

Balancing Between Legality and Illegality: Russian Import of Japanese Used Cars and Unauthorized Export of Russian Marine Bioresources to Japan

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ABSTRACT

This article focuses on two main issues: the ability of informal cross-border entrepreneurs to avoid restrictions imposed by a government, and governmental capacity to make these restrictions work efficiently in the long term. Two kinds of informal trade activities between Russia and Japan—import of used cars and trafficking of marine bioresources—are taken as case studies. I argue that in both cases informal cross-border traders have tried to exploit cross-border differences to their benefit, balancing between legal, low-punishable, and heavily punishable practices. Both kinds of informal trade proved to be highly resistant to suppressive government policies and highly capable of exploiting legal and law enforcement loopholes. Still, suppressive government policies proved to be at least partially successful in the long term.

Keywords: border studies, informal cross-border trade, legality and illegality, Japanese-Russian relations

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This article deals with two cases of informal trade across the Japanese-Russian border: import of used cars to Russia and export of marine bioresources to Japan. Both cases represent prominent phenomena of Russian-Japanese economic relations in the period from the 1990s to the 2010s, being responsible for large shares of bilateral cross-border trade,¹ Russian visitors to Japan in the 1990s and 2000s, and visits by Russian ships to Japanese ports.

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¹ Andrey Belov, "Over a Century of Political and Industrial Changes: How to Overcome Path Dependence in Japan-Russia Trade?" *Journal of Comparative Economic Studies* 11 (2016): 83–105.

How did informal entrepreneurs try bypassing governmental attempts to tax and penalize their activities? How did the two states react to informal cross-border practices? What are the outcomes of the competition between governmental agencies and informal entrepreneurs?

Methodologically, this research is based on comparative historical analysis, focusing on two case studies of informal trade in used cars and marine bioresources from the early 1990s until the end of 2017. The research is aimed at identifying key causal trends in practices employed by informal entrepreneurs and in responsive governmental policies, and at comparing these trends across the selected cases. The problem of trade-off between the depth of a single-case process-tracing study and the width of a comparative multi-case study is to be dealt with by: 1) addressing just two cases with overlapping but not fully coinciding geographical thematic foci (this approach is believed to provide balanced focus²) and 2) focusing on a very limited number of issues (in regards to governmental policies, practices of informal actors, and outcomes of competition between them) for comparison.

I draw on a diverse range of sources, including Russian and Japanese statistical data, legal documents, and media reports. Legal documents are employed to analyze milestone governmental measures for managing informal trade, while statistics are used mainly for tracing quantitative dynamics of relevant cross-border flows. Various types of mass-media publications (news, interviews, op-eds, etc.) are used to systematically trace both law enforcement trends and informal practices. As media bias represents a challenge, my study is designed to diminish its influence. To ensure systematic coverage of relevant policies and practices, I processed all Russian-language mass media articles for the period between 1991 and 2017, searchable with relevant keywords in the *Integrum World Wide* database.³ Unlike evaluations of certain policies, description of practices, applied by governments and informal entrepreneurs, is a relatively neutral subject for media. Also, information about those practices that were highly important for this research was verified by two or more independent sources.

The article addresses the following topics. I start with the theoretical background of informal cross-border trade. After this, I proceed to geographical, historical, political, and social contexts common to both cases and to a formulation of key hypotheses. Finally, I present the individual empirical cases.

Background

Both types of cross-border entrepreneurship under review can be considered

² Christian von Lübke, "Modular Comparisons: Grounding and Gauging Southeast Asian Governance," *Pacific Affairs* 87, no. 3 (2014): 537.

³ See *Integrum World Wide*, <http://www.integrumworld.com>.

informal. As Pejovich argues, informal activities are based on grassroots traditions, customs, and moral values, as opposed to formal governmental regulations. Under changing economic conditions, new informal institutions can be established. If new conditions continue to exist, these institutions can prove to be persistent despite governmental attempts to subvert them. Subsequent governmental rules targeting informal institutions are usually reactive and often require clarifying secondary laws to enhance workability of those formal regulations that prove to be inefficient vis-à-vis informal institutions.⁴

For the purposes of this research, this insight is useful but a little too broad, as it could be applied to virtually any action not tightly regulated by laws. To narrow down this perspective, I will consider those practices that conflict either with an officially imposed order and/or with significant governmental interests. Most importantly, research on informal entrepreneurship typically highlights that this activity involves tax evasion.⁵ This could be done in different ways, involving either legal or illegal activities. The state is normally unhappy about tax evasion and periodically tries to make informal practices traceable, taxable, and punishable.

