tradition in Russia and the benefits of the use are shared with the federation and the subject,<sup>43</sup> the law was not in contradiction with the constitution, which submits natural resources to the joint jurisdiction of the federation and the respective subject of the federation (Art. 72) and allows private ownership (Art. 9.2).<sup>44</sup>

The Law on Subsoil (Geological) Resources of 1992 stipulates that oil, natural gas and minerals are in the joint ownership of the federation and the subsequent subject. Originally the law mandated sharing of the incomes from drilling and excavating licenses between the federation, the region and the subsequent municipality. However, based on an investigation of the Ministry of Natural Resources, in which a lot of violations of license conditions were

---

41 See Nysten-Haarala 2001, 68-111.

42 Such assumptions were presented in interviews of both state officials and businesspeople, when we collected interviews about governance of forest resources in Northwest Russia (2004-2006). Since drafting of a new Forest Code was going on, we also asked the informants' opinions concerning the legislative reform.

43 Subject of the Federation is the legal concept used in Russian law for all the regions of the federation. The subjects can be called republics, regions (*oblast'*), territories (*krai*), autonomous region (*avtonomnyi oblast'*) and autonomous areas (*avtonomnyj okrug*). Also Moscow and St. Petersburg are subjects of the federation (Article 65). The different types of subjects have different features, but they are still equal according to Art 5.1. of the Constitution. Equality is interpreted to mean that each subject can send 2 representatives to the Federal Council of the State Duma (See Nysten-Haarala 2001, 74-78.).

44 Case 1/9.1.1998. See more about the case in Nysten-Haarala 2002, p. 93-95.

found, the license payments were all transferred into the federal budget and issuing the licenses was given to the federation with a revision of the federal law in 2002.<sup>45</sup> The oil rich municipalities and regions lost the best part of their incomes and became as dependent on the federal budget as other Russian municipalities. According to Russian researchers all small technical mistakes were included in the amount of violations in order to make the local governance look unreliable.<sup>46</sup> The same centralization wave touched also the Water Code, which was renewed in 2006 and the new and a long time drafted Federal Fishing Law of 2004.

At first glance it seems that the painful municipal reform of 2003 decentralizes decision making to the municipal level, but a closer look at the Budgetary and Tax Legislation reveals that municipal self-government does not have any financial basis at all. Except for some bigger cities, who tax on business premises, Russian municipalities are dependent on regional subsidies, which they can apply for only at the end of the year, when they know the exact amount of the deficit they are going to have, and accept the conditions of use of these subsidies set out from above.<sup>47</sup> Russia is a heavily centralized country, where Moscow has the decision-making power even in the most remote areas of the federation. In practice, however, the federal state is not as strong as federal legislation suggests. Corruption and violations of legislation have not diminished because of centralization. On the contrary, interviews of businessmen report that bribes have only increased in amount and Russia now holds the position of number 127 on the list of Transparency International.<sup>48</sup> Corrupted politicians and bureaucracy make the decisions and seem to prefer their own private benefit over any others. This does not mean that everybody is corrupted, but that corruption exists in large amounts. The state, which was based on the Soviet Social Contract distributed wealth more or less equally, is now not able to take proper care of this duty. Empirical findings impugn President Putin's demands for state governance of natural resources.<sup>49</sup> In the following we present three different cases, which show how legislation is applied on a local level and how informal institutions precede formal legislation.

---

45 The investigation reported that in 1020 of the 20.000 licenses in 2001 the license holder violated the licensing terms, yet only 40 of these 1020 were terminated. (*Prirodnoresursnye vedomosti* No 2, 2002, p. 106 from Kriukov et al. 2004).

46 Kriukov et al 2004, 109.

47 More on the municipal reform in Nysten-Haarala 2013, 14-15 and Gel'man 2004.

48 The list consists of 175 countries. Russia holds the position of 127 together with Azerbaijan, Comoros, Gambia, Lebanon, Madagascar, Mali, Nicaragua and Pakistan. Denmark, the least corrupted country is number 1 of the list (*Transparency International Secretariat* 2013).

49 Putin 1997.

### **3 Example 1: Forest Villages Dependent on the Charity of Forest Companies**

The first example is based on the abundant empirical data on Northwest Russian villages in the areas, where forest enterprises log wood.<sup>50</sup> The picture is similar in forest villages in the Karelian Republic, Arkhangelsk Region and Leningrad Region, where we have collected qualitative semi-structured interviews. During the Soviet period state companies provided for “municipal” infrastructure and a lot of health services to its function area. When everything was state owned and governed it was all the same which state unit offered the welfare services and implemented the distribution function of the state. Municipalities were also part of the state administration and the Communist Party governed everything. This model was paternalistic and increased social coherence in local communities. When privatization of enterprises started in 1990s, these services were supposed to be handed over to the new self-governed municipalities, which did not have financial resources whatsoever to effectuate these duties. There were no tax revenues, since neither companies, nor the state, could pay even salaries. In this situation many companies had to carry on with these duties and they continued working in symbiosis with the municipality.<sup>51</sup>

When foreign companies started to buy logging rights and rent forest for that purpose, they found villages in the forest and met with municipality leaders, who came to ask for financial or at least help in kind for most vulnerable groups of the village. Companies felt obliged to give at least firewood for veterans of war and invalids. A Russian director of one daughter company of a foreign forest enterprise reported to be paying an agreed sum to the municipal budget in order to support these poor people. He, however, remarked that such decisions can only be made without involving the corporate management abroad in local policies. Corporate offices without enough knowledge of the local circumstances could even have regarded such sponsorship as bribery, although it in practice was pure charity. The municipality does not have any decision making power over the logging companies and cannot give them any extra benefits against this charity. In the Nordic countries communities compete for investments of businesses offering better municipal infrastructure. In Russia companies are forced to build everything themselves. Roads are taken care of by the companies, which is certainly only fair that the one, who gets the profit, also makes the subsequent investments. Russian municipalities of course hope that some local people

---

50 The data was gathered in 2004-2008 (Governance of Renewable Natural Resources in Northwest Russia) and 2008-2011 (Trust in Finnish-Russian Forestry Relations). The author has interviewed mostly enterprises herself and participated in semi-structural interviews of local people in two villages in the Karelian Republic and two in Leningrad oblast'. Other interviews were gathered by Maria Tysiachniouk, Antonina Kulyasova and Ivan Kulyasov. The total amount of interviews is about 60.

