The Russian Regions: Yamalo-Nenets Autonomous Okrug

Irina Lagunina: Looking over the news from the Yamalo-Nenetsk Autonomous Okrug I came across this on the governor’s site: The region has passed a law entitled “On the development of innovative activities in the Yamalo-Nenetsk Autonomous Okrug.” The new law contains definitions of such concepts as “innovative activities,” “innovative policy,” “innovative products,” “innovative project,” “innovative plan,” “subjects of innovative activities,” and “infrastructure for the development of innovative activities.” The powers and authority of federal executive bodies in the autonomous okrug and local governmental bodies in the area of developing innovative activities are defined. I think everything set forth there will undoubtedly motivate people and business to be innovative. But what is actually going on in the okrug?

Participating in the discussion are: Dr. Natalya Zubarevich, professor of geographic science, and political scientist Aleksandr Kynev. The “Russian Regions” cycle is moderated by Igor Yakovenko.

Igor Yakovenko: Natalya Vasilievna, what is happening in this region, one that is exceptionally important for Russia’s economy?

Natalya Zubarevich: There is no question about its exceptional importance; nearly 90% of our gas comes from the Yamalo-Nenetsk okrug, and it is impossible to imagine a Russia without gas. It is commonly thought of as a typical wealthy Russian region, where at first glance everything is wonderful. Unemployment is minimal—only 4%, which may as well be nothing—and the poverty level is 8%, so no crises there. It would seem that earnings significantly exceed the median Russian level; if you compare it to the minimum subsistence rate, prior to the crises it was five times greater. So it’s sort of tempting to say that everything’s great. But when you begin to dig deeper it turns out that narrow specialization, even in such a high-ticket resource as gas, is never sustainable. Few jobs are being created, so migration outflow has become an ongoing thing. But all through the 90s and almost all the 2000s the okrug was attracting population and the salaries were enormous.

And then you begin to see how the region was going through a crisis, and due to problems with Gazprom it was in crisis almost at a level matching the average trend in Russia, that is, it had fallen by over nine percent and to this day has not gotten back to the pre-crisis production level. But problems with Gazprom management and Gazprom’s behavior in the global market always manifest themselves in the very heart of the region that produces the gas. The same can be said of earnings and consumption. Two consecutive years the actual real purchasing power falls, which means real earnings are moving downward. And now over a two-year period that is 13% toward the pre-crisis level. Commodities turnover, that is, consumption, is down 20%. What is happening? What is the problem? It’s a very simple thing: everybody involved in extractive industries, gas producers included, have a very variable factor in their earnings, and when problems started with Gazprom, the basic tariff remained, but the variable part—the bonuses and the premiums—plummeted. And that process is not yet complete. The result is that a quite wealthy okrug, one that is a donor to the Russian Federation, one that has a stable tax base—but because excuse me, if every fourth ruble in your budget comes from property tax and another third from profit tax, then that budget is indeed more sustainable in a crisis—that okrug loses the most important thing, it loses people and gradually loses its most important advantage—high salaries.
Igor Yakovenko: What percentage of the population is rotating out? Because I remember very well that back during Yegor Timurovich Gaidar’s government there was this concept that Russia’s northern riches should be exploited under a rotating scheme.

Natalya Zubarevich: You know, I agree with that concept. And the fact that there is a migration outflow is just normal shrinkage of surplus work force living there and the habitable space. But the thing is, don’t forget, the Yamalo-Nenets Okrug is essentially socialist. To this day there remain very many elements of subsidizing, co-financing--a Soviet social policy. The housing and public utilities sector is very “Soviet.” It was quite comfortable for people to live there. Now, 7-8 years late compared to the Khanty, they are beginning to slowly reformat. And discomfort is growing.

Igor Yakovenko: Aleksandr Vladimirovich, how does the high migration rate and the sense of instability that nevertheless occurs in this very wealthy region affect the mood of the people and the region’s political life?

Aleksandr Kynev: It’s hard to talk about the mood of the population, since by virtue of its unique nature the region has no independent public organizations, not to mention analytical ones. It essentially has no free press. That is, the situation here is simple: a zone dominated by migrants, no more than first and second generations, that by definition implies weak social ties in the population itself. That’s number one. Number two, if we are talking about single-industry cities where there is one dominant enterprise that everyone depends on, where small and medium-sized businesses generally appeared and developed based on redistributing earnings that people received, well a situation like that produces a specific type of relationship where there is strict corporate discipline, where the administration is dependent on the key enterprise, and you can’t get away from it. Add to that the huge distances and the fact that the internal transportation links between the cities and the regions are weak and the population’s internal integration is weak.

