

# An Economic Overview of Provideniya District, Chukotka, USSR

JOHN TICHOTSKY AND GUNNAR KNAPP

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## *Introduction*

Provideniya District (*Raion*) is a lesser district of the Chukotka Autonomous Republic in the extreme northeast of Russia. Its administrative center, the Settlement (*Posyelok*) of Provideniya, is a port on the Northern Sea Route. The district also supports a network of three state farms that contribute to the reindeer, fur and marine mammal production of Chukotka. Provideniya District is of special interest to Alaska because of its geographic proximity (220 miles from Nome) and its new role as a “back door” to Russia for travelers from Alaska.

This paper provides a brief overview of the economy of Provideniya District in 1990 based on Soviet publications, unpublished regional statistical sources, and discussions one of the authors held with local officials while serving as an interpreter with visiting delegations.<sup>1</sup> Our purpose is not only to describe Provideniya District but, more generally, also to provide something of a feel for the nature of economic activities in a remote area of the Russian northeast at the end of the Soviet period of Russian history.

The opportunity to obtain detailed economic information about remote regions of the Russian North such as Provideniya District arose only after 1988 as a result of glasnost and the “opening” of Chukotka to visits by foreigners. The information presented in this paper is a summary of most of the economic data which we were able to obtain about Provideniya District prior to 1990. The data which are presented, as well as the gaps in the data, help to illustrate the kinds of difficulties typically encountered by foreigners trying to understand the Soviet economy. Many economic and demographic data commonly available for other northern regions were either not collected or not published. Concepts such as employment and the value

of output were measured differently than in other parts of the North.

We originally concluded the paper by briefly reviewing similarities and contrasts between the economic structure of Provideniya District and adjacent areas of Alaska and suggesting explanations for the contrasts that exist. We argued that the occurrence of economic activities not found in Alaska does not suggest untapped economic potential for Alaska but, rather, differing national economic and political structures and priorities. However, comparisons of Russian northern development with other regions of the North can be helpful in illuminating fundamental determinants of northern economic development.

After we had written this paper and submitted it for publication, the process of change in the Soviet Union accelerated. The dissolution of the former Soviet Union at the end of 1991 was most likely not the culmination but only the beginning of the changes in store for Provideniya District.

We have not been able to keep track of all of the changes which have taken place in the past two years and any current description of the economy would soon out-of-date. Rather than abandon this paper, we have left it in its original form as a description of Provideniya District in 1990. We have left the writing in the present tense, although much of it must now be read as history. However, at the end of the paper we have added a new section discussing recent changes in Provideniya District.

### *Overview of Provideniya District*

Provideniya District is located in the southeast corner of the Chukchi Peninsula and has a territory of 26,800 square kilometers. Most of the district can be characterized as subarctic mountainous tundra.<sup>2</sup>

Provideniya District is a political unit, analogous to a county, located within the Chukotka Autonomous District (Okrug), which is an administrative unit within Magadan Province.<sup>3</sup> Provideniya District has a population of 9,500. This equates to about 6% of Chukotka's population or 2% of Magadan Province's population. About 20% of the total population is Native. Natives live mostly in the rural areas. Chukchis are the

predominant group making up about 13% of the population. Siberian Yupik Eskimos make up about 7% of the population.<sup>4</sup>

The bulk of the population of the district lives in the settlement of Provideniya, with a population of 5,200. Less than 5% of the population of the settlement of Provideniya is Native.<sup>5</sup> The settlement of Provideniya is the communication, transportation and distribution center for five rural villages and a nearby urban settlement that make up Provideniya District (Providenskii Raion). The primary industry for the settlement is the port. It also has a leather factory, a meat and milk plant, regional communication and construction.<sup>6</sup>

The village of Ureliki, about six miles by gravel road from Provideniya across a bay, is primarily a military base and center for the various border outposts in the region. With a population of about 2,000 (official), Ureliki houses border guards, army and support staff and their families. According to residents of Provideniya, for the most part, the military participates little in Provideniya's life and seems to be artificially separated from the town.<sup>7</sup>

Ureliki also has a regional airport which is shared by military and civilian aircraft. During the spring of 1989, there were three scheduled flights per week of 30-passenger AN-24s from Ureliki airport to Anadyr, from which connections could be made to the rest of the Soviet Union.<sup>8</sup>

Five coastal villages have a combined, predominantly Native, population of 2,300: Enmelen, Nunligran, Sereniki, New (*Novoye*) Chaplino, and Yanrakinnot. The principal industries of these villages are reindeer herding, fur farming, trapping, hunting marine mammals, manufacture of leather and fur goods, construction, medical services, native schooling and other hunting and fishing. Because of tradition and culture, most Chukchis participate in reindeer herding, while Eskimos and some Chukchis (known as Maritime Chukchis) work at marine mammal hunting and fur farming.