51 Several publications, which are based on empirical research analyze relationships between companies and communities from this period. See e.g. Piipponen 1999, Melin 2005, Kortelainen & Nysten-Haarala 2009, Kotilainen et al. 2009.

might get jobs, but in the case of foreign companies logging was usually given to another foreign company, who took the working force with them from abroad. The municipality gets only 50% of the income tax of the individuals, 50% of the property tax and 5 % of the profit tax of the enterprises. Companies, however, pay their taxes where they have their headquarters, and unemployed local individuals do not pay a lot of taxes.<sup>52</sup>

Because of the paternalistic past, local people, who had lived in the same village perhaps their whole lives, consider the local forests as “their own” and having some rights to them. One school teacher expressed her opinion on forest companies: “*They come and log our forest, even our holy spots from the time immemorial, leaving us nothing.*” The still existing right to pick up berries and mushrooms is utterly important as a source of livelihood and income for the locals. Especially unemployed people do not have many choices for legal sources of income. In those circumstances illegal poaching is not difficult to imagine. In every village women sold local handicraft, often made from products of the forest. They cannot be blamed for not trying to initiate business. Alternatives, however, barely exist.

Foreign companies quite soon realized that they have to communicate with the local population, arrange public hearings and listen to local concerns.<sup>53</sup> Russian forest companies even organized cultural programs for the villages or provided local dancing and singing groups opportunities to perform in the nearby town or in corporate celebrations. The expectations of the local people stem from the Soviet period, which they understandably long for, since local institutions are broken and the new market economy has nothing to offer for them. Schools and houses of culture and libraries are still functioning, although often in bad shape. Health services are often situated in nearby towns, but in most villages local people can still meet a nurse in their own village.<sup>54</sup> Local people have no property rights, but they are still tied to the village. They need a permit to be able to move to a city. They are hostages of the village without any hope for a better future.

In the Karelian Republic some villages have been able to develop tourism for Finns, who are interested in villages where Kalevala, the Finnish national epos was collected. In one case it was a former local village leader from the Soviet period, who together with Finnish partners, started guided tours in Karelian villages. Local people got payment for accommodating guests and sometimes managed to sell them local handicraft. Nowadays this particular business has ended, but some Finnish tourist firms still arrange similar trips.

Russian NGO activists have tried to help villages to survive with the help of FSC certificate (Forest Stewardship Council). FSC was founded by NGOs when states could not reach an international agreement on sustainable forestry. FSC has ten principles containing also social responsibility to the local population. The more precise content of these principles is negotiated with the

---

52 See e.g. Kulyasova 2013, 30; Nysten-Haarala & Kulyasova 2013, 15-16.

53 Kulyasova 2013, 31-32.

54 Besides my own observations in villages, I can refer to Minna Piipponen 2000, 40-55.

company, which applies for the certificate from the FSC. NGO representatives also monitor the certificate<sup>55</sup>. Russian NGOs have often widened the principles for the benefit of the local people. In one example they persuaded certified companies to extend the notion of “indigenous people” to the Karelian population in the Karelian Republic and similarly the Pomor population in the Arkhangelsk Region. In this way the people can claim for a right to use the forest for supporting their livelihoods.<sup>56</sup> NGOs also count on direct democracy and hearings of local people. They would not be satisfied with only working with the municipal leader.

The NGOs have persuaded companies to cooperate with the local people. Together the NGO activists and local people have more negotiation power than separately. FSC activists see themselves as promoters of private governance and global principles to the local level and the whole process often as empowering of villages.<sup>57</sup> The FSC certificate can, however, only function as a substitute of missing state arranged welfare for a transitional period, as the disappointment over the consequences of the 2008 recession and withdrawal of several companies prove.<sup>58</sup> Social responsibility incurs extra costs, which the companies competing in the world market regard as costs, which should be borne by the state or the municipalities. The marketing value of social benefits for elderly people in the forest is not as high as environmental issues for western consumers and responsible buyers of FSC certified paper.

#### **4 Example 2: Pomor Fishing Villages and Pouching**

The second example is taken from empirical studies in 11 Pomor fishing villages in Mezen district of the Onega Peninsula on the White Sea Coast.<sup>59</sup> People, who live in the northern parts of the Arkhangelsk Region are called Pomors. It is nowadays a disputed issue who Pomors are, because the notion Pomor is used both in a wider and in a narrower meaning. Historically from the 11<sup>th</sup> and 12<sup>th</sup> century onwards the people on the White Sea Coast were called Pomor and the area *Pomorie*. The earlier inhabitants of Pomorie were Fenno-Ugric people, who lost their original Fenno-Ugric language with assimilation with Russians, who came from Novgorod. In the 15<sup>th</sup> and 16<sup>th</sup> century the name

---

55 Principles of FSC( 2014). FSC certification is often seen as private governance driven by the market. See Cashore 2002. See also a Ph.D. written on FSC certification in Russia Tysiachniouk 2013.

56 Kulyasov, 2010 ;Kulyasova, A. 2010.

57 Tysiachniouk 2013, Tulaeva 2013.

58 Kulyasova reports on the disappointment of the locals (Kulyasova 2013, 34-35). Minna Pappila is also of the opinion that FSC certificate can only be a tool for repairing odds of a transitional period (Pappila 2013, 42).

59 Interviews of local people in the 11 villages were conducted by Antonina Kulyasova and Ivan Kulyasov in 2004-2011. The empirical research also involved focus groups and participatory observance. The results have earlier been published in Nysten-Haarala and Kulyasova 2011 and in Kulyasova & Kulyasov 2009.

Pomor was applied to people living in a wider area up to the Ural Mountains. In the 20<sup>th</sup> century Pomor started to mean any inhabitant of the Russian North (White Sea Basin). Yet in the narrow meaning, Pomors are people, who live in the White Sea Coast and get their living from fishery.<sup>60</sup>

Pomors are not included in the Russian list of Indigenous and Small in Number Peoples of the North and Siberia, which would give them rights to traditional fishing and hunting. Groups, which have been chosen on this list, are peoples whose population does not exceed 50.000. Pomors have officially not been recognized as an indigenous people or even as an own ethnic group in Russia. Historians have differing opinions on whether Pomors are an own ethnic group or a sub-group of Russians.<sup>61</sup> There exists a Pomor movement, which wants the status of an indigenous people to be recognized for the Pomors. The movement was initiated in the 1980s among city dwellers, who got interested in the dying Pomor culture. People living in Pomor villages in the countryside were first not interested in the movement, but continued their fishery as earlier. The fishing kolkhozes, however, found aspects of the movement useful in order to be able to continue fishing for the support of the livelihoods of people living in fishing villages. Nowadays the movement spreads information in the villages about the ILO Convention on the Rights of Indigenous Peoples and the need to apply it to Pomors.<sup>62</sup>

The fishing culture of the Pomors is old, and the people were fishermen and traders since the middle Ages. Earlier Pomors owned fishing boats privately, but the Soviet Union forced them to live in fishing kolkhozes. Kulyasova and Kulyasov, who have spent a lot of time in Pomor villages, are of the opinion that although private property was abolished, the Pomor communities continued living in a quite traditional way, since whole communities were transferred to function under the kolkhoz structure. The captain of the fishing boat was the kolkhoz leader and every inhabitant participated in fishery. The collective farm divided the incomes from fishery and supported the village, which had own schools, libraries and houses of culture. The kolkhoz structure in the opinion of Kulysova and Kulyasov preserved Pomor communities, their fishing tradition, typical of which was collective participation of the whole community, as well as some remnants of the old Pomor culture.<sup>63</sup> It was actually the transfer to a market economy, which finally ruined the villages and their earlier livelihoods.

