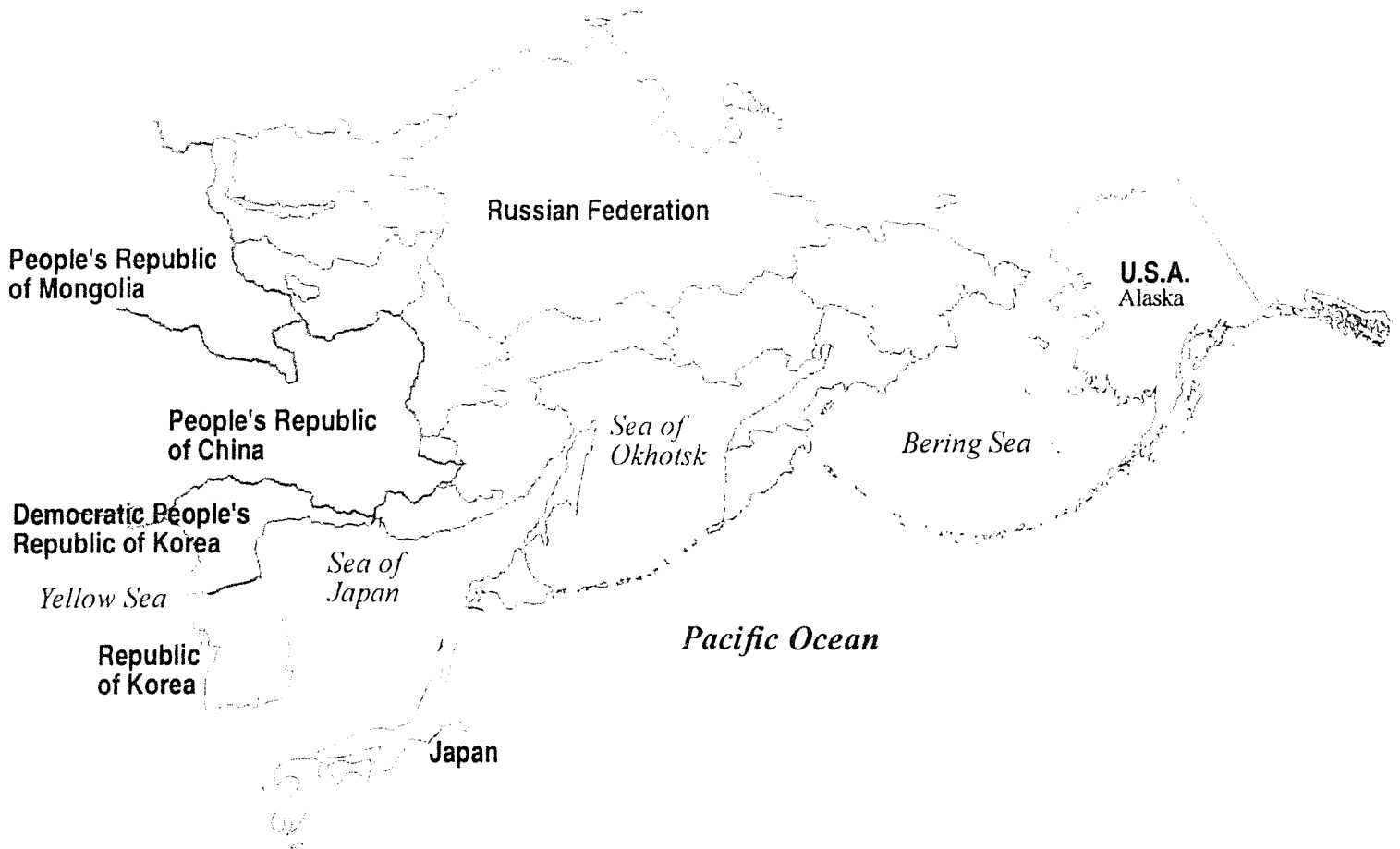


DEVELOPMENT ISSUES & PROSPECTS *in the* NORTH PACIFIC REGION

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Alaska-Russian Far East Connection: Experiments in the Development of Local Governance

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"Alaska is the model for Sakhalin's development." This statement has been made frequently by governors of Sakhalin, and similar opinions have been frequently expressed by leaders of other Russian provinces.¹ The Alaska model is particularly pertinent in the area of regional governance, and it has been a keystone in the relationship between Alaska and the Russian Far East (RFE) since Gorbachev's *perestroika* opened the frontier between Russia and the United States. It is likely that the interest in the Alaska experience will continue regardless of Russia's future political situation.