So what we have is this: the population is small and sparsely distributed, social networks are weak; there are no okrug-wide playing fields where some sort of figures could emerge. This means complete domination by administrative structures. There are no platforms where people who might aspire to some sort of celebrity rather than just assuming formal administrative status could emerge. Throughout the 90s and until last spring the okrug had the same governor. If we look at Mr Neelov’s administration we see that it was nothing other than an old Soviet party-run management asset. Komsomol members, various former managers of oil and gas corporations who would come and go to work in the administration. That is, it was a very typical Soviet-style party-run management apparatus, but in a wealthy okrug. When you come to Salekhard, you look and are amazed at the inanity of some of the spending. They are putting up luxurious buildings. Sumptuous buildings and structures that no one needed were built; a lavish governor’s residence built for who knows who? It’s half empty, you go there and not a soul is in the place. That is, in my opinion their heads were spinning from all the success. They were blithely living on excess oil and gas profits but in fact made minimal efforts to somehow diversify the region’s economy.

Of course, diversification was given lip service but that’s as far as it went. They were hoping that when the oil and gas ran out the Polar Ural project would come about, they would build a railway and start working other deposits, and we’ll just live on other natural resources. The main key theme was to publicly incentivize Gazprom during that time to expand the extraction of resources on the Yamal Peninsula. Now, with the new governor, they are beginning to talk about petrochemicals and
reprocessing them. But of course the new administration is having a hard time. A new governor has come in, young and energetic, whose administration has almost completely changed out. There are literally only a few people from the old team. Mostly people who worked with Kobylkin before have come in, a few people from the oil and gas companies, mostly from Gazpromneft. They are trying to somehow shake up this swamp and incorporate at least some elements of rational planning into this world that has become accustomed to living off of massive profits. It’s a difficult situation, because ultimately there is really no one to depend on.

Igor Yakovenko: Aleksandr Vladimirovich, how does the quality of the decision making by the new governor Dmitry Kobylkin—he’s been there more than a year—really differ from that of his predecessor Neelov?

Aleksandr Kynev: It’s difficult to make any assessments regarding the quality of the new managers compared to the old ones due to the lack of any independent information. There just isn’t any in the okrug. Now the only city in which there was relatively well developed political competition during the best years is Noyabrsk. But there is an understandable situation. First, it’s the largest city, almost adjacent to the Khanty-Mansiysk Okrug, not far from the border. There is not one, but several enterprises there: oil people, gas people. And there was competition between the oil and gas elites. Because the city is rather large and powerful, and the local small and medium businesses are in construction, commerce and so forth. There was a basis for public politics; various local clans and groups competed for the office of mayor and in Noyabrsk the situation was more or less transparent. Because of the competition there was information moving about. In the other territories, unfortunately, there is no competition and along with that, no information. Back during Neelov’s term, toward the end, most of the municipalities cancelled mayoral elections and instituted so-called city managers; along the way, in some places, they instituted party tickets. Bringing in party tickets somewhat diluted the cronyism of the old elites, but not much. What’s the point of having party tickets when there are no real parties?

Igor Yakovenko: So you are painting a picture of a Saudi Arabia in a state of suspended animation, where politics are a fallen thing, something frozen in time.

Aleksandr Kynev: I would put it this way: there are oil and gas vertical power structures. They only deal with themselves and under certain agreements they periodically give some pieces out to the local authorities. There is an administrative top-down structure that first and foremost controls the areas where there is no gas or oil—huge rural agricultural territories, and they live mainly on contracts and on allocations from the oil and gas companies. In the middle is a thin stratum of small and medium businesses that is concentrated in the cities. Only within them can some influence be had.

Igor Yakovenko: Thank you, Aleksandr Vladimirovich. Natalya Vasilievna, does that vaunted nesting-doll arrangement enshrined in the Russian Federation constitution somehow affect the region’s day-to-day economic life?

Natalya Zubarevich: At least until recent years only to a minimal degree, because an agreement on powers and authority was in effect, and the okrug bought its way free of the Tyumen Oblast, retaining a significant portion of its powers. They have separate budgets. It’s another matter that it was mostly the Khanty Mansiysk Okrug buying its way out; they paid three quarters or even more of the 20 billion. Yamal got off cheaply. It should be understood that it is somewhat harder with Gazprom, even with a high-status governor with support in the Kremlin, than with Mr Filippenko. So they have their own life,
their own budget. Another thing that I don’t like very much is this unsavory repetitiveness, where the okrug is guzzling federal expenditures. If you take spending on nationwide issues, actually for management, it’s 9% of a large budget. Almost 100 billion. So that’s a lot. And if we look at a second thing I don’t like very much... I don’t know about the continuity of elites, but as I look at 9-10 of the statistics...that is spending on the national economy—that’s budgetary investment costs, road construction, public services and utilities, and so forth. They are considerable in this okrug—almost every fifth ruble in the budget. And they rose considerably, almost doubled, during the crisis years. That means some funds were redistributed to that cause. But my question is: if 19% goes to the national economy, why is 11% of that spending, that is, almost 60 of that sum, referred to as “other issues in the area of the national economy.” These numbers always make me very wary; they show a lack of transparency in basic investment expenditures.

**Igor Yakovenko:** That very quality of management decisions we’ve been talking about.

**Natalya Zubarevich:** Indeed.