The fishing kolkhozes also farmed and utilized forests, but fishery continued as the only profitable source of welfare. Modernization of fishery started in the 1950s and 1960s with the kolkhozes buying bigger trawlers and modern equipment. Traditional fishery continued on the coastal area and rivers and lakes for the own livelihood of the people. In the 1970s and 1980s fishery was quite profitable, although fishing quotas were diminished because of

---

60 Bulatov 1999, 5-6.

61 About this discussion see Nysten-Haarala and Kulyasova 2013, p. 320.

62 Nysten-Haarala & Kulyasova 2013, 326-327.

63 Kulyasova & Kulyasov 2009, 199.

international treaties. The trawlers of Pomor kolkhozes were rather small and focused on fishing in the territorial zone of Russia. The 1990s was even a better period, because the Pomors started to cooperate with Norwegians and sell fish abroad. President Yeltsin's decree in December 1992 allowing fishing entities to keep 90 % of the currency, which they earned in export, recovered the pre-revolutionary cooperation with Norwegians.<sup>64</sup>

Although Eltsin's policy supported export and new markets opened, the Russian ruble was devaluated and soon there was no money for fuel and repair of ships. Furthermore the new Russian Federation introduced auctions for the use of natural resources, including fishing rights. Fishing collective farms were forced to buy quotas for fishing and pay taxes. During the Soviet times the fishing kolkhozes had preferential tax and till 1970s there were no quotas for fishing. The aim to obtain more fishing quotas for industrial fishery and later sell them with a good profit led to a development in which one commercial player took over most of the kolkhozes. The functioning of this one effective commercial organization drove the fishing collectives near or up to bankrupt. Only a couple of them survived in the whole Arkhangelsk region, but even those kolkhozes could not continue supporting the village and had to diminish the number of their employees. The socio-economic structures of the villages collapsed.<sup>65</sup> Because of unemployment and almost non-existent unemployment benefits, fishing for household use in rivers and lakes started to be more important for the survival of the village population. Consequently people also got interested in gaining the status of indigenous people in order to be able to fish.

Although the Pomors consider fishing having been free from time immemorial, fish as a natural resource has formally belonged to the State ever since Peter the Great's Decree on Absolute Power. Peter considered fish to belong to him personally. The federal serfdom, however, never reached the Pomors. The Pomors' right for fishing stemmed from special rights given them for fishing freely in the Arkhangelsk Gouvernement. The right was limited to 2 sea ships and 5 river ships per one peasant and the governor had the right to control the enforcement of the law.<sup>66</sup> In the Soviet period the collective fishing farms had to fulfill the plan with a certain amount of fish, but it was approved that this plan was not up to date. Therefore they were allowed to fish as they could.<sup>67</sup>

The federal policy favors industrial fishery of large scale. The struggle for the legislation of fishery ended up in the total victory of the federation. According to Article 10 of the Federal Law on Fishery and Biological Resources fish resources belong to the federation, which defines fishing quotas and gives permissions for fishery for industrial use. The aims of the law are on the one hand preserving biological resources and increasing industrial fishery

---

64 Kulyasova & Kulyasov 2009, 202-203; Riabova & Ivanova 2009, 81-88.

65 Kulyasova & Kulyasov 2009, 203-215.

66 Bekyashev et al 2007.

67 Kulyasova & Kulyasov 2009, 202-203.



and the amount of catches, on the other. A balance between these contradictory principles is difficult to find. The rights of regions to influence the use of natural resources were diminished on grounds of equality between the regions and fight against corruption, which was detected on the regional but ignored on the federal level. The regions, which still tried to claim management of coastal fishing for themselves, were only allowed to give advice for coastal fishery.<sup>68</sup>

The responsible authority is the Federal State Agency of Fishery (*Rosrybolovstvo*), which works under the Federal Ministry of Agriculture and its Decree on Quotas. The fishing quotas are based on the evaluations of the VNIRO, the state marital research organization. The quotas for industrial fishery are given for a 5 year period. The subject of the federation (region) can give a fishing permit for industrial use to a new entrepreneur for the first three years of functioning. The latter regulation was disputed during the drafting process of the Law on Fishery, and those who opposed the right of the region to give additional fishing rights referred to potential overuse of resources and consequently wanted to give the control completely to the federal organs.<sup>69</sup> Along with the quotas, fishing organizations and fishermen also get a permit to fish for industrial purposes from the Federal State Agency of Fishery.

The selling of quotas by auction was, however, not long. From 2004 onwards the quotas were divided according to the so called “historical principle” meaning that the average amount of fishing of the kolkhozes was calculated for the next five years and the obtained quota was prolonged up to 10 years. In this way each kolkhoz obtained a certain amount of quotas based on its own special circumstances.<sup>70</sup>

The Federal Law on Fishery also recognizes a new fishing category called coastal fishing (Art. 20), which means fishery of small and medium-sized enterprises not only on coastal areas, but also in the territorial waters, the continental shelf, and the economic zone and even in the high seas. The main feature of coastal fishing is that it is driven by small enterprises, which requirements the fishing kolkhozes of the Onega Peninsula fulfill. The concept was included in the law to recognize the importance of small scale fishing in Russia.<sup>71</sup> It is, however, unclear, what the difference between ordinary industrial fishery and small scale industrial fishing is. The Federal Ministry of Agriculture has been given the authority to give special norms on benefits or exceptions for small scale fishing, but by now it has not applied this power. Consequently coastal fishing does not have any special status with special subsidies. The regions, which are allowed to give advice concerning coastal fishery, have an opportunity to influence the federal fishery management in this respect. Special benefits on the regional level are possible.<sup>72</sup>

---

68 Riabova and Ivanova 2009, 87-92.

69 Ilyasov et al 2005, 146.

70 Kulyasova and Kulyasov 2009, 211.

71 Il'yasov et al 2005, 105.

72 Nysten-Haarala & Kulyasova 2013, 324.

Local Pomors have to compete with both industrial fishing occupying their traditional fishing areas and with increasing recreational and sport fishing for touristic purposes. The Federal Law on Fishery considers tourism as an important developing branch of business especially in the countryside.<sup>73</sup> Sports and recreational fishing is either free of charge or subject to a charge for all Russian citizens depending on what equipment is used and in what scale. In principle only angling is allowed for free. Touristic enterprises buy permits and sell them to tourists. Free fishing by ordinary citizens can be traced back to the Soviet times and can sometimes be pursued more or less professionally.<sup>74</sup>

