

# Northeast Asian Regional Economic Security: Fishery Cooperation between Russia and South Korea

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**Abstract:** This article reviews fishery cooperation between Russia and South Korea from a regional security perspective. Even though the South Korean fishery industry has long played a role in agriculture as a national food industry, the Korean inshore fishery production amount has been steadily decreasing, primarily because of the new Korea-Japan fishery and the Korea-China fishery agreement in the last decade. In this regard, the Russian Far East provides a solution to South Korean fish markets because of its vast and rich marine products and fishery resources. Since the establishment of diplomatic relations in 1990 and a fishery agreement in 1991, South Korea has fished in the Russian waters according to fishery quotas based on a mutual fishery pact. This relatively small but flourishing fishery trade is one of the few bright spots in the currently relatively stagnant Russo-South Korean diplomatic relations.

Nevertheless, many problems still exist. Russia's policy of reducing pollack catch quotas, its unpredictable policy of fishing rights charge, its inconsistent policy of barring South Korean fishing boats from fishing in the Russian fishery zone, and illegal sales of fish by Russian mafias have clearly hindered diplomatic relations between the two countries since the collapse of the Soviet Union. Most of all, illegal fishing activities and the size of the catch quotas are becoming a serious diplomatic agenda between the two countries. This article highlights that illegal fishing activities and quota disputes stem from the Russian Far East's troubled transition to democracy and a market economy. The troubled post-Soviet Russia's domestic fishery situation in the Russian Far East includes a decrease in reported Russian fishery production, export increases, illegal trading, overfishing, incomplete legislations on fishery, and institutional conflict between the center and periphery over control of resources. Most of all, heavily criminalized fishery commerce in the Russian Far East involving countless public officials, enterprises, and mafias has emerged as a regional security concern in Northeast Asia. The primary argument of this article is that the clumsy Russian legal system, highly politicized fishery quota-allocation system, confiscatory tax regime, and lack of law enforcement agencies in the Russian Far East all have facilitated illegal fishery activities. And illegal fishery generates overfishing in this region. To prevent overfishing, the Russian government has substantially reduced the catch quotas over the last decade.

The main purpose of this article is to assess the progress and obstacles of fishery diplomacy between Moscow and Seoul. Therefore, this article begins with an examination of the importance of the Russian Far East fishery to South Korea. It also deals with the major development of fishery diplomacy focusing on pollack quota dispute, cuttlefish dispute, and saury case. The primary focus of the paper is to contribute to an understanding of why illegal fishing is such a problem for fishery diplomacy between Russian and South Korea. In this regard, this study is further intended to bring to light the fundamental causes of illegal fishery in the Russian Far East, and to discuss the Russian domestic dimension and the international dimension. The final section of the paper will assess fishery diplomacy's implications for international relations. This article concludes that it requires a coordinated response by authorities on both sides of the maritime border.

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## INTRODUCTION

This article reviews fishery cooperation between Russia and South Korea in the Russian Far East. The South Korean fishery industry has long played a role in agriculture as a national food industry. Nevertheless, currently the Korean fishery industry is facing great challenges. These challenges include debates within international institutions such as the World Trade Organizations, Organization for Economic Co-operation Development, and UN Food and Agriculture Organization (FAO) on the reduction or abolition of fishery subsidies that provoke trade distortion and negatively influence sustainable resources, as well as the reformation of the fishery order in Northeast Asia.<sup>1)</sup> Moreover, as a result of the new Korea-Japan fishery agreement and the Korea-China fishery agreement during the last decade, the amount of inshore fishery production has been steadily decreasing.

In this regard, the Russian Far East provides a solution for South Korean fish markets because of its vast and rich marine products and fishery resources. Since the establishment of diplomatic relations in 1990 and a fishery agreement in 1991, South Korea has fished in Russian waters according to fishery quotas based on a mutual fishery pact. Busan, the second-largest South Korean city and the country's major port city, has become one of the most attractive ports to Russian fishery operators because of its proximity to the Russian Far East and its marine capabilities. Most important this relatively small but flourishing fishery trade is seen as one of the few bright spots in the relatively stagnant Russo-South Korean diplomatic relations.

Nevertheless, many problems still exist. Russia's policy of reducing pollack catch quotas, its unpredictable policy of fishing right charges, its inconsistent policy of barring South Korean fishing boats from fishing in the Russian fishery zone, and illegal sales of fish by the Russian mafia have clearly hindered diplomatic discussions between the two countries since the collapse of the Soviet Union. Most of all, illegal fishing activities and the size of the catch quotas are becoming serious diplomatic issues between the two countries.

In particular, illegal fishery is perhaps the most serious problem in bilateral fishery diplomacy between Seoul and Moscow. Fishery commerce has been heavily criminalized in the Russian Far East, involving countless public officials, enterprises, and mafias. Indeed, illegal fishery results in overfishing in this region. To prevent overfishing, the Russian government has substantially reduced the catch quotas over the last decade. It is important to understand that illegal fishing activities in the Russian Far East clearly are a regional concern and threaten regional economic security.

This article contends that illegal fishing activities and quota disputes stem from the Russian Far East's troubled transition to democracy and a market economy. The troubled post-Soviet Russia's domestic fishery situation in the

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1) Myong Sop Pak and Moon Bae Joo, "Korea's Fisheries Industry and Government Financial Transfers," *Marine Policy*, Vol. 26, issue 6, November 2002, p. 429.

Russian Far East includes a decrease in reported Russian fishery production, export increases, illegal trading, overfishing, incomplete legislation on fishery, and institutional conflict between the center and periphery over control of resources. Most of all, the clumsy Russian legal system, highly politicized fishery quota-allocation system, confiscatory tax regime, and lack of law enforcement agencies in the Russian Far East all have facilitated illegal fishery activities. In short, this essay concludes that the current fishery problems facing the Russian Far East clearly generate problems that hinder the further development of diplomatic relations between the two countries.

More important, given the fact that fishery issues are transnational and trans-boundary, this essay also illustrates that the international and regional dimensions are not negligible. Considering that the bulk of fishery products are unloaded in the port of Busan, it is mainly Korean consumers that fuel this commerce. South Korea also must assume some responsibility for it. Moreover, South Korea's unsuccessful negotiation strategy in fishery diplomacy with Japan and China has increased overdependence on fishing in Russian waters.

The main purpose of this article is to investigate the progress, problems, and prospects of fishery diplomacy between Moscow and Seoul. This essay begins with an examination of the importance of the Russian Far East fishery to South Korea. It also deals with major developments in fishery diplomacy, focusing on the pollack quota dispute, cuttlefish dispute, and the saury case. The primary focus of the paper is to contribute to an understanding of why illegal fishing has become such a problem for fishery diplomacy between Russian and South Korea. In this regard, this study is further intended to bring to light the fundamental causes of illegal fishery in the Russian Far East, discussing both the Russian domestic dimension, and the international dimension. The final section of the paper will assess the implications of fishery diplomacy and implications for international relations. This article concludes that it requires a coordinated response by authorities on both sides of the maritime border.

## **WHY IS RUSSIAN FAR EAST FISHERY IMPORTANT TO RUSSIA AND SOUTH KOREA?**

The Korean fishery industry has long played an important role as an exporting industry as well as a domestic food industry. It also plays a critical role as a social and cultural function as well as an economic function in Korea. For example, fishery products are Korea's major protein source which is essential for the nation's food and health as well as for a Korean food culture. Because of Korea's geographical situation surrounded by three seas and with more than 3000 islands the fishery industry is a core industry that supports the national economy while playing a critical role in developing local areas.

However, the new Korea-Japan fishery agreement and the Korea-China fishery agreement during the last decade has caused a steady decrease in the amount of

inshore fishery production. The amount of deep-sea fishing is also expected to decrease because of the reduction of fishing grounds and the difficulty of securing fishing grounds because of the effectuation of the UN Convention on the Law of the Sea, if pioneering of overseas fishing grounds and fishery investment are not achieved.<sup>2)</sup> In this regard, the Russian fishery zone provides a bonanza for the South Korean fishing industry because of its vast and rich marine products and fishery resources.