### *History of Provideniya District*

Chukotka was visited by Russian explorers as early as 1648, but it was the Americans who had the greatest impact in the latter half of the nineteenth century. Early American visitors to Chukotka included whalers, who yearly slaughtered up to 6,900

whales and almost drove them to extinction. In 1871 American whaling drew to a close after the fleet got caught in ice.<sup>9</sup>

During the Nome gold rush days at the turn of the century, American traders sold liquor to Chukotka in return for furs. A number of American posts were established. Following the Russian revolution, the trading posts were nationalized and Russian influence rapidly replaced American influence, although occasional contacts with American traders continued until the early 1930s. The port of Provideniya was established in 1938.<sup>10</sup>

During World War II, more than 7,000 lend-lease planes were flown from the United States to the Soviet Union via Alaska and Chukotka. In 1948, with the advent of the Cold War, the border between Alaska and Chukotka was closed to travel. That year the Soviet Union and the United States ceased the yearly visits of Eskimo families that had been allowed by a 1938 agreement.

The area received a non-Native population influx after the Second World War. Soviet army troops were stationed outside Provideniya in response to American military presence in Alaska. Some Soviet soldiers who had served on the German front and been exposed to the West may have been sent to Provideniya District to prevent them from entering back into Soviet society. Today the stone huts that served as shelter for these former troops now stand roofless just outside the settlement of Provideniya.<sup>11</sup>

In 1972, the Soviet scholar S. V. Slavin described Provideniya as follows:

This convenient port in the Provideniya Bay is the region's main eastern Arctic sea outlet. Ships sailing the Northern Sea Route take on coal and fresh water here. It also serves as the homeport for ships handling local transfers. Now that sea vessels operate on liquid fuel, the importance of the port as a coaling base has diminished; however it is to become an important trans-shipment base in the Northern Sea Route system. The warehousing of cargoes there will enable transport vessels to make two or three trips through the Arctic seas during the short navigational period.<sup>12</sup>

### *Urban Economy*

The settlement of Provideniya is a narrow strip of concrete buildings, varying from one to five stories in height, stretched along the shores of Provideniya Bay at the base of the Chukotka

mountains. The city is built in “tiers” above and below a single main road running the length of the settlement. Along this road, which is made from large concrete slabs laid on dirt, are the main stores and the governmental and party headquarters. Above the main road are rows of concrete apartment buildings, raised on pylons above the permafrost. Below the main road lies the port with several large cranes. A lighthouse monument and cemetery are situated at the end of the town towards the entrance of the bay.

The major economic activity of the settlement is the port. The port is a deep-water port, with container capacity, that is used for refueling, taking on fresh water, and warehousing and transferring cargo. At least 500 ships visit Provideniya each year, mostly during the summer months. These include ice breakers and nuclear powered freighters. Although, with ice-breaking, the port can be kept open year-round there is reported to be little traffic during the winter months. The port employs several hundred people.<sup>13</sup>



*The Port of Provideniya, Provideniya District, Chukotka Autonomous Republic, Russia.*

*Photo: G. Knapp*

The settlement of Provideniya is the administrative center for Provideniya district. Although we do not have data on employment in government, the size of government and party offices indicate that government is a major employer.

Manufacturing firms, employing a total of about 220 people, include a meat-milk firm, a leather factory, and a printing shop. The meat-milk firm produces a variety of milk products from local sources, as well as meat, sausage, meat products: bread, pastries, beer, and non-alcoholic beverages. It employs 86 workers, has an annual production of 270 thousand rubles of "high quality" goods and a total production of 1.2 million rubles.<sup>14</sup>

The leather factory produces a large variety of leather and fur goods, for a total of about 4.5 million rubles a year.<sup>15</sup> 127 employees work to manufacture "fancy" leather wear, fur and leather goods, fur and leather shoes, and chrome-cured leather. Sub-standard tanning makes the leather not durable by western standards. In addition, reindeer products tend to have characteristic parasitic holes.<sup>16</sup>

About three hundred people are employed in construction in the settlement of Provideniya. In 1989, new construction added 19 units of housing and a new community gym.

Other economic activity in the settlement of Provideniya includes:

- A seven megawatt power station that provides electricity and heat for the entire settlement.<sup>17</sup>
- A nine-person printing shop. The primary duties of this shop include printing the local paper and forms for local, official use.<sup>18</sup>
- A single grocery store that provides goods sporadically, with the exception of bread, which sells for a price of 17-25 kopeks. The Ureliki military grocery store is reported to have deficit goods more often.
- A regional consumer store in Provideniya that sells a variety of goods. One section specializes in minor Soviet-made electronic goods (radios, televisions, stereos). There is a section for animal traps and some hardware, a photo section, and a propaganda section. Native carvings are also on sale. There is a section of musical instruments (mostly accordions) that do not seem to be

in great demand and a surplus of wooden cross-country skis from Karjala on the Soviet-Finnish border.