Recently one of the key issues both for coastal fishing and fishing in the rivers and lakes has become the re-distribution and forming of new fishing areas. Part of the earlier collective farm fishing areas remained in their hands, while part of them has been transferred through auctions to new users. However, regional organs, specifically the Committee of Fishery of the Arkhangelsk Region started to actively form new fishing areas, which the federation has confirmed, and sold them through auctions. In this way some fishing areas, which local population traditionally used for fishing, ended into new hands. For instance, earlier areas of the kolkhoz on the river banks near the village Letnaya Zolotitsa in the Onega Peninsula were given to a tourism company, which built a tourist center near the village. As a result the local population should have turned to the tourism company to buy a legal permit to fish.<sup>75</sup>

The traditional fishing of the local population for household use is of quite large scale. They use nets and lines, special seines and fyke net. Fishing tackles are laid on a coastal strip and on the mouth of a river streaming to the sea. The scale of fishing would fulfill the notion of industrial fishery of the Federal Law on Fishery. A good example of extensive fishery comes from the mouth of the river Kuloi, which according to the legislation is regarded as a protected spawning river, where only angling is allowed. The local population fish in May during the high tide with seines. *“The population does not travel anywhere, they lay down the seine and catch here from 50 to 100 kilograms of fish which is enough for not to fish any more (for a long time). In the village they sell fish to babushkas (old ladies) with 15 rubles per kilogram and that is all.”*<sup>76</sup> The kolkhozes worry about the village population and try to give them an opportunity to fish. The kolkhoz can for instance give them a permit to fish in their industrial fishing areas. *“However, the fishing areas can be established either for industrial fishery, in which case the population cannot fish for their household needs, or for recreational fishery, in which situation the kolkhoz cannot fish there for industrial purposes. It is not profitable for the kolkhoz to*

---

73 Bekyasihev et al 2007.

74 Il'yasov et al 2005.

75 Nysten-Haarala & Kulyasova 2013, 324.

76 Interview of the head of local administration, Mezen Rayon 2010.

*own fishing areas only for recreational use. Therefore it becomes inevitable to violate the law”.*<sup>77</sup>

Obtaining the status of indigenous people would not help the Pomors very much. Indigenous and small in number peoples in the North and Siberia are allowed to fish for their traditional livelihood, but this does not include large scale commercial fishing. The Federal Agency of Fishery also sets limits for each indigenous group on how much they can fish. They, however, do not have to participate in the auctions of quotas.

It is no wonder that people, who have traditionally fished in the area and whose livelihood is dependent on fish, continue fishing even when it has become illegal. Yet the locals do not consider themselves as poachers. An employer of a kolkhoz office in Mezen rayon gives a typical local opinion saying “*At the present time I have not met real poachers, and I have lived here more than 50 years. In our understanding a poacher is a person, who destroys fish, destroys the nature and for his own enrichment fishes and sells the fish. You are supposed to fish to eat and feed your family.*” This opinion sees industrial companies, who fish extensively, as the poachers, even if they possess a permit from the Federation.

The control of legal fishing is within the duties of *Rozhoznadzor*, the control organ of natural resource (Art 43.5 of the Fishing Law). In the White Sea, however, customs authorities take care of the control of fishing permits also in coastal territorial seas. The penalty for poaching can be a fine and a loss of the fishing permit (which typically does not exist) as well as confiscation of the catch and tackles. The fine can extend to maximum of 300.000 rubles. Even sentence to imprisonment is possible for maximum of 2 years.<sup>78</sup> In Russia there is also the alternative of administrative liability based on the Law on Administrative Breaches of Rights. The administrative regime includes fines, confiscation and the loss of permit as penalties. The fine can extend to the maximum of 50 x the minimum payment.<sup>79</sup> Administrative liability is easy for the control organs to collect, because they do not have to take the case before court unless the citizen insists. No wonder that the controlling organs of fishery prefer administrative methods.

In the opinion of the local population the main violators of the law are the controlling authorities themselves. Practically everyone in the villages of the Onega Peninsula told that the border guard detachment, which also takes care of controlling fishery, confiscate fishing tackle from the local population and then fish with the same tackle in front of their eyes. This kind of behavior of state authorities provokes a sharp negative attitude among the local population towards “the state” as the worst poacher.<sup>80</sup>

---

77 Interview of a representative of a kolkhoz in Onega Peninsula 2011.

78 Bekyashev et al 2007.

79 Minimum salary is also a calculative unit in Russia, now being 100 rubles. The minimum payment, which an employer has to pay, has risen several times above the 100 ruble level, but the old level is still used as a calculative unit.

80 Nysten-Haarala and Kulyasova 2013, 329.

The cat and mouse -play of the controlling organs with the local people has according to the local interviewees changed during the last few years. The interviewees have noticed that a couple of years ago the controlling organs appeared quickly and acted very strictly. All the fishing tackle was confiscated and sometimes even destroyed. Strict fines were imposed on the local people, who were caught for illegal fishery. There were a lot of controls, several times per month. During the last two years the control has weakened. Controlling authorities appear for example once a month and the tackles are not confiscated at all.<sup>81</sup> According to the local interviewees the reason for weakened control is that there are secret instructions for the authorities to reduce control in order to give the local population an opportunity to fish. This argument may be disputed, but it is worth mentioning, since it reflects a typical construction on how Russian strict legislation is softened by not always enforcing it in practice. The reason for diminishing control can as well be diminished resources or other more important duties of customs authorities. This local opinion, however, shows a typical post-soviet attitude of understanding the human nature of people working for state authorities, especially imagining humanly behaving directors, who ignore complicated and unjustified official rules.

## **5 Example 3: Nenets Reindeer Herders and Oil Companies**

Acceptance on the list of indigenous peoples might help the Pomors, but it can only be a partial relief from the difficult circumstances, as prove the conditions of the Nenets villages, which we visited in June 2012 in Nenets Autonomous Area. Field work included a total of 60 interviews and several focus groups, the duration of each of which varied from one to two hours. The interviewees were oil industry representatives, NGO experts, representatives of regional and local authorities, and local residents where oil and gas companies operate. The goal of the interviews was to hear the perspectives of a range of stakeholders in the relationships of oil companies.<sup>82</sup>

Nenets Autonomous Okrug (NAO) is located in the Northwestern part of Russia, bordering the Barents Sea. Most of the territory is located above the Arctic Circle and comprises tundra and forest tundra ecosystems. The NAO is an autonomous area of the Arkhangelsk region and the administrative center of the territory is the city of Naryan-Mar where the governor and parliament are based. The total population of the area is 42.000 and includes members of the Russian and Komi Ethnic groups, as well as about 7000 Nenets, who are classified as an indigenous small in number population of the North. Traditionally the Nenets people are reindeer herders, who had a Nomadic way

---

81 5 interviews of local fishermen and representative of a kolkhoz in the Onega Peninsula 2011.