When the Soviet Union collapsed, Russia's fishing industry was the world's fourth largest following Japan, the United States, and China. It still accounts for nearly 25% of the world's production of fresh and frozen fish and about one-third of the global output of tinned fish. The Russian Far East fishery resources are particularly important for South Korea because the Russian Far East is Russia's most important fishing region. The bays and islands of the Russian Far East offer promising sites for marine agriculture, including fish farming and the cultivation of marine products. Most fish catching and processing is carried out in four Russian Far East regions: Primorsky Krai (49%), Kamchatskaya Oblast (25%), Sakhalin Oblast (16 %), and Khabarovsk Krai (7%). Most fish and seafood is harvested within a domestic 200-mile zone that includes the western Bering Sea, the Sea of Okhotsk, the seas around the Kuril Islands, the waters east of Kamchatka, and the East Sea. The Far Eastern basin catch is nearly two-thirds of the total catch of Russia. The main fish products caught in this region are Alaska pollack, Okhotomorskaya herring, salmon, and crab.<sup>3)</sup>

Fishery, timber, and fuel are the three dominating industries and constitute 80-85% of total exports from the Russian Far East. The export volumes of fish and fishery products increase every year. For example, in 1995, it accounted for over 40% of the region's exports, compared with about 20% in 1985.<sup>4)</sup> As Vladimir Putin argued during his speech in Vladivostok on June 24, 2004, the fishing industry in this region is a potentially very prosperous business.<sup>5)</sup> Russian fish and fishery products are the second largest export items to Japan and the fourth largest to South Korea. As Table 1 illustrates, Russia exports a

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- 2) The import and export trends of Korean fishery products during the 1990s show that exports gradually increased in the early 1990s but constantly decreased after 1995. On the other hand, imports of fishery products constantly increased. See Pak and Joo, pp. 429-435.
  - 3) Elena Tarrant, "The Russian Far East Fishing Industry," *The Business Information Service for the Newly Independent States (BISNIS) Report*, on <http://bisnis.doc.gov/bisnis/country/9902fis2.htm>, accessed on 24 July, 2004.
  - 4) Sergei Manezhev, "The Russian Far East," in David Dyker, ed., *Investment Opportunity in Russia and the CIS* (Washington, DC: The Brookings Institution, 1995), p. 242.
  - 5) "Russia's Fish Trade Has Gone to the dogs," *Business Report*, 24 June, 2004, on <http://www.businessreport.coza/index.php?fArticleId=2124630>, accessed on 17 August, 2004.

large amount of fishing products to South Korea as much as other items such as aluminum, steel and scrap iron, and oil.<sup>6)</sup>

**Table 1.** Top 5 Russian Exports to South Korea, 2003

Item	Price (millions of US \$)	Variation(%)	Composition(%)
Aluminum	303.8	19.7	13.4
Steel (Scrap iron and alloyed steel)	298.2	37	13.2
Oil	239.9	41.0	10.6
Fish	164.0	61.2	7.3
Nickel	147.9	283.7	6.5
Etc			

Source: KOTRA, 2003

The international and regional dimensions of the Russian Far East fishery are even more significant. In the 1990s, the region lost many of its markets in the former Soviet republics. High railroad tariffs cut off western Russian markets too.<sup>7)</sup> This made the industry reorient toward foreign consumers, notably Northeast Asian nations. The Japanese, Korean, Chinese, and the U.S. private sectors and governments have been more active in the fishing industry than in any other sector of the Russian Far East economy.<sup>8)</sup> In fact, the Japanese seafood import market, the largest in the world, has for several decades been de-

6) The largest amount of items exported from the Russian Far East to Japan is aluminum. Other items include industrial wood and timber, coal, oil, gold and diamonds. See *KOTRA, Annual Report 2003.*, and Manezhev, 1995, p. 249.

7) *Sectors of Industry: Fishing*, on <http://www/kigam.re.kr/mrc/korean/file/East/fishing.htm>, accessed on 29 June, 2004.

8) Allison notes that although this is a difficult measurement to quantify especially because the activity is often not only unrecorded but also very diverse (bilateral and multilateral treaties, direct fishing, commercial and government credits, scientific exchanges, chartered vessels, and vessel management support are all part of the picture) it is doubtful that this statement would be disputed by anyone who has tried to compare this situation with other Russian Far East industries. However, from the standpoint of foreign financial investment and employment, it is highly likely that the oil and gas sector on Sakhalin and the Russian Far East will soon surpass the fishing industry, if it has not already done so. See Anthony Allison, "Sources of Crisis in the Russian Far East Fishing Industry," *Comparative Economic Studies*, XLIII, No. 4 Winter 2001, p. 92.

pendent on output from Russia's Far East as South Korea's has emerged, too. China and South Korea also serve as centers for transit and reprocessing of Russian seafood. King Crab, salmon, pollack, saury, and scallops from this region are also exported Asia, North America, and Europe. In many cases, it is reported that the U.S. fishing companies resell fishing products to Japan and Korea.<sup>9)</sup> Moreover, it is interesting to note that ships with foreign flags can fish in Russia's "exclusive economic zone (EEZ), but only if the flag belongs to a country that has signed a bilateral fishing agreement with Russia, such as Japan or South Korea. For example, the United States does not have a bilateral agreement with Russia and does not allow Russian ships to fish in U.S. waters. Consequently, some U.S. companies team up with a Russian partner and reflag their vessels.<sup>10)</sup>

Meanwhile, the form of this activity includes not only direct fishing by foreign vessels but also joint ventures, seafood trading, fleet modernization, and the supply of provisions for vessel operations. Joint ventures provide another good opportunity for the South Korea fishing industry. In fact, joint ventures have been the most common phenomenon to be established in the Russian Far East fishery arena and they tend to be established at both the legal and illegal levels.<sup>11)</sup> Joint ventures clearly provide Russia with foreign technology and capital markets, whereas it gives foreign partners access to deep-sea processors and access to the Russian fishery resource. In most cases, foreign companies often lease or sell their vessels in exchange for fish products.

Japanese and South Korean fishing companies are actively pursuing joint ventures in the Russian Far East, primarily because of the decline of stocks in their own zones and their exclusion from former fishing grounds in distant waters now under the jurisdiction of other countries.<sup>12)</sup> In South Korea, Busan-based companies are particularly actively involved in joint ventures. In most cases, they seek suppliers of live and frozen crabs such as snow crab opilio and blue and red king crab, and they sell fishing gear and packaging containers. Korean companies also have been active in such services as the selection and supply of crab-processing equipment and plastic containers for crab cooking and transportation.<sup>13)</sup>

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9) *Ibid.*, p. 115.

10) Elisa Miller and Alexander Karp, *The Russian Far East: A Business Reference Guide, Fourth Edition, 1999-2000* (Washington, DC: Russian Far East Advisory Group, 1999), p. 122.

11) Douglas M. Johnston and Mark J. Valencia, "Fisheries," in Mark J. Valencia ed., *The Russian Far East in Transition: opportunities for regional cooperation* (Boulder, CO: Westview Press, 1995), p. 147.

12) Johnston and Valencia, p. 147.

13) *Russian Fish Report*, Monthly Fisheries News From Russia, Issue No. 1 (76), January, 2003, p. 6.

## THE DEVELOPMENT OF FISHERY DIPLOMACY BETWEEN RUSSIA AND SOUTH KOREA

South Korea has been fishing for Russian pollack in the Sea of Kamchatka since the late 1960s. Since the establishment of diplomatic relations in 1990 and the fishery agreement in 1991, South Korea has been able to fish in the Sea of Okhotsk according to fishery quotas based on the South Korean-Russian fishery pact.<sup>14)</sup> South Korea has fished mostly pollack, king crab, cuttlefish, cod and saury in this region.

**Table 2.** Korean Fishery Trade with Russia, June 2003-June 2004

(Unit: tons/US\$)

Export			Import		
Item	Amount	Cost	Item	Amount	Cost
Sum	1,274	1,549	Sum	67,248	112,546
Pollock	366	402	Pollock	38,298	33,809
Herring	546	412	Pollock Eggs	2,660	29,778
Cuttlefish	153	331	King Crab	5,821	23,196
Seaweed	9	121	Crab	1,912	7,730
.	.	.	Other fish	4,571	4,228
.	.	.	Cod	2,987	3,838
Etc	101	161	Etc	6,234	6,329

Source: Korean Ministry of Maritime and Fisheries, *Annual Report 2004*

Meanwhile, South Korea has become a convenient place for Russian fishery markets and fishery operators during the last decade. High taxes and duties, along with burdensome regulations and inefficient port procedures in the Russian Far East, have caused many Russian fishery operators to keep their foreign-built vessels out of Russian Far East ports. Even crew changes are often done at sea or in foreign locations.<sup>15)</sup> Foreign countries tend to offer more favorable terms of payment and offer a better infrastructure and service for the crew and

14) Briefing, 10 August, 2000, International Cooperation Department, Korean Ministry of Maritime Affairs and Fishery, on [http://www.kmi.re.kr/daily\\_update/html/alim/200008/alim200008104.htm](http://www.kmi.re.kr/daily_update/html/alim/200008/alim200008104.htm) accessed on 28 July, 2004, and *Report on Analysis of Economic Situation in the Russian Far East and Siberia and Russian-Korean Cooperation*, Seoul: The Research Project for the Globalization in Russia's Regions at Hankuk University of Foreign Studies, December 2003.

15) Allison, p. 80.

vessels.

