

## Foreign Labor Force in the Russian Far East: the Case of Khabarovsk Territory

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International migration of labor is one of the remarkable features of contemporary economic history, arising from country differences in labor costs and the growing internationalization of production activities throughout the world. At the same time, the formation of an international labor market is characteristic of a process of economic integration between neighboring economies when all the necessary preconditions, including free interflow of goods, services and capital, are developed. This can be seen in the countries of the European Community and, to a lesser extent, in North America.

The process of multilateral economic cooperation in Northeast Asia is in its very early stages. This is true for commodity trade, direct foreign investment and international labor migration. However, as many scholars and politicians have mentioned, the countries of that region possess a certain degree of mutual complementarity of national economies from the point of view of production factor endowments. While Japan and the Republic of Korea can provide developed human capital resources and modern technology, the DPRK and Northeast provinces of the PRC are rich in relatively cheap labor resources and the Russian Far East is famous for being a region abundant in various natural resources.

In this sense, analysis of already existing examples of economic cooperation within the region can provide us with a better understanding of the problems and prospects for future economic integration of the Japan Sea Rim countries.

### UTILIZATION OF FOREIGN LABOR FORCE

The subject of this paper is the utilization of foreign labor forces in the Khabarovsk territory of the Russian Far East. Along with the Primorsky territory and the Amur oblast, the Khabarovsk territory is one of the major locations of foreign workers in the Russian Far East as well as in the Russian Federation as a whole. The territory also has a long history of developing that particular form of international economic cooperation.

Therefore, an analysis of the situation with the utilization of foreign manpower on the Khabarovsk territory can provide a better understanding of the situation in the Russian Far East as a whole and give some basis for future research on the prospects of the Russian Far East's participation in economic cooperation in the region of Northeast Asia.

It should be noted that this paper is one of the first attempts of research analysis of the problem in Russia. So, the main aim of this presentation is not to answer all the questions, but to outline the agenda for future cooperative research which could be helpful in bringing together the efforts of the countries concerned towards achieving a greater degree of mutual understanding with the latter being the necessary precondition for further expanding multilateral economic cooperation within the region.

The Russian Far East is a region whose population was formed as a result of many decades of intensive labor migration from the inner parts of the country. So, before starting the analysis of foreign manpower utilization in this territory, one should give some attention to the peculiarities of population formation and the labor market in the region. In brief, these peculiar features can be summarized as follows.

First, one should think about the remoteness of this huge area from the historical and cultural centers of the country and the extreme living conditions in most of the territories of the Far East. The level of social infrastructure development is substantially lower than in the other regions of Russia. All these factors exercise a strong negative influence on the formation of a stable population.

Second, the large role of labor migration in the forming of the population of the region should be considered. It should be noted that the formation of a permanent population is connected with large intensive inflows and outflows of migrants. For example, the establishment of one permanent job in the Russian Far East requires the participation of 19 people in direct and back migration.

This peculiar demographic feature of the Far East means a high dependency of its economy on the influence of external factors and the economic and social situation in other parts of the country.

It should be added that the strategy for economic development of the region has for decades been formed on the basis of the complete priorities of the patterns of its economic development from the perspective of the top decision makers in Moscow. The problem of satisfying the social and cultural needs of the population has never been of great importance. So, it can be said that the priorities of economic development, as seen from Moscow (including not only economics, but also strategic, political and ideological considerations), determined the interaction and proportions

between the material and human production factors and the demand for labor resources, thus making the situation in the Far East very vulnerable to any changes in the country's economic situation or the policies of the central authorities.

Thus, the flow of labor was aimed at correcting disproportions arising from permanent imbalances between the new jobs, which appeared as the result of economic policies aimed at the development of certain industries in the region, and the natural growth of the population in different territories of the Far East.

North Korea still leads in terms of the number of foreign workers in the Russian Far East. The history of bilateral cooperation in the development of timber resources in the territory began in 1967 when an intergovernment agreement between the USSR and the DPRK was concluded. About 15,000 Korean laborers were recruited for participation in timber resource exploitation in the Verkhnebureinsky district of the Khabarovsk territory.

The development of this cooperation, which actually was a type of compensation trade, was determined by natural and demographic characteristics of both sides concerned. The Far East is rich in timber resources and has a chronic shortage of unskilled labor, while North Korea has a lack of timber and a rather large pool of labor. So, a mutual partnership between the two sides seemed quite natural.

This form of cooperation passed through several different stages from the point of view of the territorial structure of production, the volume of production, and the sharing of production. The agreement was prolonged in 1975, 1977, and 1985. The initial terms of agreement was 25 years, but it still operates. This is evidence of the mutual benefits connected with the implementation of the agreement.

The Russian side gives compensation to the Korean side for the cost of labor in the form of production (mainly round wood and pulp) and provides all the necessary equipment and instructions for the production process. The Korean side agrees to provide manpower.