- A regional communication center, which carries two Moscow television stations via a single radio dish.
- Greenhouses and livestock barns. Large organizations, like the sea port, raise their own beef and pork and produce their own milk and vegetables. In 1988, 900 square meters of greenhouse space in Provideniya district produced 8,900 kilograms.<sup>19</sup> 434,700 kg of milk were produced in Provideniya region in 1988.<sup>20</sup> Livestock herds totaled 275 cattle and 788 pigs. Most of this production was in greenhouses or barns owned by the Port of Provideniya, rather than on the state farms.
- A hospital, drugstore, bookstore, and mechanical repair facility.

Wages are on the average three times what they are in the central areas of the Soviet Union. The government pays a 100% wage differential for living in the Arctic (*severniiie nadbavki*) and a second 100% differential for living in a remote region (*rayonniie koeffitsienty*). As in all of the Soviet Union, housing, although of poor quality and cramped, is relatively cheap at 10-15 rubles a month. There is a clear shortage of consumer goods and many food products. The port is probably an outlet to obtain black-market goods.

### *Rural Provideniya District*

The five coastal villages of Enmelen, Nunligran, Sereniki, New Chaplino and Yanrakinnot have a combined population of 2,300. Enmelen, Nunligran and Yanrakinnot have predominantly Chukchi populations, while Sereniki and New Chaplino are predominantly Yupik Eskimos. The Chukchis and the Yupik Eskimos are culturally and linguistically different groups, although the Soviets seem commonly to treat both Yupiks and Chukchis as generic "Natives."<sup>21</sup>

These villages were established, in part, as a result of a Soviet policy of resettlement that began in the 1940s following a central directive for "Centralizing and Eliminating Non-Productive Rural Settlements and Villages." In 1942, 120 Eskimos were

moved from Avan, a village south of Provideniya, to Provideniya and Ureliki. In 1946 the same people were resettled to Plover and, later, to Sereniki. In 1952 about 60 Yupik villagers were moved from Kivak to Chaplino and, in 1958, about 550 Eskimos were moved from Chaplino to New Chaplino.

Beginning in the 1930s, Natives were collectivized around their traditional activities (reindeer herding, fishing and marine mammal hunting) and began to fulfill centrally-dictated government quotas for production. Fox farming was introduced to the coastal villages to provide more employment, which, in turn, raised the demand for marine mammal products as a food supply for the fox.

The villages are organized into State run "farms" called "Soviet Government Farms" (*Sovetskie Gosudarstvenniye Khozyaistva or Sovkhoz*). The government determines production figures which are expected to be fulfilled yearly, according to five year plans. Generally, the state farms in the Soviet North East operate at a loss and the central government subsidizes the difference. For example, reindeer is sold to the government at a set price of about 20 rubles per kilogram. The meat is then retailed as meat or sausage at several rubles per kilogram. Sometimes hides are sold to a local or regional leather factory. The pricing structure, poor transportation network and lack of refrigeration lead to huge losses in the volume and quality of meat between the state farms and the retail markets.

Two of the state farms in Provideniya District operate with two villages paired. One acts as the main administrative and supply center, while the other has only a few administrators and is engaged almost exclusively in agriculture. State farm "Lighthouse of the North" consists of Nunligran as the administrative center and Enmelen as the branch. Yanrakinnot is the administrative center and New Chaplino the branch for the state farm "Dawn of Communism." Sereniki constitutes the state farm "Shock-worker."

The principal livelihood on the state farms is reindeer herding. Provideniya District has about 20,000 head of reindeer (1988) and 1,869,000 hectares (1984) of range.<sup>22</sup> State farms of the Soviet North East are typically involved in some combination of reindeer herding, fishing, fox farming and the marine mammal industry. Reindeer herding occurs mostly inland. Fur farming relies heavily on the marine mammal industry since



marine mammals provide the major source of food for farmed foxes.<sup>23</sup>

Provideniya has relatively small herds (4,000-9,000). It is not uncommon for herds throughout Chukotka to be from 20,000- to 30,000-head strong. The herds are steadily increasing, although it will take some time for them to attain their 1983 level. In the winter of '83-'84 the farms lost 34% of their herds to icy conditions on the tundra and organizational problems in getting feed out to the herds.<sup>24</sup>

Native herders are divided into brigades consisting of seven people. Typically there are two women who cook and keep camp and five men who herd the reindeer. Each brigade controls herds of 500-2,000 reindeer. The brigades live in the tundra and follow the herd as it moves seasonally from pasture to pasture. To help with supplying the camps and managing the reindeer, the herders use snow machines and *vyezdyekhods* (literally "go-everywhere"). These are all-terrain vehicles that resemble tanks without turrets. The living conditions in the tundra are difficult and basic supplies are not always available. Reindeer herding requires great areas of land. The herd must be moved often and seasonally to prevent overgrazing.