Since the collapse of the Soviet Union, one of the fundamental economic changes in the Russian Far East fishery has been the new terms of payment. While income and cash flow were secure during the Soviet period, the new market-based economy proved to be an example of the opposite. Because of this economic situation, many of the land-based fish-processing companies and traders suffered from a lack of working capital. Nilssen and Honneland state that the sellers normally had to accept terms of payment that, among other things, included extensive credit. This was indeed less attractive for the fishing companies, which had been struggling to generate and maintain an acceptable cash flow. None of them could afford to allow extensive credit on their sales.<sup>16)</sup>

Moreover, a great number of active Russian fishing vessels either were purchased abroad or have been significantly upgraded abroad, which also represents a substantial investment made abroad. What drove them toward foreign harbors was that the newly purchased or renovated vessels were carrying a latent tax burden to the Russian state on the sum of the investments. In fact, the tax burden, which is 25% of the investment value, was not activated as long as the vessel was located abroad or at least avoided calling at a Russian port. Thus, Russian fishing boats were highly reluctant to deliver their catch to Russian ports.<sup>17)</sup> Accordingly, because of its proximity to the Russian Far East and its marine service capabilities, Busan has become the most attractive port for Russians over the last decade. Drydocks in Busan have been full of Russian vessels, and business hotels have hosted Russian fishing industry entrepreneurs.<sup>18)</sup>

Despite rapidly developing fishery-related activities between the two countries, there exist a number of problems. Most of all, Russia's policy of reducing the pollack catch quotas, its policy of unpredictably raising fishing right charges, its inconsistent policy of barring foreign fishing boats from fishing in the Russian fishery zone, and illegal sales of fish by the Russian mafia remain the major problems of fishery diplomacy between the two countries since 1990. In particular, since the late 1990s, Russia has continued to significantly reduce its South Korean pollack catch quota, creating a devastating impact on the Korean fishery industry. Given the fact that pollack is one of the most popular fish in the Korean diet, and that South Korea depends on the Sea of Okhotsk for 90% of its total domestic pollack consumption,<sup>19)</sup> it is no exaggeration to state that this

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16) Ibid, pp. 323-324.

17) Frode Nilssen and Geir Honneland, "Institutional Change and the Problems of Restructuring the Russian Fishing Industry," *Post-Communist Economies*, Vol. 13, No. 3, 2001, p. 324.

18) Even a little Russian town, the so called "*Ulitsa Texas*" was set up in the area of Busan, in order to cater to Russian fishermen and shuttle traders.

19) "Korean fishery diplomacy fails," Editorial, *Busan Ilbo*, 17 December, 2001, on <http://www.pusanilbo.com/news2000/html/2001/1217/040020011217.1005...>, accessed on



quota dispute threatens South Korean national economic security.

### **Pollack Quota Dispute:**

The sea of Okhotsk as a whole contains perhaps the richest Alaskan pollack fishery in the world. It is fished by Russia, South Korea, China, Taiwan, and North Korea as well as Poland, Panama, and Bulgaria.<sup>20)</sup> An important stage of fishery diplomacy between the two countries occurred during 2002 and 03. In November 2002, the two countries reached an agreement on the number of fishing boats, time, and procedures at the fishery council. Yet once again, they failed to agree on fishery catch quotas. Even though the total allowance catch of pollack, cod, saury, and cuttlefish was settled, the proportion of private-auction quota, government-to-government quota, and domestic population industry quota was not finalized in Russia. It is reported that the Russian Ministry of Economic Development and State Fishery Committee of the Russian Federation debated the issue of quota proportion. The Russian Ministry of Economic Development supported an increase in the private-auction quota, whereas the State Fishery Committee of Russian Federation supported increases in the government-to-government quota and the domestic population quota.<sup>21)</sup>

Moreover, following the 13th Korea and Russia Fishery Council in November 2003, Russia eventually reduced the Korean fishery quotas by 20% in the Russian fishing zone. According to the annual report of the Korean Ministry of Maritime Affairs and Fisheries (KMMAF) in 2004 Russia set up South Korean fishery quotas at 39,950 tons (t): pollack at 20,000t, Pacific saury at 10,000t, cod at 2,650t, and cuttlefish at 7,300t. The 20,000t of pollack were 2,000t less than the 2003 quotas. These figures demonstrate that quotas for four kinds of fish have decreased 22.9%. In particular, as the table figures indicate, the pollack quotas have been reduced every year since 2000.<sup>22)</sup>

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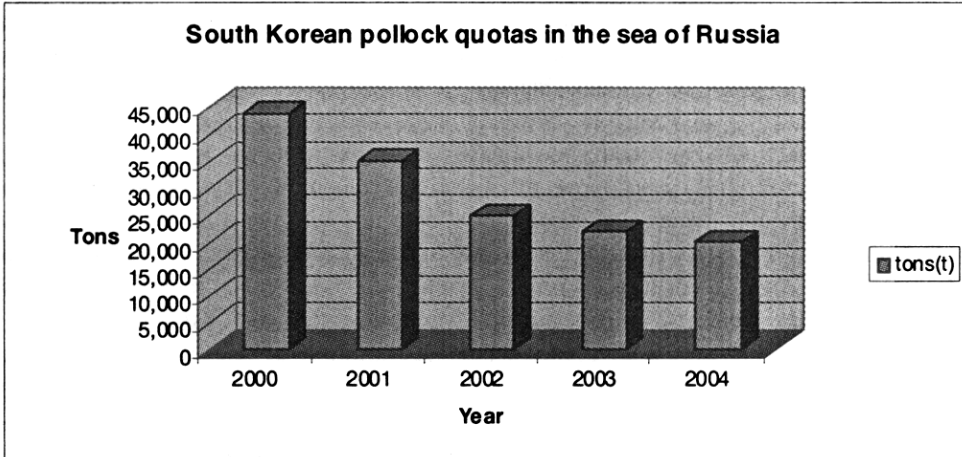
28 July, 2004.

20) It is interesting to note that Japan also fishes in this area but not for pollack.

21) *Kukche Sinmun*, 26 November, 2002, on [http://www.infofishnet.co.kr/user/nes/html/nes\\_mns\\_sel.jsp?idx=700&ipag...](http://www.infofishnet.co.kr/user/nes/html/nes_mns_sel.jsp?idx=700&ipag...), accessed on 28 July, 2004.

22) Statistics, Korea Deep Sea Fisheries Association, 6 April 2004, Seoul, Korea, *Kyonghyang Shinmun*, 30 November, 2003, *Segye Ilbo*, 30 November, 2003, *Chungang Ilbo*, 30 November, 2003.

**Figure 1.** South Korean Pollack Quotas in the Sea of Russia



Source: Korean Ministry of Maritime and Fisheries, *Annual Report 2004*

According to KMMAF officials, Korea claims to have reduced fishing boats 10.7% from 168 to 150, in 2004.

Compared with the situation a decade ago, negotiations between the two countries are not developing into seriously heated disputes. Even though the pollack quotas decreased over the last few years, the actual numbers are not very serious, as one of the officials from the KMMAF has stated.<sup>23)</sup> Meanwhile, many fishery specialists contend that as Russia raises the pollack price every year, this will have a devastating impact on the Korean domestic pollack market price in the long term. This is highly likely to be problematic given the fact that 90% of Korean domestic total pollack are fished in exclusively the Russian Far East sea zone, and the scale of the Korean domestic pollack industry is quite large, reaching US\$1,000 billion.<sup>24)</sup>

Nevertheless, both sides agreed to conduct joint research of pollack in the Sea of Okhotsk in 2004.<sup>25)</sup> South Korea has remained the highest quota-receiving country from Russia among other North Asian nations, including Japan and China, in the last several years.<sup>26)</sup>

23) "Korean Fishery Diplomacy Fails," Editorial, *Busan Ilbo*, 17 December, 2001, on <http://www.pusanilbo.com/news2000/html/2001/1217/040020011217.1005...>, accessed on 28 July, 2004.

24) *Ibid.*

25) *Kyonghyang Shinmun*, 30 November, 2003.

26) *Susan jun moon kookne news* (Fishery Chain News), 24 March, 2001, on [http://www.fishchain.com/kr/news/d/20010327\\_67.asp](http://www.fishchain.com/kr/news/d/20010327_67.asp), accessed on 28 July, 2004.

### **Cuttlefish Dispute: Fishing Right Charges**

South Korea began to catch cuttlefish in the Sea of Russia in 1999. South Korean fishing boats have continued to increase in this region from 44 boats in 2000 to 75 boats in 2004. However, on May 9, 2004, cuttlefish negotiations stalemated because Russia charged an extremely high price for cuttlefish fishing rights. According to the negotiation committee, Russia allegedly asked for US \$140 per ton which was exactly twice that in 2003, US \$70, whereas South Korea asked for US \$72.50. Even though both parties agreed to finalize a deal at US \$78, Russia did not issue fishing rights to South Korea for a month, for no apparent reason. This led to a one-month delay for many Korean cuttlefish fishermen to fish in this region.<sup>27)</sup>

### **Saury Dispute: The Japan Factor**

The case of the saury dispute illustrates that Japan plays a very important role in fishery diplomacy between Russia and South Korea. The saury dispute is a political dispute in which Russia gave South Korea permission to fish for saury in the Kuril area, an area whose sovereignty is disputed by Russia and Japan. Indeed, the dispute became a three-sided diplomatic wrangle and threatened to disrupt relations between the countries involved.