When it comes to informal cross-border trade, borders work as “containers” for different economic and legal regimes. They work to preserve differences in prices and availability of commodities between adjacent states, thus providing cross-border actors with a range of economic opportunities. Borders are crucially important in terms of control over cross-border trade: here any border-crossing actor can be inspected for goods and made to pay customs duties or punished if this actor tries to bypass the controls. It is not easy to identify any other site at which cross-border trade could be controlled more efficiently.

Governmental ability to control tariffs and quotas is crucially important and that’s why restraining unregulated cross-border flows is vital to a state’s efficiency.⁶ Yet the capacity of contemporary nation-states to control cross-border flows effectively is a questionable idea in the field of contemporary border studies. Some scholars argue that this capacity is decreasing and that globalization makes borders increasingly obsolete, as the mobility of people and goods⁷ increases while governmental resources do not, and a 100-percent inspection of border crossing flows can cause the collapse of cross-border traffic. Opponents of this viewpoint argue that efficiency of border control

⁴ Svetozar Pejovich, “Effects of the Interaction of Formal and Informal Institutions on Social Stability and Economic Development,” *Journal of Markets & Morality* 2, no. 2 (1999): 164–181.

⁵ Colin Williams, “Out of the Shadows: Explaining the Undeclared Economy in Baltic Countries,” *Journal of Baltic Studies* 41, no. 1 (2010): 3–22.

⁶ Anssi Paasi, “Bounded spaces in a ‘borderless world’: border studies, power and the anatomy of territory,” *Journal of Power* 2, no. 2 (2009): 213–234.

⁷ See, for example, Kenichi Ohmae, *The End of the Nation State: The Rise of Global Economy* (London: Harper Collins, 1995).

varies greatly, being dependent on specific circumstances, such as the nature of a smuggled commodity, and the ease of concealment and transportation.⁸

To assess the efficiency of contemporary border control, a closer look into specific informal cross-border practices is needed. Two relevant issues attract particular scholarly attention: producing illegality (making certain activities illegal) by states, and the ways in which informal actors react to governmental attempts to penalize their activities.

It is not fashionable in contemporary border studies to emphasize the degree of illegality of informal cross-border operations, as it could prioritize the statist perspective and make a researcher “see like a state.”⁹ Alternatively, a researcher can prioritize the perspective of a border crosser or embrace all significant perspectives (the ones of state, border crosser, neutral observer etc.) at once. In the last case, one can consider the border as a product of interaction between governmental and non-governmental actors, based on a consensus over the border’s existence, but not necessarily over its functions.¹⁰

From the statist perspective, borders can also be considered as projections of various sorts of power applied by the nation state,¹¹ including the power to establish rules of the game, employ coercion, and to promote a mainstream discourse condemning informal cross-border activities. Since a state has the power to make cross-border activities either legal or illegal, it can do so arbitrarily, sometimes proclaiming illegal those activities that previously were allowable.¹²

Due to different governmental approaches to (il)legalization, cross-border activities can be legal on one side of the border but illegal on the other. A state where goods are bought is usually more disposed to informal cross-border trade than a state where these goods are sold, as an increase in sales contributes to increasing tax revenues and to creating additional jobs. In a state where goods are sold, informal trade can be an important domain of employment but also could result in massive tax evasion and damaging legal tax-paying businesses.

It is important that officers implementing onsite border and customs control are themselves not necessarily just a tool for maintaining bordered fiscal regimes. They can turn into a kind of “third force” that sees a border

⁸ Peter Andreas, “Illicit Globalization: Myths, Misconceptions, and Historical Lessons,” *Political Science Quarterly* 126, no. 3 (2011): 410.

⁹ See, for example, Paul Gootenberg, “Talking Like a State. Drugs, Borders, and the Language of Control,” in *Illicit flows and criminal things: states, borders, and the other side of globalization*, eds. Willem van Schendel and Itty Abraham (Bloomington: Indiana University Press, 2005), 101–127.

¹⁰ Chris Rumford, “Towards a Multiperspectival Study of Borders,” *Geopolitics* 17, no. 4 (2012): 887–902.

¹¹ Paasi, “Bounded spaces,” 216.