Alaska epitomizes the vitality of American states within the United States federal system, and the evolution and functioning of its state and local governments is highly relevant to Russia's limited self-government, with policies and decisions emanating from the federal capital. Moscow's central control has permeated virtually all aspects of the country's economic and political existence. It is only now that Russia's regions are moving toward varying measures of self-determination, a status Alaska achieved several decades ago.²

Alaska's ties with Russia predate *perestroika* by almost 250 years, and governance was, of course, the root of Alaska's early relationship with Russia. For 125 years (1742-1867) the territory was part of Russia, a colony of the czars and their traders. Today's relationships are different in that there is no question of one side of the Bering Sea controlling the other.³ Rather, as momentum has gathered toward a market economy, democratization and regional sovereignty, the Russian side has begun looking at Alaska to learn how its own regions might best be governed, how governments should function, and how regional economic development can be enhanced.

Evolution of Alaska Governance

Alaska achieved self-government as a state only some ninety years after the U.S. purchase of Alaska from czarist Russia in 1867. For decades, Alaska had remained a virtual colonial possession, ruled from Washington, and administered in turn by the U.S. Army, Navy, Customs, and the Interior Department. For years there was less government than during the period of Russian America. There was no civil government, no rights of citizenship, no effective civil law, and, thus, no legal basis for even owning and protecting property.

After gold was discovered in Alaska and some semblance of law was required, the U.S. Congress in 1884 extended federal mining laws and the Oregon Code of Laws to Alaska, thereby providing a minimal basis for legality to its distant possession.⁴ While land could be registered and city governments established, no self-governance was allowed for the district. Federal control remained supreme. The residents of Alaska could not vote for President, they could not elect a

legislature, and they did not have a representative in Washington. After years of further agitation for a voice in their own governance, Alaskans were given the right to elect a delegate to the Congress who would have a seat in the U.S. House of Representatives but could not vote.

A small step toward regional self-government was approved by Congress in 1912 through establishment of a territorial legislature, which, however, was granted but limited legislative powers and highly restricted taxing authority. Still, federal control continued paramount: the territorial governor was appointed by the President; jurisdiction over lands and resources stayed in federal hands; and major functions continued in the hands of federal agencies, including transportation, communication, fisheries and wildlife management, and others. And, symbolically, territorial legislators were paid by the federal government.

For another half century, the territory's residents kept petitioning the U.S. Congress for more self-government. As early as 1916, Alaska Delegate to Congress James Wickersham introduced the first bill to make Alaska a state, but Congress took no action. Alaskans became increasingly active in behalf of statehood during the late 1940s and the 1950s. While statehood legislation was repeatedly considered by Congressional committees and votes were taken by each chamber, it was 1958 before both houses of Congress approved a bill admitting Alaska as a state of the Union. After another referendum, at which Alaskans approved statehood and the provisions of the act of admission, Alaska was formally made a state of the United States of America on January 3, 1959.

Until 1959, Alaska legally was an "organized territory" of the United States. While it had its own territorial legislature and executive branch, all authority was vested in the federally appointed governor and in the federal agencies that controlled and managed the territory. Over 99 percent of the land was in federal hands. Fish and game and other resources were managed by federal agents under Washington's control. The courts were part of the federal judicial system. There was little the region itself could do to further economic development or other change. In these and other aspects, Alaska was a vassal of the central federal government very akin to the traditional Russian situation, which to a large extent still continues.

Alaska Becomes Sovereign

When Alaska became a state, the situation changed dramatically. An entire new state government structure was established, and the new state assumed all basic governmental functions. Under provisions of the Statehood Act, the state took control of close to one-third of Alaska's land mass, selecting the most valuable lands and resources.⁵ The state became a sovereign and has been able to function independently in most spheres of endeavor.

Although the federal government presence in Alaska continues, its role is clearly limited by law. Full jurisdiction is exercised over national defense, customs, federal judicial matters, and other areas of federal primacy, including the special relationship with Native Americans. The government manages areas of national interest, such as national parks, forests, wildlife refuges, wilderness preserves, and other lands in federal ownership; the parallel system of state parks,

forests, and refuges is completely outside federal purview. Concurrent jurisdictions and responsibilities exist in environmental protection, fish and game management, health and some other services, but even here roles are well defined.