After losing rich saury fishing grounds in the Sanriku area as a result of the 1998 South Korea-Japan Fisheries Agreement, South Korean boats were fishing saury in the southern Kurils in 1999 under quota allotted to private companies by the Russian Fishing Resources Corporation. In 2000, however, the Russian government adopted a more transparent resource-allocation procedure by converting the private commercial quota system to an auction system and by strengthening government control over the allocation of fishing rights to foreign countries. The South Korean fishing companies and government were concerned that this decision would hurt the domestic saury industry: The saury catch in the southern Kurils consisted of one-third of the total saury consumption of South Korea. During the 10th South Korea-Russian fisheries commission meeting in December 2000, Seoul secured an intergovernmental agreement on saury while meeting the goals of domestic saury industries. Both Seoul and Moscow emphasized that the agreement was made on a commercial basis.<sup>28)</sup>

Meanwhile, Tokyo strongly resisted on the grounds that such an agreement

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27) *Hankook ilbo*, 16 June, 2004, on <http://kr.news.yahoo.com/service/news/ShellView.htm?ArticleID=20040616...>, accessed on 29 July, 2004, *Maeil Shinmun*, 2 July, 2004, on <http://kr.news.yahoo.com/service/news/ShellView.htm?ArticleID=20040707...>, accessed on 29 July, 2004, and *Jinju I news*, 5 May, 2004, on <http://jinju.eneews.co.kr/detail.php?number+254146>, accessed on 28 July, 2004.

28) Mark J. Valencia and Young Hee Lee, "The South Korea- Russia-Japan fisheries imbroglio," *Marine Policy*, Vol. 26, Issue 5, September 2002, pp. 337-343.

would undermine its claim to the Kuril Islands and pressured Seoul to abrogate the agreement. When South Korea refused, Japan revoked South Korean saury boat fishing in its EEZ off the northeastern Japan-Sanriku area beginning June 19, 2001. After a series of debates between the two countries, South Korea stopped its fishing contacts with Japan as well as planned bilateral fishery talks, posing a threat to Japanese crab fishing. It was reported that Japan offered to permit the operation of South Korean boats in its waters only if South Korea would officially recognize that the Kuril area as part of Japan's EEZ and seek permission to fish there from Japan. South Korea refused, alleging that did not want to be drawn into territorial disputes between Russia and Japan. Yet Seoul maintained that the controversial areas were within Russia's EEZ, and thus Japan had no rights in this region.<sup>29)</sup> Instead, Seoul proposed that Japan offer an alternative fishing site in exchange for South Korea giving up its commercial agreement with Russia. But Japan declined, contending that Seoul was trying to gain increased access to Japan's EEZ fishery resources. In the course of the debates over this dispute between Seoul and Tokyo, Japan compromised with Russia over the saury issue by offering to prevent its fishermen from poaching in Russian waters as a means of increasing Russian tax revenues. Japan also declared that it would provide financial support to protect fishery resources in the area.<sup>30)</sup>

In 2001, South Korea eventually had to give up saury fishing in the South Kuril area because of an unexpected fishery agreement between Russia and Japan. Moscow and Tokyo agreed to prevent other countries from fishing in the southern Kuril area. Because of the South Korean government's continued protests, Prime Minister Koizumi and President Putin refrained from signing a formal agreement on the issue at the APEC summit in October 2001. Yet during the summit between Putin and Kim Dae Jung at the same meeting, Putin promised Kim that Russia would grant an alternative fishing zone and quotas to South Korea. Although South Korea received a substitute fishing zone from Russia after a series of protests, its productivity and profitability allegedly fell behind the zones in the South Kuril.<sup>31)</sup> The saury incident clearly stalled the

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29) "Japan to Oppose South Korean Fishing of Russian Held Isles," *BBC Monitoring, Asia Pacific Political*, 19 June 2001, and "South Korea Protest Japan's Fishing Ban," *Xinhua News Agency*, 19 June 2001.

30) "Japan: Russia Not to Give Third Parties Fishing Rights Near Disputed Islands," *BBC Monitoring Asia Pacific-Political*, 5 October 2001.

31) South Korea negotiated a deal for 2002 for 20,000 tons of saury in the northern Kurils. Although the quota was increased from the 15,000 tons in 2001, it is not clear that there are sufficient fish there to fill the quota. South Korea also agreed to pay US \$183 per ton for up to 25,000 tons of Pollack caught in the Bering Sea, although that fee is 10.2 % higher than it was 2001. See "Korean Fishermen Agree to Pollock Catch Fees in Russian Waters," *Asia Pulse*, 1 January, 2002, and Valencia and Lee, pp. 342-343, and Moonwha Ilbo, 8 December 2004; National

existing fishery relations between Moscow and Seoul.

## **THE LINK BETWEEN ILLEGAL FISHERY, OVERFISHING, AND THE SIZE OF THE CATCH QUOTA**

This section contends that the problems of fishery diplomacy between Russia and South Korea stem from several trends or problems that the Russian Far East fishery has faced since the collapse of the Soviet Union. These include the decrease in reported Russian fishery production, export increases, illegal trading, overfishing, incomplete legislation on fisheries, and institutional conflict between the center and periphery over the control of resources.

The two main problems of fishery diplomacy between Seoul and Moscow (1) the size of the pollack catch quota disputes and (2) the illegal fishing trade by the mafia are closely connected with the post-Soviet Russian Far East fishery phenomena. In other words, transitional and chaotic Russian Far East fishery infrastructure has facilitated burgeoning illegal fishing activities. There is no denying that illegal fishery generated overfishing in this region. The depletion of fishery resources has reached dangerous levels because of overfishing, and the Russian government started auctioning fishing quotas in 2001 to regulate the catch.<sup>32)</sup> In other words, illegal fishery activities urged the Russian government to reduce the size of foreign fishing catch quotas in order to prevent overfishing. In this regard, it is crucial to examine more fundamental factors that have caused illegal fishing activities in this region.

### **Illegal Fishing**

#### **Evidence of Illegal Fishing: Inaccuracy of Fishery Reports**

The Russian Far East suffers from illegal fishing, which comes generally in two categories: illegal sales of fish directly from Russian fishing ships and illegal fishing by foreigners in the Russian zone. Illegal fishing by both foreign and domestic ships is largely carried out in two forms: poaching and driftnetting. The environmental impact of illegal fishing, particularly driftnetting, in this region is even more serious. It causes disruption of the age structure and genetic composition of the stock and has a deleterious effect on marine ecosystems.<sup>33)</sup>

In the 1990s, illegal fishing and unreported fish exports accounted for

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Fishery Scientific Institute, newspaper briefing, on [http://www.nfrda.re.kr/news/scrab/scrab\\_read.php?cod=2&idx=2409](http://www.nfrda.re.kr/news/scrab/scrab_read.php?cod=2&idx=2409), accessed on 28 July, 2004.

32) The output of tinned fish fell by some two-thirds in 1992-1997. The decline continued in the late 1990s, and in 2001, the total catch was 3.7 million tons, down 9.1 % from 2000. See *Agriculture, Country Profile Russia 2004*, the Economist Intelligence Unit Limited 2004 via Ebsco, p. 43.

two-thirds of the Russian Far East's revenue. In 2004, Putin stated that nearly 80% of the Russian fish trade is illegal, without going through and breaking internationally agreed quotas. Russian police allegedly caught 500 tons of illegal marine products between May and June 2004. During this period, most illegal products consisted of caviar and salmon.<sup>34)</sup>

In fact, illegal fishing not only has led to the depletion of marine resources in the Sea of Okhotsk and the northern Pacific Ocean but also has complicated diplomatic relations between Russia and its neighboring countries. In particular, illegal fishing is the most serious factor that concerns Russian and South Korean fishery diplomacy. It clearly hinders the sustainable development of state-based fishery trade. This underground fishery activity also obstructs the Russian government's collection of some share of the resource rents into the central or regional budget. Furthermore, it creates incentives for corruption and tax evasion.

There are actually several reports of Russian ships, not built or licensed for fishing, frequently engaging in the illegal sale of fish to Japan, China, and Korea. In Sapporo, for example, one kilo of Kamchatka crab is reportedly sold by Russian fishermen for 1,500 yen, which is much cheaper than the going price in Japan but much more expensive than in Russia.<sup>35)</sup>

It is important to understand that despite the rising technical efficiency of the Russian fleet, the reported catch has declined steadily since its reported peak in 1988, and the share of high-value products such as salmon and crab, has fallen. The decline in production reflects the overfishing phenomenon, which is highly related to the high price of fish catch quotas and illegal fishing. The decline in measured production reflects a growing volume of Russian catch, which is delivered offshore and goes unrecorded by Russian customs authorities. Indeed, official fishing data in the Russian Far East, while good for indicating trends, are not really reliable. It is well known that fish catches in Russia are underreported, some say by 50% or more. Beyond the supervisory authority of the Russian customs agency, much of the fish that is transferred to foreign vessels on the high seas is simply not reported because it is fished illegally.<sup>36)</sup>

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33) Natalia S., Mirovitskaya and J. Christopher Haney, "Fisheries Exploitation as a Threat to Environmental Security," *Marine Policy*, 1992, 16, p. 252.