¹² Willem van Schendel and Itty Abraham, “Introduction. The Making of Illicitness,” in *Illicit Flows*, eds. van Schendel and Abraham, 1–37.

as a resource and obtains shadow profits by imposing an informal corruption tax on cross-border entrepreneurs.¹³

For participants in informal cross-border operations, borders are both an important resource and an obstacle. The resource role of borders is particularly important, as many borderland areas are marginal because of their remoteness and disadvantaged peripheral position in transportation networks. This leads to weak economic opportunities and high unemployment. Participation in cross-border trade can provide many borderlanders with the opportunity to obtain a decent income. At the same time, border controls, coupled with a burdensome customs regime, present serious obstacles, providing low profit margins for legal petty cross-border trade, while ensuring tax evasion practices are risky.

Perceptions by borderlanders of what is and is not allowed often do not coincide with governmental designs. In particular, borderlanders may consider small-scale trade in consumer goods acceptable, even though it is penalized by governments. Some scholars distinguish between the notions of legal and illegal (while considering official laws), licit and illicit, or legitimate and illegitimate (acceptance of certain practices by local inhabitants). The more borderlanders are dissatisfied with a state's efficiency, the greater the gap between legal definitions and local acceptance of legal restrictions.¹⁴

When addressing informal activities, states can choose between adjusting themselves to informal activities, tolerance, or suppression. If states choose suppression, they can try penalizing successful informal cross-border practices and increasing the capabilities of their law enforcement agencies, while informal entrepreneurs try bypassing restrictions at a minimal cost. Both parties have their own cards at play in this competition. States are clearly superior in terms of the coercive powers at their disposal, their power to (de)legitimize certain activities, and their access to neighbour states and international organizations. Informal entrepreneurs are usually superior in terms of flexibility, proactivity, and spatial mobility, as well as being less constrained by legal and organizational regulations.¹⁵

To bypass restrictions, informal entrepreneurs can choose between becoming more professional in disguising their operations or adjusting themselves to tightened regulations. Some kinds of informal cross-border trade (for example, shuttle trade) involve balancing between the domains

¹³ Andreas, "Illicit Globalization," 410; Willem van Schendel, "Spaces of Engagement: How Borderlands, Illegal Flows, and Territorial States Interlock," in *Illicit Flows*, eds. van Schendel and Abraham, 38–68.

¹⁴ Abel Polese, "Who has the right to forbid and who to trade? Making sense of illegality on the Polish-Ukrainian border," in *Subverting Borders*, eds. Bruns and Miggelbrink (Wiesbaden: VS Verlag für Sozialwissenschaften / Springer Fachmedien Wiesbaden GmbH, 2012), 21–38.

¹⁵ Van Schendel, "Spaces of Engagement," 61.

of legal and illegal but low-punishable practices.¹⁶ Low punishability can also be acceptable for informal entrepreneurs, provided that occasional penalties do not make their business unprofitable. It is argued that there is a continuum between shuttle trade and petty smuggling and that one of these activities can easily turn into the other, depending on the rigidity of state regulation policies.¹⁷

The Value of Research, Historical and Socio-economic Backgrounds, and Key Hypotheses

Both types of informal activities under scrutiny have already attracted scholarly attention. Previously, the problems were largely considered through the lens of economic trends, legal issues,¹⁸ or criminalization.¹⁹ This paper offers a different perspective by conceptualizing these phenomena through the lens of comparative historical research and anthropological border studies. Sure enough, border crossing is not the only important phase of informal entrepreneurial activities, and thus other phases of these activities (as well as respective governmental measures not related to border control) should be paid due attention to provide a complex and systematic picture. Still, border control is crucially important for sorting cross-border operations into legal and illegal categories.

The main conceptual value of the two considered cases is in providing the long-term perspective of competition between states and informal actors. Most existing research on informal cross-border entrepreneurship offers either a short-term “snapshot” sociological perspective or a typically state-centric legal-economic perspective. The historical approach is better suited for conceptualizing long-term interactions between governmental agencies and informal actors while not taking the state-centric legalist framework for granted.

¹⁶ Irina Mukhina, “New Losses, New Opportunities: (Soviet) Women in the Shuttle Trade, 1987–1998,” *Journal of Social History* 43, no. 2 (2009): 341–359.

¹⁷ Bruns and Miggelbrink, “Introduction,” 12.