Almost all food production is geared to local or regional consumption. Poor preservation techniques translate into great losses of stock even in a localized distribution network. In Provideniya District, reindeer are primarily slaughtered for their meat and hides. Reindeer antler and other by-products are beginning to be sold on the foreign market, mostly to Korea and Japan.<sup>25</sup> In addition to reindeer there is small scale butchering of cattle and pigs, although this is more important in Provideniya settlement than in the five villages.

Fur-farming consists of 20 by 20 foot cages on stilts that house anywhere from 200-300 arctic fox. Here the foxes are kept, fed and bred. The fox pelts, along with any trapped wild skins, are sold to the government at established prices. In 1988 caged fox fur brought the state farms 639,300 rubles in sales.<sup>26</sup>

Hunting terrestrial game in Chukotka is managed and largely carried out by *Promokbota*, the Hunting and Fur Farming Division of the Agricultural Directive. *Promokbota* sets quotas, seasons, and bag limits and has professional hunters hunt and trap animals for meat and fur that is sold to the government. Species hunted include moose, snow sheep, caribou, brown bear, wolves, lynx, fox, arctic fox, and other, smaller furbearers.

Native hunters, by law, are allowed year-round hunting of all animals not listed in the Red Book of the USSR or the Red Book of the RSFSR.<sup>27</sup> However, Soviet legislation states that only those Natives for whom hunting is “a vital part of their work life” are allowed hunting licenses (professional hunters and reindeer herders).

The Soviet government permits Natives and non-Natives to participate in commercial hunting of marine mammals, including walrus, seal, and whale. 169 gray whales are allotted to the Soviet North East and there is a growing interest in revitalizing the “traditional hunting” of these animals in the coastal villages of the Provideniya District.<sup>28</sup> Provideniya District harvests about 800 walrus and 2,200 seals each year, and the adjacent Chukotka District harvests about 1,000 walrus and 5,450 seals. In 1984 the two regions harvested more than 2,600 walrus.<sup>29</sup>

The current status of marine mammal harvesting is a complex problem that pits an attempt to create employment for the local Natives against management of the local seal and walrus. The problem is further complicated by the fact that the fur farming industry relies on marine mammal hunting as a source of food for the arctic fox.

According to a report written for the Provideniya District Executive Committee by N.I. Mymrin, an official of the management agency responsible for marine mammals, the basic goals of managing the marine mammal herds and creating a “traditional” life-style for the Native population are not being achieved:

[The] current status of the walrus population can be evaluated to be extremely alarming. . . . The relationship of the hunters of the series of villages is consumerism, and some incidents demonstrate it to be destructive [to the environment. . . . Current harvesting in the villages is popularly called traditional. This is far from the truth. . . .]<sup>30</sup>

Mymrin goes on to explain that the use of firearms and the transition of the industry to a “commercial basis” has contributed to overharvesting and has led to the inefficient use of the walrus resource. In addition, state farms now rely on the ZRSes — large commercial walrus/seal hunting boats — rather than on the local hunters, to provide them with sufficient meat for the fur farms.<sup>31</sup>

Many rural villages have a problem in sustaining those activities that have traditionally formed the backbone of Native culture. Today more and more children are growing up in a

lifestyle removed from the traditional life. Boarding schools, other schooling in urban areas and two years mandatory military service for all males all contribute to pull young people from the village life.<sup>32</sup>

Child protection legislation, which prohibits children from participating in hazardous work, does not allow children younger than 18 to use badarkas (kayaks) on the open ocean. This is also contributing to a loss of subsistence skills.<sup>33</sup>

Most of the state farms have historically run deficits. Many people among the white population in the region feel that the natives are "lazy" and are relying on "what the government gives them." Some government officials feel that the State must continue to support the state farms, even if they are not contributing to the economy, until a more permanent solution can be found because of the social value in supporting the village lifestyle.