34) *Susanmul suchul chugan jungbo* (Marine Products Export Weekly Information), 1 August, 2004, Kyungsang Namdo Fishery Production Department, on <http://www.provin.gyeongam.kr/-Agr-fish/export/sea.htm>, accessed on 28 July, 2004, and see also "Russia's Fish Trade Has Gone to the Dogs," *Business Report*, 24 June, 2004, on <http://www.businessreport.coza/index.php?fArticleId=2124630>, accessed on 17 August, 2004.

35) Galina S. Vitkovskaia, "Lawlessness, Environmental Damage, and Other New Threats in the Russian Far East," in Gilbert Rozman, Mikhail G. Nosov, and Koji Watanabe eds., *Russia and East Asia* (London: M.E. Sharpe, 1999), p. 183.

36) Miller and Karp, p. 115.

### **Illegal Fishing Results in Overfishing**

Once again, there is no denying that illegal sales of fish and overfishing have contributed to the depletion of fish stocks in this region. In particular, overfishing is even more serious than it appears. It can result in the permanent depletion of fish stocks. If overfishing alters predator-prey relationships or the genetic diversity of the target species, it causes a long-term change in the species composition of the community, from higher-value species to smaller, low-value fish. At the extreme, the community is dominated by "trash fish" with little or no commercial value.<sup>37)</sup> When this happens, the higher-value species is considered to be driven to commercial extinction in a given marine fishery, meaning that so few of the species remain that it is too expensive to fish for them.<sup>38)</sup>

### **Mafias Are in Charge**

It appears that a number of mafias are actually running several major smuggling operations on this sector in this region. Once again, this is becoming a more serious issue that hinders smooth fishery relations between Russia and its Northeast Asian fishery exporting partners. The Russian mafias consist not only of gangsters but also border guards, military personnel, custom officials, fisheries inspectors, procurators, and fishers and fishing firms. In October 1999, for example, it was reported that Russian border guards had been cooperating with fish smugglers for more than two years by transmitting information about the times and zones in which patrols were to take place.<sup>39)</sup> In fact, border guards and custom officials have received only their wages from Moscow, but the chronic federal budget deficit has led to significant delays in the payment of these or insufficient wages. Wage arrears clearly generated general resentment within the ranks of Russia's armed forces and security organs. As Williams argued, "under such difficult economic conditions the potential material benefits including cash, alcohol, valuable seafood product and women in extreme cases, derived from participating, either actively or passively, in this illicit trade have proved too tempting for the struggling members of Russia's armed forces, law enforcement agencies and even fisheries scientists."<sup>40)</sup>

Given the wealth produced from this illegal trade, criminal organizations in Japan, Korea, and Russia, often working in cooperation with each other, are al-

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37) John R. Beddington and R. Bruce Rettig, *Approaches to the Regulation of Fishing Effort*, Food and Agriculture Organization (FAO), Fisheries Technical Paper No. 243, Rome, 1983, p. 29.

38) Gareth Porter, "The Role of Subsidies in the Global Fisheries Crisis," *Fisheries Subsidies Overfishing and Trade*, United Nations Environment Program (UNEP), Switzerland, August 1998.

39) Border Guard Personnel Cooperating in Smuggling, *Japan Sea Network Online*, 328, 13 October 1999; Williams, p. 717; and Thornton, p. 116.

40) Williams, p. 717.

so actively involved.<sup>41)</sup> In fact, the Russian mafia is said to be influential in the entire process, from the distribution of quotas to the sale of fish and marine products in Japan and Korea. It also has been reported that Japanese and Korean organized crime groups make advance payments for quotas and establish bank accounts, sometimes through third parties, for the laundering of profits. According to Korean police reports, in October 2003, 23 Korean fishery-related people were arrested for illegally transferring money to Russian mafias. In 2003, one of them allegedly imported 17,000 tons of marine products, primarily pollock and crab, from Russian mafias, at a cost of US \$20 billion.<sup>42)</sup> There are already indications that efforts to regulate fishing more strictly have created strong opposition from entrenched interests, sometimes leading to deadly retaliation.<sup>43)</sup> It is also interesting to note that without hard data, it is quite difficult to quantify just how widespread the influence of criminal organizations in this commerce actually is. Nevertheless, it is undeniable that organized criminal groups in Russia, Japan, and South Korea are involved, sometimes operating in coordination with local fishermen and sometimes independently.

## **FUNDAMENTAL CAUSES OF ILLEGAL FISHING IN THE RUSSIAN FAR EAST**

### **Domestic Dimension: Problems of the Russian Far East Fishery**

#### **Clumsy Legal System**

It is important to analyze the fundamental causes of illegal fishing activity in the Russian Far East because illegal fishing is the primary cause of fishery disputes between Russia and South Korea. There is no denying that illegal fishing activity is one part of post-Soviet Russia's troubled transition to a market economy. Among the contributing factors, perhaps the single most important one has been Russia's commercial legal framework that was put in place to regulate the fishing industry. Brad Williams has stated that this is somewhat ironic because it is Russia's inconsistent and contradictory laws and regulations covering taxation, bankruptcy, secured interest, customs, and property rights that have hin-

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41) Andrei Belov, "Kani no Baburu (4-5), (the Crab Bubble), unpublished manuscript, p. 2, quoted in Williams, p. 713.

42) Kim, *Korea Financial News*, 24 November, 2003, and Belov, p. 2, quoted in Williams, p. 713.

43) It has been reported that not long after the commander of Sakhalin's border guards ordered all small fishing vessels to install tracking equipment, in an effort to crack down on smuggling to Japan, he was killed in an arson attack at his home in 2002. See U.S. Department of Commerce, "Trade and Investment Barriers in the Russian Far East," January 2003.



dered foreign investment and the development of stable external trading relations. Indeed, Russia's regulatory legal framework has stimulated the illicit trade in fish and marine products in the Russian Far East.<sup>44)</sup>

In fact, until recently, most of the Russian fishing-industry-related laws and regulations had been formulated in the Soviet era. The poaching of fish and marine products and the smuggling of these goods into foreign ports by Soviet fishers virtually did not exist. This means that laws covering this activity were either nonexistent or inadequate. As Williams argues, this legislative gap remained unfilled when the fishing industry and foreign trade were deregulated during the early 1990s. In other words, the commercial legal framework was simply unable to keep up with the rapid development taking place in the deregulated Russian fishing industry in the early 1990s. It sometimes even changed up to 10 times per year in an effort to catch up with reality.<sup>45)</sup> Accordingly, the legal definitions of poaching and smuggling differed according to the particular enforcement agency carrying out the investigation. Therefore, definitional divergence hindered efforts at inter-agency coordination. Fines and other penalties could not match the financial gains to be made from this illegal commerce and thus failed to act as a deterrent to poachers and smugglers.<sup>46)</sup>

#### **The Highly Politicized and Complicated Quota-Allocation System**

The fishing quota-allocation system is perhaps the most important and frequently discussed issue in both the Russian fishery industry and fishery diplomacy in the Russian Far East. Since privatization, access to fish in the Russian 200-mile zone has been based on contracts or quotas. Access of foreign ships including Japanese and Korean ones, is negotiated annually on a bilateral basis. Domestic allocations are determined in an administrative process. Rights have been supposed to reflect the size of a firm or the region's past catch. Nevertheless, lobbying and side payments were perhaps the most important element in granting fishery contracts and quotas. The Russian Federal Committee on Fisheries has given itself an allocation. Territorial governments receive separate quotas in two forms: First, some governments, such as Chukota, have established commercial firms to exercise their quotas. Others resell their fishing rights to domestic or foreign bidders.

In fact, the quota distribution system is closely related to Russia's commercial legal framework. By the late 1990s, the fishery quota system had gradually increased and evolved into a highly politicized and complicated structure. The quota allocation is multi-step process. The Russian Federation Department on the Fishing Industry in Moscow examines regional fishing quota applications. The

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44) Williams, p. 715.

45) Interview with the former head of the Sakhalin administration's Department of Foreign Economic Relations, Vitalii Elizar'ev, Yuzhno-Sakhalinsk, 23 August 2001, quoted in Williams, p. 715.

46) Ibid.

quota-allocation process is as follows: First, quota seekers must submit applications to the Krai Administration Fishing Industry Committee (KAFIC). Applications are examined at a special meeting of the KAFIC, which then drafts a general quota application and forwards it to the Department on the Fishing Industry.<sup>47)</sup>

Harvest recommendations are decided on the basis of data collected by the Russian Scientific Research Institute on the Fishing Industry and Oceanography and a regional fisheries science center called the Regional Scientific Research Institute on the Fishing Industry and Oceanography, which are the main consultants to the Department on the Fishing Industry. Based on these recommendations, the Department on the Fishing Industry allocates quotas for every species in all basins of Russia every calendar year. Quotas are constrained by inter-government agreements with North and South Korea, China, Poland and other countries; allocations are required for regional institutes to make prognoses for the next year. The quota document is called a volume of permissible catch (VPC). The quotas are forwarded to the Department of Agriculture and the State Committee on Environmental Protection and approved by these two organizations before being sent to the prime minister for final approval.<sup>48)</sup>

Following the prime minister's approval, the approved recommendations are passed on the regional administration for distribution among companies, sometimes through an intermediary industry association. Fishing vessels are finally issued with a fishing ticket according to a number of criteria, including the type of vessels owned by each company, historical catch levels, the vessel operator's record in tax and wage payments, its importance as an employer and social service provider, and any record of fishery violations.<sup>49)</sup> It is interesting to point out that among many other factors, quota allocations are usually, but not always, based on the historical ability to catch fish. Accordingly, disputes exist. For example, Sakhalin sometimes accuses Primorye of gaining a quota allocation greater than its fair share. Territories with ethnic minorities, such as the Koryak Autonomous Okrug and Chukotka Autonomous Okrug, receive fishing quotas regardless of their proven ability to catch fish in an effort to provide them with special help.<sup>50)</sup>

In the course of this complicated and long procedure, the above-mentioned formal criteria are not substantially determining factors. Indeed, favoritism and unfair practices occur. Other informal factors, such as family ties, political con-

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47) Quota applicants are required to specify the following items: the species of fish or seafood the company plans to catch, the quantity for every vessel, fishing gear, and the area of catching and terms of catching. See Tarrant.