¹⁸ Tsuneo Akaha, “Despite the Northern Territories: Hokkaido’s Courting of the Russian Far East,” *Pacific Focus* 18, no. 1 (Spring 2003): 89–122; Andrey Belov, “Regional Dimension of Economic Cooperation Between Japan and Russia,” *Journal of East-West Business* 11, no. 1/2 (2005): 119–140; Andrey V. Belov, “Ustranenie tenevogo sektora v iapono-rossii’skoi trgovle: natsional’nye podkhody k importu krabov i eksportu poderzhannykh avtomobilei,” [Eliminating the shadow economy in the Japanese-Russian Trade: nationwide approaches to crab import and used cars export] *Strategii biznesa* 11 (2016): 6–9; Aleksandr Kurmazov, “Rossii’sko-iaponskoe rybokhoziai’stvennoe sotrudnichestvo v raione Yuzhno-Kuril’skikh ostrovov,” [Russian-Japanese fishery management cooperation in the area of South Kurils] *Izvestia TINRO* 146 (2006): 343–359.

¹⁹ Aleksandr V. Fiodorov, “Kriminalisticheski znachimye priznaki obstanovki nezakonnoi dobychi (vylova) vodnykh biologicheskikh resursov: genezis i sovremennoe sostoianie,” [Forensic signs of illegal harvesting in marine bioresources: genesis and contemporary state] *Yurist-Pravoved* 55, no. 6 (2012): 63–66; Brad Williams, “The Criminalisation of Russo-Japanese Border Trade: Causes and Consequences,” *Europe-Asia Studies* 55, no. 5 (2003): 711–728.

Like other informal cross-border activities, informal trade between Russia and Japan has been largely caused by differences in economic potential (the Japanese consumer market is more solvent than the Russian one) and the complementary nature of the commodities that Russian and Japanese markets can offer to each other (natural resources vs. high-technology goods). While changing economic trends (temporarily reduced Japanese used cars supply, the gradual depletion of marine bioresources harvested in the Russian exclusive economic zone (EEZ), and 2008 and 2014 Russian economic crises) all matter for the researched cases, long-term demand for both commodities remained very high throughout the period under consideration. Taking this into account, it is worth considering governmental restrictions as a more important factor influencing informal cross-border trade than short-term economic trends, such as economic crises.

Both cases are also distinguished by a number of other similar conditions, some of which facilitated informal cross-border trade while others hindered it. The legal and law enforcement regimes of the two states worked differently and the Japanese regime was more favourable towards Russian informal traders. The Japanese-Russian geographical proximity is not substantiated by good transportation accessibility; this narrowed down the range of opportunities for cross-border trade and the range of options to react to governmental crackdowns.

While conceptualizing both kinds of informal trade between Russia and Japan, one should take into account the non-typical character of the Russian-Japanese borderland. There is no land border between the two states; only their exclusive economic zones (EEZ) are adjacent to each other, between Sakhalin province and Hokkaido prefecture, and also the line of control in waters between Hokkaido and the disputed Russian-controlled Kuril and Habomai islands. Distances between the closest Russian and Japanese cities are as follows: 82 kilometres between Yuzhno-Kurilsk (the island of Kunashir) and Nemuro (Hokkaido) and 161 kilometres between Korsakov (the island of Sakhalin) and Wakkanai (Hokkaido). Distances between major Primorsky krai ports and Japan are much longer: 661 kilometres between Nakhodka and Otaru (Hokkaido) and 847 kilometres between Vladivostok and Toyama (Western Honshu).²⁰

The concept of “proximity” is an apt one for Russian-Japanese cross-border relations. Physical distance is not the only dimension of proximity; it can also involve transportation, infrastructural, and other dimensions. At the same time, geographic proximity can create opportunities for some actors.²¹ The proximity between the Russian Far East and the closest Japanese territories has not proved to be particularly beneficial for most visitors but

²⁰ Calculated by *Distance Calculator*, <http://www.distancecalculator.net/>.

²¹ Harvey Starr, “Proximity and Spatiality: The geography of international conflict,” *International Studies Review* 7, no. 3 (2005): 387–406.

it has been beneficial for some types of commercial ships. Transportation costs have been too high to conduct profitable small-scale cross-border trade, but at the same time quite affordable for trade in expensive but high-demand items, such as used cars and large consignments of marine bioresources.

Until the late 1980s, Soviet-Japanese cross-border contacts were very limited. Liberalization of the Soviet economy was a catalyst for informal cross-border trade while the collapse of the USSR and subsequent massive privatization in Russia led to a decentralization of Russian foreign trade. In the 1990s, the severe economic crisis in Russia led to disastrous socio-economic consequences for the Russian Far East: closure of many enterprises, hyperinflation and sharp reduction in incomes, a significant rise of hidden unemployment, and dramatically reduced governmental funding of remote territories. The economic situation started to improve in the 2000s.