Russian Regions' Dilemma

In Russia, on the other hand, the central government has traditionally maintained a pervasive presence in the regions. These were ruled by the czars' emissaries in colonial fashion until the 1917 revolution, when, after a brief hiatus, Stalin centralized even greater control in Moscow, not just through the Soviet government, but even more so through the hierarchical Communist Party. While the Soviet Union is no longer and party control has disappeared, the concept of all significant decisions emanating from the "center" is as pervasive as ever.

The drafting of the December 1993 Russian Federation constitution was accompanied by much argument over the powers and prerogatives of the so-called "subjects of the Federation," the republics, oblasts, krais, etc. The constitution, as adopted, makes major steps toward regionalism, providing regions with wide authority for solving internal problems, and authorizing adoption of their own basic laws: *ustavs* and constitutions. The federal constitution enumerates powers reserved to the federal government, such as foreign policy, defense, the economy, judicial system⁶; delineates those exercised concurrently by the federal government and the regions, e.g., management of land and other resources, health and welfare, environmental protection, protection of traditional lifestyles⁷; and grants to the regions all powers not included in these two categories⁸. It states that the various subjects of the Federation are equal⁹, but under a negotiated compromise, some subjects are in fact more equal than others: a far greater degree of sovereignty is granted to republics than to other regional jurisdictions, particularly in the areas of self-governance and resources. But while this language would appear to give regions a large measure of independence, the recent years have seen a reluctance by Moscow to cede powers to the provinces.

Unlike the United States, Russia is concerned about excessive decentralization, for it might further splinter the country into pieces, following the pattern of disintegration of the Soviet Union and Chechnya's quest for independence. In discussing this dilemma, President Boris Yeltsin called attention to the great size and diversity of Russia, and stated that there were two methods of preserving national unity: unitarism, i.e., rigid centralized government (which the country had until recently), and federalism, i.e., decentralized administration.¹⁰ He recognized that federalism helped satisfy the regions' and the people's desires for independence and unhindered development, but he at the same time emphasized the essential need to preserve the unity and wholeness of the Russian Federation.

The federal constitution and benevolent federal regional policies do not so far delineate regional prerogatives clearly or eliminate the heavy federal hand that keeps regions dependent on the central government. Federal legislation to "clarify" intergovernmental relationships provides

regions with little clearly defined prerogatives, most remaining in federal hands or being subject to concurrent jurisdiction, which generally means the central government decides and controls.

Among the principal obstacles to making the federalism system work is the continuing friction between federal and regional authorities concerning taxation and distribution of revenues. In the U.S. each level of government has its own taxing authority, collects its own tax revenues, and budgets its own expenditures. In Russia, the arrangement is quite different. Regional administrations are part of the federal taxation system. In essence, the bulk of money collected at the regional level is forwarded to the central government, and then the governors and their representatives negotiate with the government to obtain federal funds for their regions. These negotiations are carried out annually over a period of many months, separately, on a region by region basis.¹¹ While formulas are being evolved for a more systematic approach to federal-region financing, the reality is that fiscal dependency on the center is universal in all but the very wealthiest republics.¹² The result is continuing tension and uncertainty, particularly in view of the federal government's policy of reducing its annual expenditures to meet demands for fiscal constraints by international monetary bodies.

Similar jurisdictional and operational problems exist in many other spheres, including natural resources, private property ownership, public safety, and others. The systemic problems affect all aspects of major economic development initiatives, particularly oil and gas projects that are of major regional significance, for example, the Sakhalin I and II shelf projects, delayed for years by the many players on the Moscow political scene.

Lingering Legacy of the Party

In this situation, making federalism work in fact, rather than just in name, is not an easy task, particularly since those who are in power are largely the same officials who were in charge when the Communist Party was paramount and the party controlled everything from the "center," namely Moscow. The top-down system of control and administration remained largely intact after the Russia Federation emerged as the successor power following the break-up of the USSR. For example, the regional "head of the administration," that is, the region's governor, continued to be appointed by the President. Now this system is gradually changing. Initially, a few governors, sensing their local popularity, took the initiative and offered themselves to the electorate. Upon election, they enjoyed greater power as the result of being selected by and representing both the President and the people. While most governors continue to serve under presidential appointment, thus lacking certain local legitimacy, but there is a strengthening movement to have all of them elected.

Whether appointed or elected, governors are clearly advocates for their respective regions. They are in a constant struggle with the federal bureaucracy to obtain greater benefits for their jurisdictions, and most of them are actively engaged in dealing with their people's economic and social problems. In the process, most regional heads have become ever more vociferous advocates of greater sovereignty for their regions.