48) Ibid.

49) See the process in detail in Anthony Allison, "Sources of Crisis in the Russian Far East Fishing Industry," *Comparative Economic Studies*, XLIII, 4, winter 2001, p. 73, and Williams, pp. 715-716.

50) Miller and Karp, p. 121-122.

nections, and bribery, appear to be more influential. As Allison argues, "such a complex system, particularly, the possibility to move between quota categories,<sup>51)</sup> or even to create new special quotas, and to treat the criteria and rules for each category subjectively, has created a high potential for corruption in the allocation process."<sup>52)</sup> The final arbiter for quota distribution, however, is always the fisheries committee in Moscow.<sup>53)</sup>

In December 2000, the Russian government even introduced a new quota distribution system, called "open auction" for several reasons: (1) to maintain complete control over the fishing industry; (2) to resolve the problem of insufficient funding for fishery enforcement agencies; (3) to eliminate some of the incentives for corruption that were inherent in the existing quota-allocation system. Yet this system unexpectedly resulted in poaching and smuggling in the end. The problem is particularly caused by the extremely high prices at which the quotas are sold.<sup>54)</sup>

Therefore, the only way that many local fishers, who suffer enormous financial burden, can participate in these auctions is to receive the financial support of foreign connections, notably Japanese and South Korean companies or local mafias. In the case of foreign connections, debts are typically paid with fish and marine products. Purchasing these expensive quotas often drives local fishing enterprises into considerable debt. The only way they can pay off these debts is to catch more fish than initially allocated by their quotas and to illegally sell these products in foreign ports, mainly in Hokkaido, where they allegedly fetch a higher price.<sup>55)</sup> There is no denying that this generates overfishing. This problem is aggravated by the fact that any Russian enterprise, regardless of its location or type, can participate in these auctions as long as it is financially secure.<sup>56)</sup> This means that those who have little knowledge of the local fishing industry and the environmental concern posed by overfishing are able to purchase quotas.<sup>57)</sup>

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51) Anthony Allison, "Sources of Crisis in the Russian Far East Fishing Industry," *Comparative Economic Studies*, XLIII, 4, Winter 2001, p. 73. See also Clarence G. Pautzke, Russian Far East Fisheries Management, North Pacific Fishery Management Council Report to Congress, 30 September, 1997, pp. 30-37, [http://www.fakr.noaa.gov/npfmc/summary\\_reports/rfe-all.htm](http://www.fakr.noaa.gov/npfmc/summary_reports/rfe-all.htm), accessed on 25 July, 2004.

52) *Ibid.*

53) Miller and Karp, p. 122.

54) For example, the initial starting price for one type of crab quota being auctioned was \$2.20 per kilogram, but bidding escalated the price and it ultimately sold for \$12.70. See *Rybak Sakhalin*, 3 May 2001, quoted in Williams, p. 716.

55) *Yuzhno-Sakhalinskaya gazeta*, 25 July 2001.

56) *Sovetskii Sakhalin*, 1 October, 2001; *Gubernskie vedmostii*, 15 May 2001.

57) Williams, p. 716.

### **Confiscatory Taxation Regime**

Illegal fishing and underground fish market activities in the Russian Far East are also generated by Russia's confiscatory tax regime.<sup>58)</sup> In the past, Russian entrepreneurs had approximately 50 different taxes to pay, and the full amount of the taxes often exceeded their total profits.<sup>59)</sup> This not only created tax evasion but also led local fishing enterprises to engage in poaching activities to remain financially viable. Burdensome regulations and inefficient port procedures have created a situation in which many Russian vessels are substantially based in South Korean and Japanese ports, mainly Busan and Hokkaido. These fishing vessels are able to venture into Russian waters to catch fish and then sell them on the open seas. This makes it difficult for Russian authorities to apprehend them.<sup>60)</sup> A tendency for fishery enforcement agencies not to inspect Russian-registered ships has also increased illegal fishing.<sup>61)</sup>

### **Lack of Law Enforcement Agencies**

Perhaps the most direct cause of illegal fishing has to do with the decline or disappearance of Russia's armed forces and law enforcement agencies that suffer from insufficient financial resources. Since the collapse of the Soviet Union, the armed forces and law enforcement agencies have been hit very hard by reforms. Russia's law enforcement agencies depend primarily on the state for financial support to combat poaching and smuggling. Without financial assistance from the government, it is virtually impossible to stop illegal fishing activity. Law enforcement agencies have only a limited number of inspection vessels and no aircraft or helicopters. Because of chronic fuel shortages and maintenance problems, available patrol vessels are often forced to remain tied up in port.<sup>62)</sup>

Moreover, law enforcement agencies receive only their wages from Moscow. Yet the chronic federal budget deficit has led to significant payment delays. Amid such difficult economic situations, the potential material benefits derived from participating in illegal trade, such as cash, alcohol, and valuable seafood products, have attracted struggling members of Russia's armed forces, law enforcement agencies, and fishery scientists.

The drastic decline in federal subsidies has left government regulatory agencies

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58) Ibid.

59) East Asian Analytical Unit, Department of Foreign Affairs and Trade, Australian Government, *Pacific Russia: Risks and Rewards* (Canberra, EAAU, 1996) p. 52.

60) East West Institute, *Russian Regional Report*, 7,13,3 April 2002, p. 8, quoted from Williams, pp. 716-717.

61) *Hokkaido Shimbun*, 11 April 1997, p. 31.

62) According to one report, border patrol vessels receive only six tones of fuel per year. See *The Sakhalin Times*, 17-31 January 2002, no. 16, <http://www.sakhalintimes.com>, and Williams, p. 717.

in a very difficult situation. On Kamchatka, for example, as elsewhere in the Russian Far East, there are even reports of illegal fish trading by the agency responsible for enforcing fishing regulations, Kamchatrybvod.<sup>63)</sup>

### **International and Regional Dimension**

It is equally important to understand that the current illegal fishery activities in the Russian Far East are not solely a Russian domestic problem. It would be misleading to suggest that this fishery problem could be resolved immediately if a suitable regulatory framework were established in Russia. This clearly overlooks international or regional dimensions of South Korean, Chinese, and Japanese involvement. For example, there are already indications that Moscow, local governments in the Russian Far East, and Seoul have taken a number of independent measures, such as arresting Korean and Russian mafias for illegal fishing and money laundering to prevent the poaching and smuggling of fish and marine products. Yet, given the transnational nature of the problem, these initiatives have proved insufficient. It is also interesting to point out that Russian fish and its byproducts are being sold by poachers through intermediaries, particularly through businesses established in other states, mostly China.<sup>64)</sup>

In fact, illegal fishing is one of the few industries in the Russian Far East to attract significant foreign investment, even if this sector is highly related to criminal activity. In other words, the reorientation of the fish industry toward export markets has fueled illegal exports. Considering South Korea's dependence on a large amount of fishery products in Russian waters, it is mainly Korean consumers who have stimulated this commerce, and South Korea must assume some responsibility for it.

#### **Production Decrease vs. Export Increase**

Illegal fishing is highly related to export increases in the Russian Far East fishery. Russian fishery production has fallen substantially since the collapse of the Soviet Union. While Moscow and the regions have struggled with each other for control of resources, the most important commercial stocks have been increasingly reduced because of poor management and overfishing. The total fish-

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63) In the fall of 1994, a correspondent for Russian Far East Update reported that when Kamchatrybvod ran out of money for operation, it was allowed a quota of 8,000 tons instead. Sales of the fish would enable Kamchatrybvod to earn revenues to refill its empty treasury and allow it to continue operations. But later the enforcement agency was charged with selling much more fish than the initial quotas, and selling the fish to joint ventures for export, revenues that can easily be hidden in offshore accounts. The tax authorities are seeking back taxes for the agency's entrepreneurial activities. See *both Russian Far East Update* 1994, and Newell and Wilson, p. 167-168.