During the 1990s economic crisis, participation in informal cross-border trade with neighbour states became a crucially important source of income for many inhabitants of the Russian Far East. It can be argued that the poor efficiency of the Russian state's regional development policy contributed to making informal cross-border trade licit/legitimate in the eyes of the local populations.

There are many ways in which the two kinds of informal trade diverge. First, the direction of commodities flows: cars imported to Russia vs. seafoods exported to Japan. Second, they have different geographical centres of activity: the most intensive trade in used cars was conducted between Primorsky krai and Western Honshu, while seafood largely was exported to Hokkaido from waters adjacent to Sakhalin province. Third, used cars is a processed and non-perishable commodity while marine bioresources is an unprocessed and perishable one; this influenced both speed of delivery operations and the range of services and actors involved. Last, Russian governmental agencies played different roles: car import was dealt with by customs service while informal seafood export was mostly dealt with by the border guard service.

Harvesting in marine bioresources has been affected by the Russian-Japanese territorial dispute to a greater extent than trade in used cars. Until 1945, Japan controlled the Southern Kuril Islands, Habomai, and (since 1905) the southern part of the island of Sakhalin. In August 1945 the Soviet Union entered the war with Japan and took control over all of the above-mentioned territories. Until now, Japan has continued to contest Russian possession of the three major Southern Kuril Islands (Iturup, Kunashir, and Shikotan) and of a number of smaller Habomai islands. In the post-Soviet period, the dispute greatly contributed to the weak efficiency of bilateral law enforcement cooperation. Japan (especially in the case of the trade in marine bioresources) has been reluctant to cooperate fully with Russia until the dispute is solved, given that a large part of said bioresources were harvested in disputed waters.

The mentioned similarities and differences allow for both important generalizations and for better sensitivity to case-specific factors. They set the stage for some general and case-specific hypotheses.

The key general hypotheses are: 1) informal entrepreneurs have had powerful economic incentives to do their best to overcome governmental restrictions in the long term; 2) they likely employed a wide range of informal practices allowing them to avoid or minimize punishment; 3) still, in the long term the Russian government should have become much more efficient by learning how to target informal practices better and by introducing tighter control over not particularly intensive transborder traffic between Russia and Japan.

The key case-specific hypotheses are: 1) informal harvesting of marine bioresources have been more difficult to control by unilateral efforts than informal used cars exports, as the former could take advantage of relatively short distances between harvesting and export destination points and of the fuzziness of the Russian-Japanese de facto border; 2) efficient suppression of informal used cars exports could be achieved by unilateral efforts while suppression of unauthorized exports of marine bioresources is more problematic without close Russian-Japanese intergovernmental cooperation. I proceed by considering further each of the two individual cases.

Import of Japanese Used Cars

Trade in used cars has been a large-scale business, involving car owners, organizers of auctions, intermediaries, providers of numerous legal and illegal services, and consumers. Japan is one of the top car producers worldwide and owners of used cars have been prompted to sell them at cheap prices to avoid paying increased taxes and insurance fees. Significant quantities (most typically, about one-third)²² of used cars have been exported to various foreign countries, including not only Russia but also UAE, New Zealand, and many other states. Consumers have been attracted not only by cheap prices but also by good quality, low average mileage, and thorough quality control systems at auctions. In the 2000s, boosted by new e-commerce technologies, used car exports by Japan rose dramatically: from 2001 until 2008 exports grew more than 3.5 times, reaching 1347 thousand units per year.²³ However, a long period of stagnation, lasting until the present, followed after 2008.

Already in the late 1980s, a massive informal import of used Japanese cars to the USSR was underway. Though Japanese drove on the left while Soviet/

²² Hiromi Shioji, "Chūko-sha yushutsu-gyō no tokuchō to kōzō: hi-kasenteki gyōkai kōzō no kongo no henka o tenbō shite" [Characteristics and structure of the used car export business: Looking towards the future changes of non-oligopolistic industry structure], *Nihon keieigakkaishi* 26 (2010): 27–38.

²³ Yūsuke Nakatani, "Umi o wataru chūkōsha: Russia no okeru Nihon-sei chūkōsha o meguru genjō" [Used cars over the seas: Used cars in Russia], *Keizai bōeki kenkyū* 33 (2007): 29–38.