By the end of the 80s, in the territories of the Khabarovsk and the Amur oblast there were two timber production complexes with 10 and 5 timber production enterprises, respectively. By the middle of 1993, about 7,000 Korean workers were engaged in timber production in the Verkhnebureinsky district of the Khabarovsk territory.

However, the efficiency of this joint cooperation did not look so good when properly examined. From the late 80s, problems connected with the implementation of the agreement, in the eyes of the Soviet public and

some economists, began to outweigh its benefits. Those problems could be qualified as economic, social, and political.

In fact, material benefits to both sides (one should mention such characteristics as low cost of current expenses for timber production and rather high profitability) were achieved at the expense of hidden negative moments: exhausting use of natural resources, economizing in the development of social infrastructure, and poor maintenance of machinery and equipment.

The quality of labor resources being imported from North Korea is far from good. The low skill of Korean workers, including those engaged in repair services, leads to problems in machinery exploitation. At the same time, the term for contract work for individual workers is only three years and that is not enough to provide sufficient training for them in Russia.

One should also mention some social problems connected with the implementation of the agreement. The high concentration of foreign manpower in a rather small area of the Khabarovsk territory leads to many conflicts between them and local residents, resulting in a growing crime rate. As a result, the local population at present is firmly opposed to prolonging the cooperative agreement. In addition, the representatives of democratic movements in the center criticize the agreement on extraterritorial status of the Korean community in the Verkhnebureinsky district of the Khabarovsk territory and the supposed violation of human rights.

Nevertheless, the ultimate destiny of the enterprise is still unclear. The territorial parliament (Soviet) of the Khabarovsk territory passed a resolution in 1992 that both sides violated the terms of agreement and need to adhere to its principles. Recently, there was information from central sources in Moscow that the agreement would be terminated by January 1, 1994. Meanwhile, a representative of the timber industry company "Urgalles" pointed out that it would be impossible for them to find a sufficient number of local workers to continue production activities in case of the termination of the intergovernmental agreement.

A new stage for the utilization of foreign manpower in the Khabarovsk territory as well as in the whole Far East began in the second half of the 1990s. That period is characterized by the three major changes in the pattern of this type of cooperation. First, the number of countries of origin for foreign manpower increased. Except the workers from North Korea, guest workers from Cuba, the Socialist Republic of Vietnam, and China began to work in the Khabarovsk territory. Second, the industry structure of foreign manpower utilization has diversified. Besides the timber industry, it now includes construction, agriculture, and, to a lesser

extent, some other industry branches. And third, and perhaps the most important of all, *direct economic ties between enterprises of the Russian Far East and its counterparts in neighboring countries have come into being.*

From 1988 some organizations in the Far East began to import foreign workers, mainly from Vietnam and China. Guest workers are employed now in construction, agriculture and light industry. It is these industries that have the problems of wages and labor conditions. By the beginning of 1993 there were about 13,000 foreign workers in the Khabarovsk territory, the majority of whom were from North Korea, with about 2,000 from China and several hundred from Vietnam and Mongolia.

International cooperation in the light industry was represented by cooperation in the sewing industry. On September 2, 1981, an intergovernment agreement was signed between the Soviet Union and Vietnam concerning cooperation in the share of labor resources. The first workers from Vietnam appeared in the Far East in 1987. According to the agreement, the Soviet side was responsible for transporting Vietnamese workers from Moscow to Khabarovsk and providing accommodations, clothes and professional language training for 6 months.

It should be mentioned that initially it was the central authorities which distributed foreign manpower between separate enterprises in the Soviet Union. That led to many misunderstandings between the enterprises and the central authorities, for many enterprises were not ready to accept a given number of foreign manpower.

According to some surveys, the utilization of Vietnamese workers in the light industry of the Far East contributed to the development of production in those enterprises. For instance, in the sewing factory in the town of Bikin the average labor productivity of Vietnamese workers was somewhat higher than that of local workers. The employment of foreigners enabled the factory to stabilize the situation. Similar reports were also available from other factories of the Far East.

However, some new problems arose. In the economic aspect, the problem of production quality should be mentioned. The foreign workers were paid for quantitative characteristics in their production, not qualitative (for the sake of justice, it should be mentioned that the same situation was also true for local personnel).

Beyond this, the motivation of the laborers was rather poor. For example, they were to pay as much as 10% of their wages to the so-called development of Vietnam fund. Besides that, the purchase of industrial goods in the Soviet Union for further selling in Vietnam proved to be

much more profitable for the Vietnamese workers than just receiving their wages in the factories.

This caused a decline in labor discipline and a rise in psychological tensions with the local citizens at the time of the chronic shortage of almost everything in the consumer sector. For these and some other reasons, the majority of the Vietnamese workers left the territory in 1992 before the expiration of their contracts.