While the executive side of government is undergoing a transition to a more decentralized federal structure, regional legislatures are just beginning to find their way. The old supreme soviets (councils) had little power and served largely as window-dressing; real power was vested in party and administrative officials. New regional legislative bodies - *dumas*¹³ - are feeling their way, pursuing essential legislation, working on *ustavs*, and trying to determine their relationship to the executive branch. They are in most instances the weaker branch of regional government, lack experience, and have only limited influence over the governor and his administration.

Confounding the establishment of effective regional self-governance is the general public apathy that is both national and local in scope.

The initial euphoria that accompanied the first elections and the early democracy of the 1989-92 period of *perestroika* and *glasnost* has completely evaporated. At first, the overwhelming majority of adults followed every speech and act of the national parliament in the belief that change was finally at hand, that a new political system was emerging, and that life was going to become better. But people soon learned that the talk amounted to little, because it resulted in minimal progress and economic reform. Rather, they observed endless struggles for power, politicians taking care of themselves and their own, the emergence of rampant corruption and crime, and ever increasing economic inequality. They experienced a drastic fall in their economic well-being, while their great country, the Soviet Union, splintered into pieces. Under these circumstances, when people go to the polls, their voting has become largely a matter of protest or picking the lesser of all evils. The public apathy has in fact frequently hampered the functioning of local and regional governments, particularly at the legislative level, when the required minimum twenty-five percent of eligible voters don't bother turning out for an election.¹⁴

The Russian Far East and Alaska

The late 1980s and early 1990s brought serious problems and new opportunities to the Russian Far East. Drastic cutbacks in military spending and severe reductions in federal supports and subsidies undermined the regional economies. At the same, the dismantling of international barriers allowed the RFE to interact directly with its adjacent Pacific and Asian neighbors, located much closer than nation's capital, which lies six to eight time zones to the west.

Modern active contacts between Alaska and the RFE began in 1988 with a series of official delegations and citizens exchanges. Over the years, these contacts have resulted in commerce and trade, scientific and professional collaboration in many fields, educational exchanges at all levels, sister-city agreements, joint cultural and sports events, emergency assistance and search-and-rescue services, environmental monitoring, and various other sorts of bilateral and multilateral cooperation.

Alaska and RFE government leaders have played a key role in fostering and supporting both private and public initiatives and interaction. Respective governors have been personally involved, and changes in regional administrations have not made any difference in the extent of commitment

to joint action through instrumentalities such as the bipartite Sakhalin Alaska Working Group or the multinational Northern Forum.

RFE leaders recognized that Alaska's situation was much akin to theirs: rich in resources, limited infrastructure, relatively small population, severe cold climate, distant from the nation's capital; and a population that felt close to its neighbors in eastern Russia. These factors were particularly pertinent to Sakhalin, Magadan, Kamchatka, Chukotka, and Sakha (Yakutia), and less so to the Khabarovsk and Vladivostok regions. Relevant to most was that Alaska had only recently obtained its sovereign position within the American federal system, and the experiences of state-building and economic development were still current.

A Role for the University of Alaska

From the very beginning, the Russian side evidenced a desire to learn from and through Alaska what can be done to enhance economic development, how a market economy functions and what the role of government is with respect to the private sector, and how American governmental institutions are organized and managed. Initially, there was no mechanism for a systematic approach, and such learning occurred on an ad-hoc basis, as travel or special circumstances permitted. With time, it became clear that a more consistent method for providing of technical assistance was needed, and a major program was established, using the University of Alaska as the vehicle.

The American Russian Center (ARC) was created in 1993 and is located in Anchorage, Alaska, with branch centers in the Russian Far East (Khabarovsk, Magadan, Yakutsk, and Yuzhno-Sakhalinsk). It operates programs in which economic, cultural, and political development can be considered simultaneously. Its purpose is to assist the RFE in dealing with political, social, and economic change, insofar as an outside party can make a contribution in terms of providing training, consultation, and exposure to alternatives. Funding for its operations is provided by the federal government and private sources.¹⁵ ARC activities are carried out in full cooperation with local counterparts, and they enjoy support from top RFE governmental officials.

Under ARC's program to facilitate understanding of and transition to a market economy, several thousand Russians have participated in on-site business and management training, counseling, technical assistance projects, and advanced training in Alaska, including internships with American firms. The subject matter of training is determined by demand; it has covered such diverse topics as accounting and marketing, banking, airport management, petroleum economics, and oil and gas technology.