64) "Russia's fish trade has gone to the dogs," *Business Report*, 24 June, 2004.

ing industry decreased in the 1990s following the collapse of the Soviet Union.<sup>65)</sup> This was a result of the decentralization of the fishing industry so that state-owned firms were broken into joint stock companies. Apart from the decentralization factor, the fishing fleets and processing equipment were also outdated. A lack of regular fuel supplies and a shrinking domestic market also contributed to the decline. The consequent loss of state subsidies caused many fishing vessels of the former Soviet Union to be tied up in the docks.<sup>66)</sup>

The proportion of products for export to foreign markets has increased yet the production of marine products and fish has contracted significantly in the past decade. In fact, exports continued to grow, and by 2001, Russia was selling approximately 80 % of its catch abroad. The increase in exports also led to a significant reduction in the delivery of domestic supply.<sup>67)</sup> It is even more intriguing to note that both legal and illegal exports of fishery production abroad, along with a rise in transportation costs, have substantially cut the delivery of Far Eastern fishery production to the European part of Russia. Fishing was transformed to catch expensive kinds of fish, and over-saturation of the market led to a drop in export prices.

The reason that export increases in the Russian Far East have to do with illegal fishing activities is that export revenues have moved offshore, beyond the reach of Russian taxes. What seems to be most problematic at this stage is that procedures for access to fishing quotas are opaque, and corruption is prevalent.<sup>68)</sup>

### **Clumsy Fishery Diplomacy from the Korean Side**

The problem of fishery diplomacy stems from the Korean side, too. South Korea's fishery diplomacy has seen a series of failures over the last few decades as a result of clumsy and ineffective policy. Its policy toward Russia has been no exception. Most of all, the South Korean government lacks fishery information, specialists, and negotiation strategy. Thus, its policy always has been passive and thus has never taken initiative in the fishery diplomacy.

During the saury debate in the South Kurils in October 2001, for example, South Korea did not even have any information regarding what was happening on both the Russian side and the Japanese side until Japanese newspapers announced that South Korea would not be able to fish in South Kuril any longer. It was reported that the South Korean government trusted the Russian government entirely, and that Russia would not ban South Korean boats from fishing

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65) In 1988, the catch was 5 million tons. In 1994, the catch was just 2.2 million tons. See *Russian Far East Update*, June 1995.

66) Suzanne Iudicello, Michael Weber, and Robert Wieland, *Fish, markets and Fishermen: The Economics of Overfishing* (Washington, DC: Center for Marine Conservation Island Press, 1999), p. 15.

67) Thornton, p. 112.

68) *Ibid.*, p. 111.

in the South Kuril area. Also, South Korea allegedly had only one consultation with Russia on this issue before this incident actually occurred. Compared with tenacious Japanese efforts and lobbying to negotiate with Russia, South Korea had nothing to offer Russia to earn permission to catch saury in South Kuril. On the contrary, Japan clearly presented an economic incentive to restore territorial justification of the Kuril islands. In other words, Japan suggested to Russia that it regulate the illegal fishing route and cooperate in fishery resource conservation. Furthermore, Japan promised Russia that it would support US \$3.5 million as a catch quota.<sup>69)</sup>

South Korea's clumsy and ineffective fishery diplomacy can be attributed to chaotic domestic politics. For example, the minister of Maritime Affairs and Fishery changed six times during the former Korean president Kim Dae Jung's five-year term. Each minister reportedly did not even get the chance to become familiar with the ministry's mission. Despite the relatively advantageous geographic position of South Korea, the country's Ministry of Maritime Affairs and Fisheries has not functioned efficiently.

Although Korean fishery policies in adjacent waters have been managed under a rigid institutional management regime over the past three decades, some failure of the legal arrangements has led to a decline in coastal and offshore fishery resources in particular, a drastic decline in the stocks of high-value species, illegal fishing activities, overcapacity in some fisheries, environmental degradation of fishing grounds and international overexploitation on the high seas surrounding neighboring countries.<sup>70)</sup> Despite the facts that global fishery territories have continued to shrink because of environmental and ecological concerns and that each state has established strict regulations on foreign fishing vessels, South Korea has failed to cope with either of these factors.

## IMPLICATIONS FOR INTERNATIONAL RELATIONS

### The Concept of Fishery Diplomacy: Fishery as a Security Agenda

Fishery diplomacy between Moscow and Seoul has clearly illustrated that fishing is becoming a much bigger issue than purely fishing. A basic characteristic of all wild stock fisheries is that they are a common-property natural resource to be managed collectively. Like many common-property resources such as water and air, they can be used without cost by economic enterprises. That is, no

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69) The South Korean government reportedly had five negotiation meetings after the saury incident, but it was too late to reverse Russia's decision. See, National Fishery Scientific Institute, newspaper briefing 2001, on [http://www.nfrda.re.kr/news/scrab/scrab\\_read.php?cod=2&idx=2728](http://www.nfrda.re.kr/news/scrab/scrab_read.php?cod=2&idx=2728), accessed on 28 July, 2004.

70) Seoung-Yong Hong, "Marine Policy in the Republic of Korea," *Marine Policy*, Vol. 19, No. 2, 1995, pp. 99-100.

single user has to pay for the right to use the resource, nor does anyone have exclusive rights to the resource or the right to prevent others from sharing in its exploitation. One of the most fundamental characteristics of a fishery stock as a common-property natural resource is that the amount of fishing effort, such as inputs of capital and labor applied, is not subject to the same restraints that govern the use of privately owned resources, such as farmlands, coal mines, or forest land. The commercial users of fishery resources are in competition with one another to get a larger share of the resources for themselves.<sup>71)</sup>

In fact, marine policy problems are playing an increasingly important role in the region's international relations. There is a steadily growing collective will in the international community of politicians and civil society to recognize and support the key role that fisheries play in economic development, food security, poverty alleviation, human health, and the national security agenda in a further sense.<sup>72)</sup> Fishery diplomacy, which has never been a popular theme in the international relations literature, has many interesting and significant perspectives.

First, many ocean resources and activities such as fish, fishing, pollutants, environmental protection, sea lanes and shipping are both transnational and trans-boundary in character. In other words, unlike land territories, there are many areas that can be claimed by two or more countries, such as the high seas.

Second, there is no strict regime to control or mediate fishery disputes. It is undeniable that several international fishery organizations do exist. Yet their roles are quite limited. Thus, in most cases, fishery diplomacy takes place on the basis of bilateral negotiations or within regional frameworks. The absence of multilateral maritime regimes often leads fishery talks to be settled on political calculations by the nation states regarding the rewards and risks or losses and benefits. In short, fishery is overwhelmingly a political issue. Politics has shaped the entire pattern of fishing in virtually every coast of the seas. Accordingly, fishing activity has always been dependent on the political situation.

In most fisheries, there clearly exist links between science, management and politics at the both national and regional level. This link is particularly important in the management of shared fish stocks.<sup>73)</sup> The roles and responsibilities of the different groups need to be clearly described and agreed upon. In particular, it is important to distinguish between those giving advice, such as scien-

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71) Frederick W. Bell, *Food From the Sea: The Economics and Politics of Ocean Fisheries* (Boulder: Westview Press, 1978), p. 137, and "Why manage Fishing?," *The Common Fisheries Policy*, European Commission, Directorate-General for Fisheries, Office for Official Publications of the European Communities, 1998, Luxembourg, p 1.

72) *The State of World Fisheries and Aquaculture*, Food and Agriculture Organization of the United Nations (FAO), Rome 2002.

73) Gordon R. Munro, "The Management of Shared Fish Stocks," *FAO Fisheries Report*, No. 695, Report of the Norway-FAO Expert Consultation on the Management of Shared Fish Stocks: Bergen, Norway, 7-10 October, 2002, p. 2



tists and economists, and those making the management decisions, such as government officials and bureaucrats. They all need to work together to achieve the agreed goals, but their responsibilities and accountabilities need to be clearly identified. In general, those giving advice need to provide options to the decision makers, along with the implications of selecting one option over another, including an assessment of the uncertainty and risks in all aspects of the social, economic, and ecological dimensions. The decision makers have to make choices and make the reasons for those decisions transparent to all stake holders.<sup>74)</sup>

In most fishery decision-making cases, however, it is fair to say that decisions are made for political rather than conservation purposes. As Tim Gray states, in some instances, "fisheries issues are merely political footballs, kicked around by states to gain leverage in other policy areas."<sup>75)</sup>

Third, fishery issues are also becoming a security agenda in international relations. These include fish stocks, identification of areas and species that can support continued fishing, and consideration of appropriate regional measures.<sup>76)</sup>

For example, in the case of fishery relations between Moscow and Seoul, the size of the catch quotas often becomes a more important element of political bargaining than other factors such as scientific knowledge.

Moreover, illegal fishing is even rising to the forefront of national and regional security concerns. In precise terms, according to the FAO, illegal fishing is defined as illegal, unreported, and unregulated fishing (IUU fishing). Indeed, IUU fishing and its impact on resource sustainability is a matter of great international concern.<sup>77)</sup> Illegal fishery trade by Russian mafias has been one of the major concerns in fishery diplomacy in Northeast Asian region. In some cases, illegal fishery trading activity is becoming a primary disturbance in the maintenance of diplomatic relations between Russia and its neighboring nations.