Russian traffic was right-handed, this wasn't considered a formidable obstacle by Russian Far Easterners. Surprisingly, not only domestic but also Korean cars proved to be non-competitive, as they were perceived by many as less sturdy and thus unfit for the Russian Far East's bumpy roads and for consuming poor-quality Russian gasoline.²⁴

As a result, by the end of the 1990s cars with right-side steering dominated the Russian Far East²⁵ and Primorsky krai came out on top among Russian regions by per capita number of passenger cars. Used car imports led to the emergence of a number of related formal and informal practices, such as organizing car shopping tours to Japanese ports, repurposing all kinds of cargo ships for such tours, "fee" extortion by organized criminal groups targeting owners of imported cars, and the emergence of numerous car repair shops. The trade in used cars became acceptable not only for ordinary local inhabitants, but also for Russia's Far Eastern regional governments and public services.²⁶ In other words, the informal import of Japanese cars quickly gained widely accepted legitimacy even though it was not quite legal: entrepreneurs deceived customs by declaring that the cars were supposedly brought in for personal use.

While Primorsky krai became the main consumer of Japanese used cars, in Japan itself Fushiki Port in Toyama Prefecture became the most important export market, handling some 40 percent of such exports (up to about 90,000 cars annually) in the early 2000s.²⁷ Apart from the port of Fushiki, several other Japanese west coast ports, including Niigata and Otaru, also became important trade centres.

The central government in Moscow was not happy with the prevalence of cars with right-side steering in the Russian Far East. It even considered forbidding such cars in 1993 and in the first half of the 2000s²⁸ but feared doing so would provoke social unrest in the Far Eastern regions. Instead, it resorted to more cautious restrictive policies aimed at cutting the supply of used cars. Still, increasing customs duties or introducing restrictions for car exports periodically provoked protest movements and actions in the city of Vladivostok. The most prominent protest actions were held in 2005, 2008,²⁹ and 2017.³⁰

In terms of supply reduction, authorities first reacted to informal car

²⁴ Sergei Kozhin, "Nastalo vremia malolitrazhek" [It's time for mini-cars], *Vladnews.ru*, 15 August 2014, https://vladnews.ru/ev/vl/3589/40570/nastalo_vremya/.

²⁵ Igor' Morzharetto, "Pravyi rul' iz Primor'ia: prognoz uteshitel'nyi" [Right-hand drive: the prognosis is reassuring,] *Za ruliom*, 15 December 1999.

²⁶ Morzharetto, "Pravyi rul'."

²⁷ Below, "Regional Dimension," 134; Below, "Ustranenie," 126.

²⁸ Vassiliy Avchenko, *Pravyi rul'* [Right-Hand Drive] (Moscow: Ad Marginem Press, 2012).

²⁹ Avchenko, *Pravyi rul'*.

³⁰ *Newsru.com*, "Zhiteli Vladivostoka sobralis' na protest protiv obiazatel'noi ustanovki GLONASS na poderzhannye inomarki" [Inhabitants of the city of Vladivostok gathered to protest the compulsory installation of GLONASS in used cars], 19 February 2017, http://www.newsru.com/russia/19feb2017/vladivostok.html?utm_source=rss/.

exports by imposing high customs duties on imported used cars in 1993,³¹ thus making commercial trips to Japan much less profitable for ordinary Russians. However, sailors were exempted and could bring in one duty-free car in a given period. This loophole was exploited in at least two major ways. The first option was resorting to privileged intermediaries: a sailor nicknamed a *baran* (sheep) could de facto sell his right to import a car duty free to anybody else and act as an expert able to make a deal in Japan much better than a novice. The second option was to represent oneself as a privileged actor, which could be relatively easily done by obtaining a sailor's passport and coming to an agreement with the command staff of a ship specializing in the transport of cars. Until the early 2000s, this practice greatly contributed to the obvious prevalence of crew ship members among Russian visitors to Japan and, not coincidentally, the number of such crew members reached a peak of 181,000 in 1996.³²