According to the chairman of the regional executive committee,

Neither the Chukchi or Eskimos have a tug for money . . . or a tug to economics . . . Eskimos have no pull to leadership, or Chukchis for that matter. We [the white population] are artificially pulling them in . . . They [Natives] are antibureaucrats. For example, they often like to have their pay in reindeer . . . It is easier for them to understand a salary of thirty reindeer rather than 300 rubles. It is evident that we are oppressing them with our businesslike manner, our tempo.<sup>34</sup>

Wages for agricultural workers in the North are high compared to the rest of the Soviet Union and are comparable to those of urban workers. An agricultural worker in the Provideniya District state farms makes a little over 400 rubles per month.<sup>35</sup> However, due to problems with the distribution system, only a limited amount of goods reach reindeer herders. Apparently not all the rural population is permanently employed and it is also unclear what percent of the rural population partakes in seasonal employment in the urban areas as a source of income.

The policy of centralization has meant that the villages of Sereniki and Nunligran have experienced at least some growth during a 15-year period in which the villages of Enmelen, New Chaplino and Yanrakinnot received no money or resources. At one point it was proposed that the villages be used as bases for reindeer herding and the population be relocated to Provideniya. During that time a popular anecdote told of a pro-

posal to build an apartment house in Moscow into which the entire population of Chukotka could be resettled.<sup>36</sup>

The policy of centralization may be gradually ending. In 1987, for the first time in 18 years, the government built housing in Enmelen, consisting of a 12-unit, two-story structure. Enmelen is expecting another 12-unit, two-story structure in 1990.<sup>37</sup> Yanrakinnot was budgeted 100,000 rubles in 1989 and 2.5 million rubles in 1990 for a school. In 1990, 1 million rubles is also budgeted for two two-story apartments (24 units of housing) of "arctic concrete" for teachers, doctors and other service oriented labor.

During the spring of 1989, there were two scheduled flights per week of 8-passenger MI helicopters (approximately 16 passengers) from Ureliki (Provideniya) airport to Enmelen, Sireniki, and Nunligran and one scheduled flight per week to Yarakinnot and New Chaplino.<sup>38</sup>

Lack of electrical power and primitive sewage systems are a particular problem in the rural areas. As in the cities, all the villages in the area are heated and electrified by coal power stations. Both a greater demand for power and sewage and, to a lesser extent, concern for the environment are leading to many planned projects. New Chaplino anticipates having a new power station in the near future.<sup>39</sup>

### *Education and Health*

Provideniya District has eight schools that provide primary through secondary education to some degree. For 1988 there were 2,064 people enrolled in the schools, 612 (30%) of whom were Native people. There are five primary/secondary schools, one middle school in Enmelen and one elementary school in Yanrakinnot. There is also a school for "children with mental and physical deficiencies" which has 227 students, of which 187 (82%) are Native people. There are ten day-care facilities, seven of which are in the rural areas.<sup>40</sup>

During 1988/89 about half of the children of the District participated in summer recreational programs through the school. Of these 135 participated in a work/recreation camp, and 53 participated in a military/sport camp that is connected to the armed forces voluntary reserves.<sup>41</sup>

The Professional-Technical Institute, which trains radio and heavy machinery operators, had 311 people enrolled in 1988. Of these, about a third are Native.<sup>42</sup>

The local government expends about 2.6 million rubles a year for health care. Medical facilities include two polyclinics, five hospitals, three midwife stations and a children's health station. Medical services are recorded as 165 hospital beds, 30 in rural areas. Fifty-one doctors and dentists serve the Provideniya District along with a related medical staff of 152.

### *Contrasts with Alaska*

Geographically, Provideniya District appears similar to nearby areas of Alaska. The climate and natural resources are similar, including coal, hardrock minerals, fish, and land and marine mammals. The Siberian Yupik Eskimo culture of the villages of New Chaplino and Sireniki, based on marine mammal hunting, is identical to the culture of the Siberian Yupik Eskimos living on Alaska's St. Lawrence Island, and is similar to that of Natives of the Seward Peninsula. Significant European trade, settlement and political control came late to both regions, beginning with the arrival of American whalers, miners and traders. Russian control became firmly established in the Provideniya area only in the 1920s and 1930s.

Given these geographical, cultural and historical similarities, it is interesting to compare the level and direction of economic development in Provideniya District with adjacent areas of Alaska. We do not yet have sufficient data to undertake a formal comparison. Below, we describe several basic similarities and contrasts.

An Alaskan visitor to Provideniya is struck by much that is familiar, not only in the landscape and climate but also in the economy. One recognizes the sparse population, the dependence on air transportation, the high wages, the dual economy of the regional centers and the surrounding villages, the military enclaves, the conflicts over resource development and management, and the economic, social and cultural difficulties encountered in creating a viable, self-supporting economy for Native peoples. Conversations, with local and regional officials as well as academics, raise many of the same public policy

issues that they would in Alaska, often in strikingly similar terms.