### **Regional Economic Security Approach**

It is also important to argue that the regional approach is appropriate to assess fishery diplomacy particularly in the Russian Far East, as elsewhere in the world. Here, "regional approach" implies the combination of regional cooperation, regional security, and regional integration. The international community places great importance on sub-regional and regional fisheries cooperation in the conservation and management of fisheries. This is because many fish stocks are trans-boundary in character and cannot be managed by a single state. One might say that "the current fishery management regime is a balance of multiple and competing interests within the fishing sector as well as in regional and global

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74) Munro, p. 17.

75) Tim S. Gray, *The politics of Fishing* (New York: St. Martin's Press, 1998), p. 11.

76) Johnston and Valencia, p. 147-148.

77) D. Douman, FAO Fisheries Department, in *The State of World Fisheries and Aquaculture*, FAO, Rome 2002.

political relationships."<sup>78)</sup> In other words, addressing issues such as environmental protection, illegal activities at sea, and resource management necessitates an acceptance of broader responsibilities. At the same time, mafia activities, pollution from oil spills, the safety of sea lines of communication, illegal fishing, and exploitation of others' offshore resources are becoming growing regional security concerns.<sup>79)</sup>

In fact, it is interesting to note that from the geographical perspective, none of the bilateral agreements actually take into account the whole region. This means that it is extremely difficult to solve fishery disputes in the region simply on the basis of bilateral negotiations. This is true because there is an interplay among the various bilateral fishery relations in the Northern Pacific. For example, Russian-Japanese relations have implications for Russian-Korean fishery relations and Japan-Korean fishery relations. Any bilateral arrangement may affect other relations and interests because they share the same area and use the same pool of marine living resources.<sup>80)</sup> In Johnston and Valencia's account, the present system of bilateral fishery arrangements is fundamentally flawed. I also strongly agree that a multilateral fishery approach is much needed in fishery diplomacy between Russia and South Korea because it offers several key advantages over the bilateral approach: "First, this approach helps to bridge the gap between the poorer and the richer countries in a given region. Second, it also enables a group of countries without adequate technical expertise to maximize scarce resources. In this respect, the conclusion of a multilateral agreement removes the negotiation difficulties associated with bilateral agreements. Third, through a multilateral approach, a group of coastal states constitute a political bloc. This enables them to exercise influence and leverage in their negotiations with other nations."<sup>81)</sup>

Moreover, although the stocks are often transnational in distribution, there is no corresponding transnational body to manage them.<sup>82)</sup> Therefore, this often creates a fishery hegemony state. In other words, compared with other neighboring nations, one nation, such as Japan, holds a great deal of fishery information, or one nation, such as Russia, has a large fishery zone and resources and becomes a monopoly. This means that a nation, such as South Korea, which has neither a great amount of fishery resources nor information, remains an under-

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78) Johnston and Valencia, p. 152.

79) Mark Valencia, "Regional Maritime Regime Building: Prospects in Northeast and Southeast Asia," *Ocean Development & International Law*, 31, 2000, p. 224.

80) Zou Keyuan, "Sino- Japanese joint fishery management in the East China Sea," *Marine Policy*, Vol. 27, Issue 2, March 2003, pp. 125-142.

81) William Sutherland, and B. Martin Tsamenyi, *Law and Politics in Regional Cooperation: A Case Study of Fisheries Cooperation in the South Pacific* (Taroona, Australia: Pacific Law Press, 1992), p. 20.

82) Johnston and Valencia, "Fisheries," p. 152.

dog in the fishery game. Theoretically, as Johnston and Valencia argue, in this system, "an interlocking web of bilateral agreements dominated by one nation, could remain the framework for fishery management in the Asia Pacific, even if it is deemed inequitable." Meanwhile, the fact that many species are overfished suggests that the system is not working properly. This also implies the need for multinational monitoring and regulation of multi-species fishery and, ultimately, a more equitable allocation of the resources.<sup>83)</sup>

Although it is fully understandable that fishery issues and disputes are transnational, there is substantially insufficient understanding and consideration of the transnational and interdependent character of fishery diplomacy. What currently passes for national and particularly regional ocean policy is primitive both conceptually and analytically.<sup>84)</sup> The major obstacle is an inability to formulate and implement ocean policy as an integrated whole, balancing the overall interests of the nation and the region in the both short and long term. As Valencia states, the reason for widespread fragmentation in national policy-making structures and processes for the oceans seems to be a result of the development of ocean uses largely in isolation from each other.

Yet there is also a growing recognition that in order to improve this understanding, cooperation is necessary.<sup>85)</sup> The growing acceptance of the concept of comprehensive security is clearly a positive development for maritime regime building. Comprehensive security means that security should and can be achieved through a web of interdependence including cooperation in economic development and scientific research and a general enhancement of human interactions.<sup>86)</sup> It is important to speculate that military might alone does not define security, nor does it generate long-term peace. Indeed, the failure to comply with basic standards of good neighborliness for instance, preventing or notifying neighbors about transnational pollution, poaching, and smuggling or carrying out trans-boundary environmental cleanup causes significant tension. The concept of comprehensive security is essential for fishery diplomacy. Proposals for maritime cooperation can be formulated not against a single adversary, but rather to deal with common problems of crime, human depredation, pollution, and natural disaster. Indeed successful cooperation can build the confidence to do so.

## **Conclusion**

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83) Ibid.

84) Edward L. Miles, "Concept, Approaches, and Applications in Sea Use Planning and Management," *Ocean Development and International Law* 20, 1989, p. 215.

85) Valencia, 2000, p. 236.

86) Ibid., p. 224.

The collapse of the Soviet Union, a significant relaxation of military tension in the Asia Pacific, the establishment of diplomatic relations between Moscow and Seoul, and the deregulation of the Russian fishing industry and foreign trade all have led to the rapid growth of fishery and marine product trade between the Russian Far East and South Korea. This relatively small but flourishing trade is clearly one of the few promising diplomatic substances in the currently stagnant Russian-South Korean relations. Nevertheless, this article has argued that bilateral fishery cooperation between the two countries has been hampered by many problems of the Russian Far East fishery industry in the last decade.

This article has argued primarily that illegal fishing is a major threat, both direct and indirect, to enhancing fishery cooperation between Moscow and Seoul because illegal fishing has generated Russia's policy of reducing the size of South Korean pollack quotas. In fact, many of the factors that contributed to growth in the illegal export of fish and marine products to South Korea stem from Russia's troubled transition to democracy and a market economy. These include a fluid and inadequate commercial legal framework to regulate the fishing industry, a confiscatory tax regime that often forces regulations, inefficient port procedures, and insufficient resources for the armed forces and law enforcement agencies to combat this problem.

In my opinion, although it is part of the fallout from Russia's transition from communism, the problem of the control of sea-based resources is not exclusively Russian. Given that fishery issues are not totally independent or confined to one particular nation, this is not only a Russian domestic problem but also a critically important diplomatic issue, especially in Russia's relations with Japan and South Korea.

It is undeniable that there are clearly heavy demands on Russian fishery products such as pollack from the Korean side. Moreover, this is also evidence of the fact that there has been illegal fishery trade between Russian and South Korean mafias. The South Korean government has failed to develop a successful negotiation strategy in fishery diplomacy with Japan and China. This has increased overdependence on fishing in Russian waters.

Finally, I argue that promising fishery diplomacy between Moscow and Seoul requires a coordinated response by authorities on both sides of the maritime border. Establishment of an interregional cooperative mechanism is essential. In my opinion, it seems highly likely that cooperation among states is a more effective option than the involvement of international organizations. It should be stressed that strict enforcement networking among states, such as enhancing the Interpol network, is essential to curtail current levels of illegal fishing. States should set up sanctions against illegal vessels. This may include the adoption of a civil sanction regime based on an administrative penalty scheme. Specifically, The Russians should impose taxes on resources and fishing efforts or quotas on aggregate catch and individual quotas.<sup>87)</sup> Most of all, quota allocations need to

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87) Thornton, p. 117.

be converted from an opaque lobbying process to the transparent sale and enforcement of rights to fish. As Supian and Nosov note, this could be avoided if Japanese and Korean authorities demand that Russian fisherman show their licenses for fishing and export.<sup>88)</sup>

Moreover, instead of focusing on linear settlements, Moscow and Seoul should be willing to downplay "the quasi-territorial significance of ocean boundaries"<sup>89)</sup> and to cooperate in the long term. In this sense, the joint fishery regime is a first step toward necessary regional cooperation in fishery.<sup>90)</sup>

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88) "Granitsa vostoka" (Eastern border), *pogranichnik*, March 1998, p. 15, quoted from Supian and Nosov, p. 81.

89) Johnston and Valencia, p. 148, and Douglas M. Johnston, and Mark J. Valencia, *Pacific Ocean Boundary Problems: Status and Solutions* (Dordrecht: Martinus Nijhoff, 1991)

90) Zou Keyuan, "Sino-Japanese Joint Fishery Management in the East China Sea," *Marine Policy*, Vol. 27, Issue 2, March 2003, pp. 125-142.

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