While the informal trade in used cars largely enjoyed a favourable reception in Japan, the Japanese toughened their stance in 2002. The primary reason for this was concern over used car trade criminalization, including growing illicit exports of stolen cars and activities of Russian organized criminal groups on Japanese territory.³³ Such criminalization was provoked by the prominence of non-transparent intermediaries in used car exports. Unlike dealer companies registered in Japan, individuals did not have direct access to Japanese used car auctions, while Russian consumers usually did not have direct stable communication channels with Japanese registered auction dealers until the second half of the 2000s. Thus, the majority of Russian buyers purchased those cars that were delivered to seaport parking areas by export-oriented intermediaries. Due to their superior organizational skills, Pakistani dealers prevailed among such intermediaries for a long time.³⁴ Unfortunately, seaport parking areas eventually turned into "grey zones" poorly controlled by authorities, and served as delivery locations for cars stolen by international criminal groups (including Russian mafia members and Japanese yakuza).³⁵ The number of car thefts in Japan reached its peak in 2003, with over 64,000 cases, the vast majority of which were attributed to activities of international criminal networks transferring cars abroad.³⁶ In response, Japanese authorities undertook a series of restrictive measures. In 2002 Japan prohibited the transport of cars by unspecialized ships, helping

³¹ Government of the Russian Federation, Resolution no. 1322, 23 December 1993, <http://pravo.gov.ru/proxy/ips/?docbody=&nd=102027833&rdk=&backlink=1/>.

³² *Russian Statistical Yearbook* (Moscow: State Statistical Committee of Russia, 1997).

³³ Below, "Ustranenie," 126.

³⁴ *Fuji Terebi*, "Masatsu ~ chūko-sha yushutsu nihon'ichi no machi de" [Conflict in the First Japanese City by Used Cars Exports], 26 September 2003, http://www.fujitv.co.jp/b_hp/fmsaward/backnumber/12th/03-274.html.

³⁵ *National Policy Agency*, "Heisei 15-nen keisatsu hakusho" [2003 Police White Paper], 2003, <https://www.npa.go.jp/hakusyo/h15/html/E1105023.html>.

³⁶ Below, "Over a Century," 95.

curb the number of car exporters. After 2003, Japanese authorities placed major ports and their designated parking areas under tight control, which eventually led to decreased numbers of car thefts in the country.³⁷

Almost simultaneously, the Russian government made its next move. In 2003, it abolished the privileges of sailors and made everybody pay customs duties, which were made significantly higher for cars older than six years.³⁸ Used car importers responded by increasingly relying on the “construction set” practice. As customs duties for car bodies and other parts were still evidently lower than duties for whole cars, the latter were disassembled, cleared as car parts, and later reassembled. Though it was not easy to register a reassembled car at a vehicle inspection, the problem was solved either by bribing inspectors or, most frequently, by representing a reassembled “construction set” as an already registered worn-out car of the same or even similar model. This led to the emergence of a market of worn-out cars with vehicle registration certificates.³⁹

From the second half of the 2000s, Russian companies started to penetrate the Japanese market systematically, establishing routine connections with Japanese auction dealers. The proliferation of used car web auctions and Russian companies’ gradual inclusion in legal car supplying networks eventually allowed such companies to achieve dominant positions as intermediaries in exporting used cars to Russia.⁴⁰ Some researchers praised the transparency and law-abiding practices of these companies in Japan.⁴¹ Indeed, those Russian dealers that came to Japan in the 2000s in most cases had no economic reason to avoid inclusion in the Japanese formal economy. At the same time, at least some of these companies were not quite transparent at the transborder delivery stage, as they actively participated in “construction sets” and “saw-cuts” (when car bodies were cut into two or more large pieces) schemes. They also quite possibly had connections with those shadow dealers who registered by unlawful means (such as bribing inspectors) the reassembled cars that passed customs clearance. It is revealing that car dealers offering these schemes to their Russian clients can be found even among members of the Japan Used Motor Vehicle Exporters Alliance,⁴² which is the most authoritative Japanese organization in the field aiming to make used car exports transparent and clearly legal.⁴³

³⁷ Belov, “Over a Century,” 95.

³⁸ *Government of the Russian Federation*, Resolution no. 718, 23 November 2003, <http://pravo.gov.ru/proxy/ips/?docbody=&prevDoc=102060962&backlink=1&&nd=102084388/>.

³⁹ Avchenko, *Pravyi rul'*.

⁴⁰ Belov, “Over a Century,” 95.

⁴¹ Belov, “Over a Century,” 95.

⁴² See, for example, *JPCTRADE*, “Usluga – atvo na raspil” [Sawcut service for cars], accessed 20 June 2018, <http://www.jpctrade-auto.ru/raspil.html/>; *Respect Motors*, “Razbor i raspil avto” [Dismantling and sawcut of cars], accessed 20 June 2018, <https://respectmotors.com/ru/services/48/>.