82 The trip to NAO was funded by The Swedish Institute ( see acknowledgements). Interviews were gathered in three villages and in Naryan-Mar. The interviewers were Maria Tysiachniouk, Svetlana Tulaeva and Soili Nysten-Haarala as well as Laura Henry with other funding.

of life following the reindeer in the tundra. During the Soviet period the Nenets were forced to settle in villages for a portion of the year and engage in herding only seasonally. Families are separated as the children are sent to boarding schools in the villages and rejoin the families in the tundra only during the summer. We visited three such villages,<sup>83</sup> which had been founded during the soviet period. The population of the villages was an ethnic mixture of Nenets, Komi and Russians with only one village having a majority of the population as ethnic Nenets. People from other ethnic groups had come to work in kolkhozes during the soviet period.

The Nenets, who were earlier called Samoyeds, were conquered by the Russian Empire. The Russian settlers, who paid for furs and meat with vodka, brought the alcohol problem among the indigenous population, which still has poor resistance to alcohol. During the Soviet regime the herders were forced to join collective farms, which had reindeer herding, agriculture, fishing and fur production. The prices were considerably good for furs and reindeer meat and the more or less modernized (read: Russified) villages survived quite well, although the living conditions in the villages were poor with weak infrastructure. Houses are badly built on the wet tundra without running water or sewage systems. The Great Patriotic War (II World War) hit the villages harshly, as photographs of the war veterans hanging on the walls of the municipality buildings showed that some villages lost more than two thirds of their young men in the war. This, however, was in the state propaganda turned into a common hero story of survival and victory in spite of great human losses and united the villages to support the Soviet power.

Over the past twenty years, since the collapse of the Soviet regime, the herders' way of life has undergone even more dramatic changes. In the 1990s many Soviet collective farms collapsed. Only one reindeer processing company survived and was able to set the price for meat. In rural areas local residents still support themselves through reindeer herding, fishing and hunting, but the prices are low and distances to markets long. The state gives small subsidies to ethnic Nenets, who engage in traditional reindeer herding. Any other business will cut off the subsidies, which, although very modest, seem to be an important means to support reindeer herding families.

Oil exploration in the NAO began in the Soviet era. In the 1970s, a Soviet geological survey expedition discovered multiple oil reserves in the region and commercial oil production began in the area in the late 1980s and early 1990s. Today both Russian and multinational oil companies – Lukoil, Rosneft, Total and Conoco Phillips, among others -are drilling oil there. According to a government brochure, 98 percent of all companies active in NAO are involved in the oil and gas sector. Estimated reserves are huge, although in the Arctic oil is drilled in extreme conditions and requires expensive technology. Based on the budgetary legislation taxes from the oil industry are unevenly divided, with 95 percent going to the Russian federal budget and only five percent to the regional budget. The federation initially gets all the tax revenues and then returns a small portion to regional budgets. The share of municipalities is

---

83 The names of the villages are disguised in order to protect the interviewees.

dependent on the region and the companies' so called social responsibility. One exception is the Kharyaga oil field, from the production of which the NAO receives ten percent of the income. This income results from an agreement of NAO with the companies operating there. Such agreements are allowed to be made in autonomous areas. As a result of this agreement, the NAO budget has among the highest surpluses of Russia's regional budgets.<sup>84</sup> However, the NAO authorities also have to cope with the environmental impacts and social disruption of the oil industry.

The attitude to oil industry among the village population is mixed. The villagers perceive the arrival of oil companies as a threat to their traditional way of life due to the loss of grazing land and damage to the tundra ecosystem. On the other hand the oil companies are seen as an opportunity to gain extra wealth. The villages, which suffer from problems resulting from unemployment and alcoholism, gain mostly only some kind of charity from the companies. The NAO does not have refinery industry, and the oil and gas are transported outside the region for processing. The companies employ only a few local people for drilling and gathering stations. Partly this is because the local people do not have the relevant skills. Local population also complains that some workers, who have come elsewhere compete for fish and involve in poaching of wildlife and even the reindeer of the Nenets.<sup>85</sup> Grazing land is destroyed and oil tubes block the migration routes of reindeer. They also complain that the amount of fish in the rivers is diminishing, because the rivers have become shallow due to drilling.

The companies have a legal right to drill because the state owns the land and has sold licenses to drill to the companies. The price of the license is nowadays paid completely to the federal budget based on the change in the Law on Subsoil Resources in 2002. The Federation then returns something to the region. The calculation model of the returned amount is not fixed in any law. The rights of indigenous peoples to control land and natural resources use has not been widely debated in the post-soviet period. The dispute has been only on whether the federation, the region or the municipalities, gets the financial benefits and has the control. The local people are, however, well acquainted with the debates on indigenous peoples' rights in other countries, and associations of indigenous peoples are well aware of the ILO Convention on Indigenous Peoples Rights, which Russia has not ratified. The interviewees, however, tell that a discussion on indigenous peoples' rights on land is not realistic in Russian political circumstances. State ownership of land is a part of Soviet legacy, which still remains. Officially Russia guarantees the rights of indigenous peoples with the Federal Constitution and numerous laws. The Law on Indigenous Peoples Rights is the starting point, which, however, is only applicable to small in number peoples of the North and Siberia. All other ethnic groups are not recognized as indigenous people. Most federal laws concerning natural resources or environmental protection recognize the rights of these small in number indigenous peoples to their traditional way of life. Regions, in

---

84 Sukhanovski 2013.

85 Kumpula et al. 2011, 559.

addition have their own legislation for protection rights of indigenous peoples in their areas.

Since according to the Law on Indigenous Peoples' Rights, disruption to traditional way of life and the environment has to be compensated to indigenous groups, the people of Nenets origin are legally entitled to compensation for losses. Officially compensation could be claimed through a legal procedure in courts, but it was not a common practice in NAO. Local people do not see the courts as an opportunity, but fear the amount of work and costs. There are no simple models for calculating the loss. Furthermore lack of trust prevents them from resorting to compensation based on law. The ordinary way to get compensation is based on agreements. Company representatives negotiate with the NAO governor to determine the level and type of social support that they will provide to the regions. Under these agreements, companies fund the NAO state budget or donate infrastructure on the NAO and its residents. Oil companies have constructed a cultural center and museum in Naryan-Mar, health care facilities, schools, sports halls and slaughterhouses for reindeer herders. Funding has been used to subsidize transportation from villages to administrative center. Company helicopters and small airplanes transport people to villages with no other access. Those villages, which are close to drilling areas, are also entitled to negotiate directly with oil companies. All these different agreements on the regional and municipal level have played a role in improving the quality of life in Naryan-Mar and some villages, enhancing health care in the region and creating educational opportunities for some NAO students. Donations from oil companies have become a vital support for the widely scattered population.

These agreements are, however, informal. There are no rules that regulate the amount companies are required to contribute to the local population or formal processes that govern the negotiations. The level and type of support depend entirely on the outcome of negotiations. Personal ties and connections to the federal government in Moscow also play a role. The state does not govern the process, as one oil industry representative commented.