There are also numerous contrasts. We list a few examples below:

- **A major industrial port**, visited by hundreds of ships each year, is situated at a latitude at which port facilities in Alaska are minimal and shipping is highly seasonal.
- **Reindeer herding** occurs on a significantly greater scale in Chukotka than in Alaska. Herds in Provideniya district alone total 20,000 head, compared to approximately 30,000 for all of Alaska.
- **Vegetable and livestock farming**, while small in scale, is nevertheless considerably more extensive than in northern areas of Alaska.
- **Commercial marine mammal hunting** is carried out both by large non-local vessels as well as by local State Farm Native crews in small boats. This in turn helps to support a large-scale **commercial fur-farming** industry. In contrast, in Alaska hunting of marine mammals is limited to subsistence Native users, and commercial exploitation of marine mammals is forbidden other than to produce "traditional" Native products such as ivory carvings. In Alaska, fox-farming is limited.
- **Coal power stations** provide heat and electricity in all of the settlements of Provideniya District. In contrast, fuel oil provides the primary source of heat and electricity in most Alaska communities, and there is relatively little exploitation of the coal resources of Northwest Alaska.
- **Large apartment buildings** provide almost all of the housing in Provideniya settlement and in several of the villages. In contrast, most housing in Alaska regional centers and villages consists of one or several-family housing units found in Alaska towns such as Nome or Kotzebue; people are not housed together as densely.
- **Helicopters** are used extensively for passenger transportation between rural settlements, in contrast to the use of small planes in Alaska.

It is interesting to ask why these contrasts occur. In particular, Alaskans tend to be intrigued by economic activities not found in Alaska. Do these suggest potential economic development opportunities or strategies for remote areas of Alaska?

There are a variety of explanations for these contrasts. The first and most obvious is the radically different structure of Soviet political and economic organization. Even though government is an important—and sometimes the most important—force in the economy of much of rural Alaska and, despite long-standing “economic development” and planning efforts of the federal, state and local governments, market forces retain a major controlling and limiting role in what does or does not happen in the economy. Despite substantial government subsidy of some sectors such as transportation and utilities, most basic economic activities will not be undertaken for any substantial period of time unless they are at least marginally economically profitable. For example, there is no political or economic mechanism for widespread direct subsidization of industries such as reindeer herding on the scale that it occurs in Chukotka. The subsidization of rural areas of Alaska tends to occur through direct subsidization of public services and private incomes, rather than through direct industrial subsidies. In contrast, Soviet subsidization of industry occurs both directly and indirectly through non-market pricing of inputs and outputs.

A second, and related, explanation is the different level of development and structure of the entire Soviet economy, compared to that of the United States. This results in significant differences in the extent to which various economic activities are profitable or competitive in the North. For example, there is no technological reason why livestock, dairy and greenhouse farming could not occur more extensively in rural Alaska. However, because it is relatively easier and cheaper to obtain meat, milk, and vegetable products from other areas of the United States, there is little economic incentive to undertake such activities. In fact, improvements in transportation activities have probably tended to reduce local food-self sufficiency in much of Alaska over the past few years. In contrast, in the Soviet North, because of the difficulties of obtaining fresh produce from other areas of the country, many products must be produced locally if they are to be obtained at all. Thus greater local self-

sufficiency may reflect a relatively less developed or efficient national economy.

The Port of Provideniya and the Northern Sea Route, which have no Alaskan parallels, reflect differences between Soviet and North American geography and national economic goals. For the Soviets, shipping through the Arctic is a comparatively more economic means of shipping coast-to-coast and of supplying northern and interior settlements than for the United States and Canada. Again, it would be technologically possible to develop similar shipping routes and ports in the North American Arctic, but these would be relatively less favorable than existing, alternative transportation routes.

Soviet development in the North also occurs in a radically different constitutional, political and legal context. Aboriginal rights as well as local and regional control over resources are much less extensive than in Alaska. National environmental legislation and land-use controls are much less significant constraints to commercial resource exploitation. For example, the use of large areas of tundra for domestic reindeer grazing (to the potential detriment of wild caribou herds), the use of large tracked vehicles by reindeer herders, and the commercial use of marine mammal meat are examples of activities that would not be permitted under American environmental restrictions.

Despite the many similarities, there are significant cultural differences between the Chukchi and Alaska Native cultures. For example, reindeer herding, which is traditional in Chukchi culture, is not traditional in any Alaska Native culture.

The role of forced labor in construction and development projects in much of the Soviet North during the mid-twentieth century represents yet another element of Soviet experience that has no parallel in the Alaska North. We do not yet know how great the role of forced labor may have been in Provideniya District, but it was undoubtedly present.

Thus there are numerous possible explanations for the contrasts between the economic structure of adjacent areas of Alaska and the Soviet Union. To us, the occurrence of economic activities not found in Alaska does not tend to suggest untapped economic potential for Alaska, but rather differing national economic and political structures and priorities. Nevertheless, the chance to observe Soviet northern development in regions such as Provideniya District can help us to understand better the economic development in other regions of the North. Seeking



to explain the similarities and contrasts can help to focus our attention on the fundamental determinants of northern economic development.