Another major ARC program involves some thirty cultural and educational exchanges between Alaska and the Russian Far East. Different groups from throughout Alaska interact with their RFE counterparts in Sakha, Magadan, Khabarovsk, Vladivostok, or Sakhalin. Depending on the purpose of an exchange, a group might include teachers, women, aboriginal peoples, public officials, or specialists, such as journalists, election experts, or other professionals. The program

funds a series of individual projects including: cooperation on Native empowerment between Alaska North Slope Inupiat and the Eskimo Society of Chukotka; establishment of women's centers in Petropavlovsk-Kamchatsky and Magadan; establishment of an environmental advocacy program in the Russian Northeast; modernization of elections in Yakutsk; improve English language teaching in various RFE locations; modernizing libraries and archives in the RFE and developing linkages with counterparts in the United States and the regional government project, which provides for government-to-government contacts between policy makers and technical specialists.

The regional government project is treated here in detail because it demonstrates both the problems and needs of RFE regional governance and the functioning of RFE-Alaska ties. It shows how Alaska is used as a model by RFE regions, not to passively adopt, but to inform and adapt.

RFE Regional Government Project

The purpose of the regional government project is two fold. First, to assist the RFE in the creation of regional government institutions and management structures that are democratic in form, meet the needs of the future, and ensure the rights and prerogatives of the citizenry. Second, to strengthen the ability of RFE regional governments and major enterprises to facilitate the development of a market economy in their respective regions. Under the project, top level RFE government officials and legislators personally observe the functioning of the public and private sectors in Alaska, and U.S. public officials and specialists travel to RFE regions to assist with creation of effective democratic and private sector institutions.

Delegation exchanges are planned jointly by the governors of the participating RFE regions or their designees and the project staff. More than 100 individuals participated in exchange delegations, which average five people in size. Another 1,000 met with delegates in Alaska and the RFE. The project is managed through the University of Alaska's Institute of Social and Economic Research, with help from the Northern Forum, an organization of regional governments in the Circumpolar North.

Specific goals of the regional government project are as follows:

- Acquaint Russian elected officials, government administrators, citizen groups, Native leaders, enterprise managers, and other pertinent individuals with U.S. experience in structuring and managing state governments and in furthering private economic activity in Alaska.
- Provide an appreciation for the concept of balance of powers, for the independence of the three branches of government, and for the meaning of public policy, public interest, and public trust.
- Create an understanding of governmental accountability and ethical standards, and facilitate their application.
- Provide assistance in drafting regional government constitutions and charters (ustavs).
- Foster public involvement in government policy development and decision making.

- Encourage minority groups' greater self-determination, protection of lifestyles, and participation in regional governance.
- Assist in establishing management structures for resource development, environmental protection, finance and taxation, and other sectors.
- Show how the private sector functions in the United States in resource development (oil and gas, mining, fisheries, etc.), retailing and wholesaling, banking, insurance, tourism, etc., and how the interests of private enterprise and of the public are balanced.
- Strengthen the people's ability to govern themselves in democratic fashion and promote economic betterment.
- Provide regional governance lessons to other parts of Russia.

The regional government exchanges have demonstrated that Alaska's modern-day experience of creating a functioning state and local government structure is of great interest and value to RFE regional governments. Some RFE delegations visit Alaska to obtain a broad overview of the state, of how it functions, and “how it’s done” in America. They have reviewed methods of management of land and natural resources; actions of the state to promote economic development; regulation of oil and gas development; protection of the environment; dealing with impacts of massive economic development; establishment of relationships between government and the private sector; and methods to protect individual rights and achieve citizen control of government. Other areas of Alaska’s experiences eagerly explored by RFE officials are management of state and local finances; creation of the Alaska Permanent Fund (a state savings account funded by oil royalties which pays an annual cash dividend to every resident of the state), enactment and implementation of the Alaska Native Claims Settlement Act and protection of indigenous lifestyles; relations between the state and federal governments; and establishment of a new system of local governments in Alaska.

Other groups have focused intently on specific topics. For example, Kamchatka’s governor requested assistance with creating a system of regional parks and developing tourism. The project supported a group of Alaska park planning and management specialists to study the Kamchatka situation, and hosted a return delegation from Kamchatka that inspected recreation sites throughout Alaska. The result of the cooperative effort is a development plan for Kamchatka and continuing collaboration in its implementation.