Most often the funding is in kind. In some villages the companies have sponsored new housing, but the builders have come elsewhere hired by companies, who won the bid. The result has often been carelessly built houses, which are cold and will eventually sink into the wet tundra. Especially municipalities seem to have to accept, what the company is willing to give. Company representatives, on the other hand complain that the regional administration does not have a long-term strategic plan to invest in social programs. Human capital, entrepreneurship, small and medium sized business is neglected and megalomaniac sports arenas and culture buildings are preferred. An oil company manager comments "*We participate in the okrug development programs, but we cannot assess the regions' needs to choose where to contribute*". Right now local people seem to take the subsidies, the benefits and support from the oil companies for granted. The strategy for developing the Arctic is in the hands of the oil companies, who in principle are only interested in drilling oil. Some villagers have an even more pessimistic prediction. A resident of one of the villages stated: "*They will exhaust all the oil and abandon us with our problems. The tundra will take a long time to*

*restore itself.*” The overall observation of the villages was suspicion towards both own leaders of the municipality and the area. They are always suspected of being more interested in their own benefit than the one of the community. Suspicion was rather openly shown also towards researchers, who also were perceived to be looking for their own benefit at the cost of the poor locals. Some people were seemingly afraid of losing the benefits, which they now enjoy, if they show ingratitude towards their leaders and the companies. A typical comment of the reindeer herders was that everything was fine as long as they could move in the tundra after their migrating reindeer.

## **6 Conclusion**

The fate of people, who live in remote areas of natural resource extraction and have not had their fair slice of the cake of a new Russian market economy, is in the focus of this article. The three examples differ from each other, but the survival strategy in all of them is strongly affected by the expectations and strategies of the Soviet past. Earlier formal institutions have survived as informal.

During the course of history, Pomors, the earlier wealthy fishing and trading people, lost their sources of income. They were never serfs, and they managed to maintain their fishing culture even during the Soviet period in the remote coastal areas of the Onega Peninsula. They finally perished because of federal policy favoring large scale industrial fishing and the intense competition for diminishing fisheries, which historically have guaranteed livelihood of local Pomors. This tendency is global and threatens fishermen of coastal areas everywhere. The Soviet Union actually protected the Pomor kolkhozes from perishing already earlier. On the other hand, it also prevented Pomors from continuing private fishery business and developing it as their Norwegian neighbors did. A new market economy does not seem to be able to prevent overfishing, since the state focuses only on trying to push the historical users of fishing rights aside, while the competition between the federation and the region definitely increases overfishing even without “poaching” local fishermen.

The survival strategy of the Pomors is quite painstaking, as if a drowning man would clutch at a straw. They try to widen the formal interpretation of indigenous peoples probably because they experience that Nenets, who fish partly in the same areas, have less limitations for fishery. This modest strategy, which cannot be a long term solution, seems to recognize the Soviet legacy. They do not even dream of rights for large scale commercial fishing, which long ago were taken away from them, let alone property rights for local forests. Without property rights they have no chances.

The role of formal law is quite mixed in the conflict. On the one hand, interpretation of the Fishery Law defines the local people as poachers, but on the other hand the same law could enable subsidies for fishing kolkhozes as small and medium sized businesses. This might not be too late even if the kolkhozes have almost all bankrupted. Local fishermen could start new SMEs if the federal policy supported them. Recent history of the 1990s shows that



incentives from the federal policy can help fishing communities to engage in profitable business. Unfortunately the value of small business is not understood in Moscow, because private interests of the elite are more important for them than better surviving regions. Too much centralism is thus harmful for local fishermen, who are not able to lobby for their business goals far in Moscow as Moscow based businessmen are.

Forest villages, which also experience technological modernization of forest industry, as the Pomors experience industrialization of fishery, also seem to lean on path-dependent strategies from the Soviet era. Soviet type social responsibility, based on Soviet structures with enterprises as the representatives of the state in remote areas, is already history. The main problem now is that without ownership of forests or rights for use of natural resources people living in remote villages do not have opportunities to survive in the countryside. Centralized formal regulation offers neither local communities nor local individuals any chances. Municipalities suffer with trying to develop municipal democracy without any adequate financial support. Small business is not easy to start in declining areas without bank loans or mortgages. Nordic villages survived quite long when people owned forest, which they could sell for investing in agriculture or small business. In Russia local people have to survive with berries and mushrooms, if they do not get a permission to move to a city for a job. Many of them, however, do not want to move, because it is possible to survive with less income in the countryside. The *propiska* system is aimed at protecting the cities from overpopulation of people looking for jobs. To some extent it manages to keep people in the villages out of sight and out of recognition.

The FSC certification, which Russian NGO activists are fond of, is also only a transitional survival tactics prolonging the lifespan of some of the Soviet type of social responsibility of companies. As long as companies are required to take care of responsibilities, which belong to the state, the competitiveness of business suffers and the rent-seeking elite can continue focusing on their own interests on the cost of the state and enterprises. A market driven forest certificate can, however, push companies towards socially responsible production, since every log can be traced back to the forest. There responsible behavior does not, however, save the villages from dying. Federal policy would be a better tool, if only people could trust the state.

The case of Nenets Autonomous Area is the only one of the examples with extensive new industry boosting economic growth in the area. Unfortunately the Nenets reindeer herders experience this growth as destruction of their livelihood and pollution of the tundra ecosystems. This example differs from others because the question there is about compensation of losses to indigenous peoples, not about social responsibility, which companies understand as charity to local communities. The Nenets reindeer herders are also a good example for Nordic lawyers about the importance of social and political circumstances for legislation. There is extensive legislation on the rights of indigenous peoples to participate in and benefit from the use of natural resources in their living areas as well as on their rights to be compensated for the loss to traditional livelihoods. Yet passing a new law is not a simple answer to the problems of the Nenets, who do not even care or dare to use the legislation for their benefit.

Informal institutions are applied instead of the formal ones. The formal rules are complicated and they are not likely to help. The local people might also simply make a cost-benefit –analysis and therefore abstain from resorting to courts. Legal aid might contribute to resorting to courts, since one village leader reported on past experience and success in courts. On the other hand he seemed to be a skillful negotiator as well. When informal institutions are applied instead of formal legislation, the most skillful ones and those with good networks of relationships succeed better than those without them. The same can, however, be claimed about resorting to courts. There you need assistance from skillful lawyers.

The NAO case is similar to the other two examples of unfavorable effects of federal policy. The elite in Moscow is only interested in getting the benefits of the oil and gas industry to the center and themselves, and do not care about the regions. As an autonomous region NAO has certain privileges and has been able to use its negotiation power to get a bigger portion of the benefits than many other regions have. However, the regional elite seems to be as much lost in their regional policy as the Moscow elite is in its federal policy. Short term gains are easier to reach than long term development of welfare in the region. The governor and the regional administration have without any doubt tried their best and succeeded well in the given circumstances. The problem is that institutional structures maintain unfavorable incentives.