The intergovernment project of the joint development of timber resources in the Khabarovsk territory with Cuba was also a failure. In 1987 an agreement was concluded that envisaged the participation of 1,500 workers from Cuba in the development of timber resources and the production of timber materials. Unlike the above-mentioned agreement with North Korea, this agreement was aimed at the processing of timber and thus diversification of the structure of production. From the beginning, the total volume of construction was only about a half of the planned volume. The harsh climate conditions of the territory proved to be very bad for the Cubans. Actually, only 1,000 laborers came to the Khabarovsk territory and their skills were not appropriate to perform all the planned work. As a result, at present the Cubans have already stopped their work with only three representatives remaining in the Khabarovsk territory.

Unlike the above-mentioned agreements, the work of the Chinese labor force in the Russian Far East was based on the initiative of individual Russian enterprises which independently determined their demands of a foreign labor force. The basic principles for the employment of Chinese manpower in the Russian Federation are regulated by the intergovernment agreement concluded in 1992. This way a Russian company can establish direct ties with its counterpart in China and other countries, and cover all the transportation expenses, etc.

However, due to the lack of proper surveys and a rather small number of Chinese workers in the Khabarovsk territory, it is rather difficult to assess the efficiency of the utilization of the Chinese labor force in the region. According to some reports, the labor productivity of the Chinese workers engaged in agriculture is nearly three times higher than that of Russian workers. The participation of Chinese guest workers in the construction sector of the territory enabled the construction of some important objects of production use and social infrastructure, including individual houses, hospitals, etc.

The problems connected with the utilization of the Chinese labor force are determined by the mechanism of their employment and the situation in the consumer market of the Russian Far East.

Like in previous contracts, based on intergovernmental agreements, the foreign workers in the Russian Far East are not free workers with contracts with their employers. Russian organizations that have a demand for foreign labor must pay the main part of its wages (excluding the minimum needed for living in the territory of Russia) to its foreign counterparts in the form of different commodities (fish, timber, coal, etc.). The remaining part of the wages is received by the workers after returning to their homeland. According to our survey, this form of payment is characteristic of almost all the contracts with Chinese companies.

This leads to a decrease in the labor motivation of the Chinese workers. Many of them prefer to engage in street trade down the cities and towns of the Russian Far East. This enables them to earn enough money to live in the Far East and return to China.

### **CONCLUDING REMARKS: PROBLEMS AND PROSPECTS**

In conclusion, several important points concerning the problems and prospects of utilizing foreign labor in the Khabarovsk territory and the Russian Far East as a whole should be stressed.

1. The demand for foreign labor will remain rather stable in the future despite rising unemployment and the supposed inflow of refugees to the Russian Far East from the hot points of the Commonwealth of Independent States (CIS). This is especially true for low skilled labor in such industries as forestry, agriculture and construction. At present, there are reportedly over 1,000 job vacancies in construction and several hundreds in agriculture in the Khabarovsk territory. And they cannot be fulfilled by local unemployed persons who prefer to search for more qualified jobs. So, despite the fact that foreign workers represent less than 1% of the employed in the economy of the Khabarovsk territory and other regions of the Far East, their utilization is quite necessary. In 1992, 12 organizations of the Khabarovsk territory applied for licenses to attract foreign workers. In January 1993 alone, three organizations made such applications. It should also be taken into consideration that many enterprises do not apply for such licenses because of the lack of effective control by local authorities.

2. The present system of recruiting foreign laborers inherited many features of the system that had existed under the command-administrative economy of the past. In fact, foreign guest workers cannot freely dispose their labor hands and the present-day inflow of foreign workers has not much in common with the international labor market. So the present

system reduces the labor motivation of foreign workers and this leads to some tension between them and Russian citizens. To use a foreign labor force as a stable and effective source of economic growth in the region, it is necessary to adjust the rules for the utilization of foreign workers in Russia. But the most important thing is to recognize the need for a normal labor market with respect to the private interest of each worker, with wages arranged between employers and workers at a minimum level guaranteed by the government.

3. The future pattern of foreign labor employment in the Khabarovsk territory depends on the conception of further economic development in the Russian Far East. In the case of the economic integration of the Russian Far East with neighboring economies and the development of special economic zones, there will be a strong demand for the free movement of goods, capital and labor as well. This also will bring new demands for not only low-skilled but also high-skilled labor, thus providing new opportunities for structural changes in the economy of the Russian Far East.

## APPENDIX

Utilization of foreign labor force in  
the Russian Far East (as of Jan. 1, 1990)

	Primorsky territory	Khabarovsk territory	Amur oblast	Far East
Construction	1,963	-	400	2,363
China	240	-	400	640
Vietnam	1,723	-	-	1,723
Timber Industry	-	14,270	7,200	21,470
DPRK	-	133,350	7,200	20,550
Vietnam	-	200	-	200
Cuba	-	720	-	720
Agriculture	-	-	-	840
Light Industry	500	895	100	1,495
Vietnam	500	895	100	1,495
Total	2,463	15,165	7,700	26,168