### *Recent Changes in Provideniya District*

Since this paper was originally written in 1990, dramatic changes have occurred in Provideniya District as they have in the rest of the former Soviet Union. We are not able to describe all of these changes and any attempt to do so would soon be out-of-date. Below, we briefly mention some of the most important changes and their potential implications.

The Soviet Union no longer exists. Chukotka is now the self-proclaimed "Chukotka Autonomous Republic" rather than an autonomous okrug of Magadan Oblast. The Communist Party has been stripped of its powers and is no longer a major employer. Prices are increasing rapidly and wage differentials for northern residents have less meaning as wage increases lag far behind inflation. One result is that many non-Native families have left Provideniya District for their home regions.

As market forces begin to replace central planning, those sectors which have experienced the greatest subsidization in the past are likely face the greatest economic difficulty. Northern Sea Route operations face an uncertain future under a market system. If operations were to be cut back, this would have significant effects on the economy of Provideniya.

New policies requiring that firms be self-supporting have led to significant budget cuts for the reindeer industry. Most state farms have begun selling reindeer antler to the Asian aphrodisiac market in exchange for hard currency and consumer goods. Local officials and residents have reported a significant increase in corruption within the agricultural industry as the antler trade has provided large sums of hard currency. Problems include bribery, misuse of funds and black market activities.

Political discussions are underway about Native resource rights. These are linked to discussions over land privatization. Legislation has been proposed in the Chukotka Autonomous Republic to privatize lands upon which reindeer are herded. However, many state farm administrators, typically non-Native, believe that the Native reindeer herders are not prepared to manage the herds outside of the state farm system.<sup>43</sup>

The proximity of Provideniya District to Alaska, combined with the opening of the region to foreign travelers, represents a new economic opportunity for the region. For the past several years, Bering Air, a small commuter airline based in Nome, Alaska, has operated several charter flights each month between Nome and Alaska, carrying several hundred people each year.

Tourism is beginning to be a significant activity. Most tourism is "adventure" tourism, which features kayaking, helicoptering, birding, and photo safaris. However, all local tourism is controlled by the predominantly non-Native government administration and little benefit goes to the Native groups who are trying to break into the tourist market.<sup>11</sup> In the summer of 1991 the ice-breaker "Soviet Union" stopped at Provideniya, carrying foreign tourists who paid over \$30,000 for a 21-day cruise from Murmansk, via the North Pole. The tour included visits to Native villages, walrus haulouts and Eskimo archeological sites. Little, if any, money was transferred to the local economy by the ice-breaker owners or tourists.

Perhaps the fundamental question facing Provideniya District, and indeed the entire Soviet North, is whether the scale and intensity of economic activity which existed in the past can continue to exist in a more market-oriented economy with less subsidization.

Gunnar Knapp is an Associate Professor of Economics at the Institute of Social and Economic Research, University of Alaska, Anchorage. At the time this paper was written, John Tichotsky was a research assistant at the Institute of Social and Economic Research. He is currently studying at the Scott Polar Research Institute at Cambridge University, England.

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#### NOTES

- <sup>1</sup> Contacts between Alaska and Chukotka have expanded dramatically since a "friendship flight" between the towns of Nome and Provideniya in June of 1988. Dozens of government, business, academic and tourist delegations have traveled back and forth between Alaska and Chukotka. A commuter airline in Nome has made more than eighty charter flights carrying Americans and Soviets between Nome and Provideniya. A direct microwave link provides for telephone calls between Alaska and Magadan

Oblast, via a St. Lawrence Island-Provideniya relay link, at half the rate for calls between the rest of the United States and the former Soviet Union.

The United States and the former Soviet Union have signed an agreement providing for visa-free travel in the region by Soviet and Alaska Eskimos. The rapid expansion of contacts has provided an unprecedented opportunity for learning about the political, economic and social development of the Russian Far Northeast and the changes that are presently occurring in that region. Both of the authors have been active in the recent rapid development of contacts between Alaska and the Russian Far East, and have traveled to Chukotka several times over the past three years.