Unfortunately history seems to repeat itself and keep the vicious circle going around. After a seventy year experience of egalitarian Soviet values, Russia has returned back to the striking inequality of the pre-revolution time. One unfortunate result of the Soviet experience was that it diluted all claims for property rights for land and natural resources. The Soviet legacy seems to have a strong hold on post-soviet society. In consequence of keeping the majority of the population without property rights and chances for economic prosperity, the unequal distribution of wealth is only escalating. Property rights of the state or new businessmen are protected against the illegal use of the poor locals. This in turn can lead to disorder and revolt in the future.

Postponed reforms, however, are historically typical for Russia. The postponing of abolishment of serfdom and of the feudal type of administration is a similar way of ignoring necessary reforms and preserving current practices to the benefit of a dominant rent-seeking elite. They are afraid of losing their access to extra informal incomes, if institutions are repaired. Since the state has been “privatized” for the elite, there is no danger that increasing state power would threaten the informal privileges of the elite. The only threat is that the mutual balance of favors with political leadership is disrupted and informal relationships fail to protect the privileges. The abundant natural resources help conceal this problem, since they produce wealth to Russian economy anyway. Business has adjusted to these circumstances. Contrary to ordinary assumptions of economics, the immensely rich businessmen are not interested in better protection of property rights either. They resist every attempt to strengthen or

protect property rights, because they survive with their own private protection of informal networks and do not gain from others being protected.<sup>86</sup>

Absence and poor protection of property rights as well as unequal distribution of wealth are menaces to the Russian economy. In the long run this institutional distortion should be corrected. There is, however, strong path-dependency working against any effective corrective actions. The elite seems to know that change is necessary, but wants to enjoy the fruits of the existing vicious circle as long as possible. Distorted institutions offer incentives with negative consequences for society. In sum, Russia still has a long way to an effective and fair market economy, which could be accepted by the population.

## References

- Bekyashev, Kamil' Abdulovich (2007) *Morskoe rybnoe pravo*. Uchebnik. Prospekt. Moskva.
- Bulatov, V. (1999) *Russkiy sever* (The Russian North) Vol 3. Pomor'ye. Arkhangelsk, Pomor State University.
- Cashore, B. (2002) *Legitimacy and the privatization of environmental governance; how non-state market-driven governance systems gain rule-making authority*. *Governance Journal* 15, 221-262.
- Cook, Linda J. (1993) *The Soviet Social Contract and Why It Failed. Welfare Policy and Workers' Politics from Brezhnev to Yeltsin*. Harvard University Press, Cambridge, Ma.
- Furman, Dmitri (2007) *The Origins and Elements of Imitation Democracies. Political Developments in the Post-Soviet Space*. Osteuropa. The Europe beyond Europe. Outer borders, Inner Limits. Osteuropa 2007, s. 205-243.
- Furman, Dmitri (2010) *From Russian Empire to a Russian democratic state*. In Nysten-Haarala & Pynnöniemi (eds.) *Russia and Europe: from mental images to business practices*. Kymenlaakso University of Applied Sciences. Research and Reports, Series B, No 65, Kotka, p. 15-34.
- Gel'man, Vladimir (2004) *Federal policies towards local government in Russia: the process of institution building*. In Evans and Gel'man (eds.) *The Politics of Local Government in Russia*. Rowman and Littlefield Publishers, Lanman, Maryland, pp. 85-103.
- Gomola, A.I. & Pantsernaya, S.G. (2005) *Istoriya Gosudarstva i Prava Rossii*. Moskva. Akademiya.
- Gunnarsson, Christer and Mauricio Rojas (1996) *Tillväxt, Stagnation, Kaos. En institutionell studie av underutvecklingens orsaker och utvecklingens möjligheter*. SNS Förlag, Stockholm.
- Hosking, Geoffrey A. (1990) *A history of the Soviet Russia*. Fontana Press.

---

86 Sonin 2003.

- Ikonitskaya, I. A. (1999) *Zemel'noe pravo Rossiiskoj Federatsii: teoriya i tendentsii razvitya*. Institut gosudarstva i prava Akademii nauk, Akademicheskii pravovyi universitet. Moskva.
- Il'yasov, S. V., V.N. Gutsulyak and P.N. Pavlov (2005) *Nauchno-prakticheskij kommentarij k Federal'nomy zakony "O rybalobstve i sohranenii vodnyh biologicheskikh resursov* (Scientific-Practical commentary on the Law on Fishery and Protection of Aquatic Biological Resources) K 80-letiyu Instituta gosudarstva i prava Rossijskoj Akademii nauk. Moskva. Tsentr moskogo prava.
- Inger, Göran (2010) *Svensk rättshistoria*. Liber.
- Isaev, I.A. (1994) *Istoriya gosudarstva i prava Rossii*. Moskva. Iurist.
- Kortelainen, Jarmo & Nysten-Haarala, Soili (2009) *Construction of Trust in Russian Mill Towns*. In Nysten-Haarala (ed.) *The Changing Governance of Renewable Natural Resources in Northwest Russia*. Ashgate, Farnham, pp. 149-168.
- Kotilainen Juha, Kulyasova, Antonina, Kulyasov, Ivan and Pchelkina, Svetlana (2009) *Re-Territorializing the Russian North Through Hybrid Forest Governance*. In Nysten-Haarala (ed.) *The Changing Governance of Renewable Natural Resources in Northwest Russia*. Ashgate, Farnham, pp. 131-148.
- Kriukov, V., Seliverstov, V., and Tokarev, A. (2004) *Federalism and Regional Policy in Russia: Problems of Socio-Economic Development of Resource Territories and Subsoil Use*, In P.H. Solomon Jr. (ed.) *The Dynamics of Real Federalism. Law, Economic Development and Indigenous Communities in Russia and Canada*. Center for Russian and East European Studies, University of Toronto 2004.
- Kulyasov, Ivan (2010) *Building Trust in the process of localization of Global Forest Certification*. In Nysten-Haarala & Pynnöniemi (ed.) *Russia and Europe: from mental images to business practices*. Kymenlaakso University of Applied Sciences. Research and Reports Series B, 110-129.
- Kulyasova, A. (2010) *Stolknovenie biznes.kultur: transformatsiya postsovietskogo predpriyatiya pri vhozdenii v meshdunarodnyi kontsern*. the Journal of Sociology and Social Anthropology Vol XIII, 253-282.
- Kulyasova (2013) *Trust as a strategy of interaction: Three logging companies in one district*. In *Forest Policy and Economics* 31, 28-36.
- Kulyasova, A. and Kulyasov I. (2009) *Transformation of Nature Management in Pomorie: Fishing Villages on the Onega Peninsula of the White Sea*. In Nysten-Haarala (ed.) *The Changing Governance of Renewable Natural Resources in Northwest Russia*. Ashgate. Farmhan, p. 197-224.
- Kulyasova, A. and Kulyasov, I.(2008). *Rol'NPO v stimulirovanii korporativnoi sotsial'no-ekologicheskoi sootvetstvennosti na primere lesnogo holdinga LPO Onegales*. In M. Tysiachinouk (ed.) *Rol'grazhdanskogo obshchestva i stimulirovanie korporativnoi otvetskvennosti lesnogo biznesa*.Moskva MONF.
- Kumpula, T., Pajunen, A., Kaarlejärvi, E, Forbes B. and Stammer F. (2011) *Land use and land cover change in arctic Russia: ecological and social implications of industrial development*. *Global Environmental Change* 21: 550-562.
- Lonkila, Markku (2010) *Networks in the Russian Market*. Palgrave Macmillan.