An Interest in Money

Financial topics have been subject to intense studies by a number of RFE groups that examined Alaska state budget preparation, controls over expenditures, capital formation, and other public finance matters. The Sakha’s President and its Fund for Future Generations initiated an exchange of five delegations that focused on the state’s experience with the Alaska Permanent Fund and other instrumentalities created to invest in the future, finance infrastructure development, and achieve access to national and world money markets. Top Sakha Republic finance officials and private sector representatives visited Alaska, and return experts included Alaska capital management, bank, and economic consulting firm executives. Through the personal participation

of the President, the joint effort resulted in delineation of financial strategies for the Republic, plans for mechanisms for the issuance of public debt, and a continuing relationship between Sakha and Alaska. In parallel, working arrangements were consummated between private financial institutions of the two regions.

As mentioned, Alaska's modern state constitution and its transition to statehood proved of particular interest to RFE regions that were in the process of writing or revising their constitutions or *ustavs*. Constitution articles covering individual rights, legislative and executive structures and interrelationships, the judicial system, land and resource management, and state-federal relations were thoroughly studied by visiting дума members and legal experts from Kamchatka, Magadan, and Sakhalin and an expert on the Alaska constitution provided further advice to дума committees and deputies in several RFE regions.¹⁶ Selected concepts and provisions from the Alaska constitution were adapted to their own conditions and are incorporated in respective RFE documents.

Conclusion

Even more significant than these and other results of the RFE regional government project, as well as the technical assistance it has provided, is the extensive exposure that many top policy makers of the Russian Far East to American institutions, democratic processes, and the regulated market economy of the United States.

For many exchange participants, Alaska provided the first opportunity to visit America. Alaska is in many ways similar to RFE regions, the state is not so many years ahead of them in terms of economic and political development, and it is simple and small enough to make comprehension relatively simple. Visitors have readily comprehended what they saw and experienced, and it has not been difficult to evaluate what they absorbed in terms of applicability to their own regions.

Alaska thus provides a vision, a model, for the directions that regions in the Russian Far East might pursue in their quest for economic betterment and enhanced sovereignty within their own federal system.

Notes

- (1) Statements by Sakhalin Governors Fedorov, Krasnoyarov, and Farkhutdinov, 1992-96.
- (2) As used in this paper, the word "region" refers to oblast, krai, okrug, and republic, that is, what the Russian Federation constitution defines as a "subject of the Federation." States are the U.S. equivalent of such regions.
- (3) Few Russians take seriously Zhirinovski's statements that he will extend Russian sovereignty to include Alaska, even though the fiction persists that the czar only leased, rather than sold Alaska to the United States in 1867.
- (4) United States Congress, Organic Act of 1884.
- (5) McBeath, Jerry A., and Thomas A. Morehouse, *Alaska State Government and Politics*. Fairbanks: University of Alaska Press, 1987.
- (6) Constitution of the Russian Federation, Article 71.
- (7) *ibid.*, Article 72
- (8) *ibid.*, Article 73.
- (9) *ibid.*, Article 5.1.
- (10) "Message of the Russian Federation President to the Federal Legislature: On the Effectiveness of Government Power in Russia," no date.
- (11) An RFE governor described the lengthy process to the author, explaining that much bargaining occurs with the bureaucracy and at the political level. Oblast governors get to negotiate and reach the final agreement with the federal Finance Minister, whereas presidents of republics generally make the final deal with the President.
- (12) Sakha (Yakutia) provides an example of the extent to which individual jurisdictions can make their own arrangement with the federal government. Sakha - rich in diamonds as well as other resources - insisted on a major share of diamond wealth if it was to pass on taxes to Moscow. This together with Sakha President Nikolayev's political support of President Yeltsin has resulted in a greater degree of regional sovereignty and control over resources than is enjoyed but by a few other "subjects of the Federation."
- (13) In Sakha (Yakutia) the legislature is called the "Il Tumen."
- (14) In two 1994 elections, only 12 of the Sakhalin дума's 16 deputy positions were filled because the minimum 25 percent of eligible voters did not turn out to vote.
- (15) Support is provided by the United States Agency for International Development (USAID), United States Information Agency (USIA), Eurasia Foundation, IREX, and others.
- (16) The author of this chapter, Victor Fischer, was a delegate to the 1955-56 Alaska convention and is the author of *Alaska's Constitutional Convention*. Fairbanks: University of Alaska Press, 1974.