- <sup>2</sup> Briefing materials entitled "Some Statistical Data about the Territory, People, Labor and Socio-economic development of the Provideniya Region," dated January 1, 1986. Presented by officials of Provideniya Region to visitors from Alaska on the "Friendship Flight," June 13, 1988.
- <sup>3</sup> Magadan Region was formed on December 3, 1953 and Chukotka became an autonomous Okrug on October 7, 1977.
- <sup>4</sup> "Some Statistical Data about the Territory, People, Labor and Socio-economic development of the Provideniya Region."
- <sup>5</sup> *Ibid.*
- <sup>6</sup> Governmental Committee of Statistics of the RSFSR, Statistical Department of the Provideniya Region, Magadan Province; *Statistical Bulletin: Summary of Fulfilling the Government Plan of Agriculture and Industry of the Provideniya Region for January-December 1988* (Settlement of Provideniya, 1989).
- <sup>7</sup> Personal communication, March 1989.
- <sup>8</sup> Aeroflot flight schedule posted in Anadyr Airport.
- <sup>9</sup> Hal Bernton, "Siberian Saga," *Anchorage Daily News*, June 12, 1988.
- <sup>10</sup> *Ibid.*
- <sup>11</sup> Interviews with local officials in March 1989.
- <sup>12</sup> S.V. Slavin, *The Soviet North: Present Development and Prospects* (Progress Publishers, Moscow, USSR, 1972), p. 172.
- <sup>13</sup> Conversations with port officials, June 1988.
- <sup>14</sup> Governmental Committee of Statistics of the RSFSR, Statistical Department of the Provideniya Region, Magadan Province; *Report: Summary of Fulfilling the Government Plan of Agriculture and Industry of the Provideniya Region for January-December 1988* (Settlement of Provideniya, 1989) p.8 and Governmental Committee of Statistics of the RSFSR, Statistical Department of the Provideniya Region, Magadan Province; *Statistical Bulletin: Summary of Fulfilling the Government Plan of Agriculture and Industry of the Provideniya Region for January-December 1988*, p. 5.
- <sup>15</sup> *Ibid.* p.5.
- <sup>16</sup> In the west, these holes are avoided by inoculating the herd with anti-parasitic drugs.
- <sup>17</sup> The smoke stack from this power plant dominates the skyline of the settlement and spews a black plume of smoke.
- <sup>18</sup> *Statistical Bulletin*, p. 5.

- <sup>19</sup> *Ibid.*, p. 38.
- <sup>20</sup> *Ibid.*, p. 15.
- <sup>21</sup> Interview with O.I. Kulinkin, Chairman of the Provideniya District Executive Committee, and Marichev, Deputy Chairman, March, 1989.
- <sup>22</sup> G. M. Shishkov, "Reserves of Northern Reindeer Herding," in *The Magadan Reindeer Herder* (Magadan, 1989), pages 10 and 11; and V. V. Parkhomenko, Ed., *System of Reindeer Herding in Magadan Region* (Novosibirsk, 1986), p. 9.
- <sup>23</sup> N. I. Mymrin, "Evaluation of the Conditions of the Walrus in the Bering Sea and the Zone of the Chukotka Autonomous District" (Okhotskrybvod, February 7, 1989), p. 4.
- <sup>24</sup> O. A. Patin, "Leaders, laggards...", *Magadan Reindeer Herder* (Volume 37, Magadan, 1985), p. 7.
- <sup>25</sup> G. M. Shishkov, "Reserves of Northern Reindeer Herding," pp 6-9.
- <sup>26</sup> *Statistical Bulletin*, p. 35.
- <sup>27</sup> This would be equivalent to the US endangered species list.
- <sup>28</sup> John Tichotsky, notes from meeting with Nadezhda P. Otke, June 15, 1989.
- <sup>29</sup> Mymrin, p. 5.
- <sup>30</sup> N.I. Mymrin, Head of the Chukotka Control-Observation Station of *Okhotskrybvod*.
- <sup>31</sup> Mymrin, p. 3. The ZRSs are owned by Dalryba, the Far East Fishing Company, based in Vladivostok. One ship, the *Zastonovo*, was reported to have harvested more than 1,000 walrus in 1987.
- <sup>32</sup> L. Ainana, Personal communication, March 1989.
- <sup>33</sup> O.I. Kulinkin, Personal communication, March, 1989.
- <sup>34</sup> *Ibid.*
- <sup>35</sup> *Finances*, p. 10.
- <sup>36</sup> Kulinkin, Personal communication, March, 1989.
- <sup>37</sup> Marichev, Personal communication, March, 1989.
- <sup>38</sup> Aeroflot flight schedule posted in Anadyr Airport.
- <sup>39</sup> Visits to New Chaplino. March. 1989 and September. 1989.
- <sup>40</sup> *Report*, pp 20-21 and *Report on the Budget*.
- <sup>41</sup> *Report*, p. 21.
- <sup>42</sup> *Ibid.*
- <sup>43</sup> Conversations with state farm administrators at the *Beringia Park Conference*, August 1991.
- <sup>44</sup> Personal conversations with Native cooperative owners in Lavrentiya and Provideniya, August 1991.