- Melin, H. (2005) *Towards New Paternalism in Kondopoga*. In Melin (ed.) *Social Structure, Public Space and Civil Society in Karelia*, 61-75 Kikumora Publications.
- Mozolin, V.P. (1992) *Pravo sobstvennosti Rossiiskoj Federatsii v periode perekhoda k rynochnoi ekonomike*. Rossiiskaya Akademiya Nauk. Institut Gosudarstva i Prava. Mosva.
- North, Douglass C. (1996) *Institutions, Institutional Change and Economic Performance*. Cambridge University Press.
- North, Douglass C. (1981) *Structure and Change in Economic History*, Norton, New York.
- North, Douglass C. (2005) *Understanding the Process of Economic Change*. Princeton University Press.
- Nysten-Haarala, Soili (2001) *Russian Law in Transition*. Kikumora Publications Series B: 21 Helsinki.
- Nysten-Haarala (2013) *Creating trust in institutions in Russian forest localities*. *Forest Policy and Economics*(31) 12-19.
- Nysten-Haarala, Soili and Kulyasova, Antonina (2012), *Rights to traditional use of resources in conflict with legislation. A case study of Pomor fishing villages on the White Sea coast*. In Monica Tennberg (ed.) *Politics of Development in the Barents Region*. Lapland University Press, Rovaniemi.
- OECD Fact book/2011/*Crude Oil Spot Prices*.
- Piipponen, Minna (1999) *Transition in the Forest Sector of the Republic of Karelia, Russia*. *Fennia* 177 (2) 185-233.
- Pappila, Minna (2013) *Forest certification and trust – Different roles in different environments*. *Forest Policy and Economics* 31, 37-43.
- Piipponen, Minna (2000) *Residential Issues of Two Transitional Forestry Villages in the Karelian Republics*. In Varis, E. (ed.) *Transitional Survival Strategies of Peripheral Resource Communities in Hungary and North-Western Russia*, 2000, 40-55.
- Principles of FSC Certificate*. *Forest Stewardship Council* “[ic.fsc.org/principles-and-criteria.34.htm](http://ic.fsc.org/principles-and-criteria.34.htm)” (visited 15.2.2014).
- Putin, V.V. 1997 *Strategicheskoe planirovanie mineral’no-syr’evoy bazy regiona v usloviyah formirovaniya rynochnyh otnoshenij* (Sankt Peterburg i Leningradskaya oblast’) Dissertation of the degree of Candidate (Ph.D.) of Science of Economics. Sankt Peterburg. Sankt Peterburgskij gornyi institut.
- Riabova, Larissa and Lyudmila Ivanova 2009. *Fishery Governance in Northwest Russia*. In Nysten-Haarala (ed.) *The Changing Governance of Renewable Natural Resources in Northwest Russia*. Ashgate. Farmhan, p. 77-103.
- Rose, Richard (2010) *Getting Things done in an Antimodern Society: Social Capital Networks in Russia*. In P. Dasgupta and I Serageldin (eds.) *Social Capital*. World Bank Washington D.C., p. 147-171.
- Sakwa, Richard (2009) *The Quality of Freedom: Khodorkovsky, Putin and the Yukos Affair*. Oxford University Press.
- Sen, Amartya, 1987) *On Ethics and Economics*, Oxford Basil Blackwell.

- Sen, Amartya (1997) *On Economic Inequality*. New York.
- Shagayda N. *Institutional constraints to privatization or lease of land in agriculture / Russian Economy: Trends and Prospects*. Gaidar Institute for Economic Policy. 2012. 04. P. 48. URL: "www.iep.ru/files/text/ trends/Russian\_economy\_trends\_and\_perspectives\_in\_April\_eng2012.pdf",
- Sonin, Konstantin (2003) *Why the rich may favor poor protection of property rights*. Journal of Comparative Economics 31, 715-731.
- Stiglitz, Joseph (2002) *Globalization and its Discontents*. Allen Lane the Penguin Books. Great Britain 2002.
- Sukhanovski, A. F. 2013. *NAO-2012: numbers, facts, achievements*. Pomorskaya Stolitsa. Special Issue.
- Transparency International Corruption Index*. "www.transparency.org/cpi 2013/results" (visited 15.2.2014).
- Tsvetkova, Maria and Gutterman, Steve (2013) *Russia Convicts lawyer Magnitski in posthumous trial*. July 11, 2013 Thompson Reuters. "www.reuters.com/article/2013/07/11/us-russiamagnitskiyidUSBRE96A0 9V20130711" (visited 15.2.2014).
- Tulaeva, Svetlana (2013) *Institutional trust: The process of trust formation in Russian forest villages in accordance with the international system of forest certification*. Forest Policy and Economics 31, 20-27.
- Tuori, Kaarlo (2002) *Critical Legal Positivism*. Ashgate.
- Tysiachniouk, M.S. (2013) *Transnational Governance through Private Authority: the Case of Forest Stewardship Council Certification in Russia*. Environmental Policy Series Vol 7 Wageningen University.

### **Legislation:**

- Constitution of the Russian Federation 1993 (dated 12 December 1993).
- Water Code 2006, dated 3 June 2006.
- Law on Subsoil (Geological) Resources 1992 dated 21 February 1992, significantly amended on 5 March 1995, 2 January 2001, 2002 and 2004.
- Forest Code 2006, dated 4 December 2006.
- Forest Code 1997, dated 21 January 1997 (the earlier forest code).
- Budgetary Code 1998, dated 31 June 1998.
- Federal Law on Fishery and Preserving Aquatic Biological Resources 2004, dated 26.11.2004.
- Law on of Administrative Breaches of Rights 2001, dated 20 December 2001.
- The List of Indigenous Small in Number People 2006, dated 17 April 2006.
- The Law on the Guarantees of Rights of the Indigineous and Small in Number Peoples of the Russian Federation 1999, dated 29 April 1999.
- Law on the general principles of organizing local self-government 2003, dated 6 October 2003.

Civil Code of the Russian Federation, Part I 1994, dated 21 October 1994.

***Court Case:***

Postanovlenie No 1 P ot 9/01/1998 Po delu o proverke konstitutsionnosti lesnogo kodeksa Rossiiskoi Federatsii. (Decision of the Constitutional Court of the RF on the constitutionality of the Forest Code of the RF.