⁴³ *Japanese Used Motor Vehicles Association*, “Purpose of JUMVEA,” accessed 20 June 2018, http://www.jumvea.or.jp/purpose_jumvea.php/.

Despite moderate governmental restrictions, increased demand for and supply of used cars, inclusion of Russian dealers into the Japanese market, and the efficiency of the construction set scheme all contributed to a dramatic growth in the import of Japanese used cars to Russia in the 2000s: from 26,100 cars in 2001⁴⁴ to 517,500 cars in 2008 (the peak in the global market share of the Japanese used car exports, at 38 percent).⁴⁵

The Russian governmental response to “construction sets” largely focused on two targets: preventing customs duties evasion and hindering registration and legal exploitation of reassembled cars. More specifically, in 2008 the government introduced high customs duties for car bodies.⁴⁶ Shortly after, the government increased customs duties five- to seven-fold for used cars older than five years. All of this, coupled with temporarily reduced demand and supply during the 2008 global economic crisis,⁴⁷ led to a dramatic ten-fold decrease in registered used car exports to the Russian Far East in 2009, down to 53,200 cars (though after 2009 the volume of imports partially recovered).

Informal entrepreneurs initially responded with removing non-metal parts from car bodies and thus turning them into low-tax “body frames,” but in 2011 the government issued new rules equating these slightly truncated car bodies to full-fledged car bodies.⁴⁸ After this, two major options remained for informal entrepreneurs. The first was provided by Russian accession to the WTO, which has led to reduced customs duties for car bodies and body frames from around 5,000 euros to around 3,000 euros since August 2012. This made construction-set practices moderately profitable again. However, the problem now was an insufficient supply of documents for old cars,⁴⁹ which limited the scope of this practice.

Another way to bypass governmental restrictions was to apply the “saw-cuts” practice. Unlike slightly truncated car bodies, seriously damaged car bodies were still subjected to low customs duties, passing either for spare parts or metal scrap. Initially, vehicles were cut near Japanese ports, but after Japanese authorities started to crack down on this practice, it was done on

⁴⁴ Nakatani, “Umi o wataru chūkōsha.”

⁴⁵ *JSN*, “Rūburu-yasu de hiekomu Kyokutō Roshia no chūko-sha bijinesu” [Depreciating ruble causes cooldown of the used car business in the Russian Far East], July 2015, <http://www.jsn.co.jp/news/2015/7.html/>.

⁴⁶ Government of the Russian Federation, Resolution no. 745, 10 October 2008, *Rossii'skaia gazeta*, 14 October 2008, <https://rg.ru/2008/10/14/poshlina-dok.html/>.

⁴⁷ This economic crisis can explain the nine-fold collapse of 2009 used car imports only to a limited extent, as the import of new cars to Russia decreased by only 49 percent in the same year. See *Drom.ru*, “Statistika prodazh avto v Rossii za 2009 god” [Statistics for car sales in Russia for 2009], 15 January 2010, <https://news.drom.ru/13501.html/>.

⁴⁸ *Mail.ru*, “Sakhalinskiy biznesmen mozhnet postradat' za ‘nepravil’nye konstruktory” [A businessman from Sakhalin Province can suffer from ‘wrong construction sets’], 30 May 2012, <https://news.mail.ru/economics/9111926/>.

⁴⁹ *Autopaor.ru*, “Skol’ko stoit privezti mashinu iz Iaponii” [How much is it to bring a car from Japan], accessed 20 June 2018, <http://www.autopaor.ru/s-chego-nachat-avtoljubitelju/skolko-stoit-privezti-mashinu-iz-japonii.html>.

board Russian cargo ships.⁵⁰ While this practice itself was largely legal, it was impossible to proceed with a normal registration for a reassembled car at the vehicle inspection, as a reassembled car with a restored body was not recognized as eligible for registration. For some time, informal entrepreneurs managed to bypass this obstacle by registering such cars for bribes in especially corrupt Russian regions outside Primorsky krai (however, the cars themselves waited for registration in Primorsky krai). From 2013 to 2014, Russian vehicle inspection began using an all-national database and started to get data from the customs service. This facilitated the detection of fraudulently registered cars. Concurrently, law enforcement policy towards importers of “saw-cuts” was tightened and some of them even faced criminal charges for customs fraud.⁵¹ Yet, this practice has not died off, which gives some observers grounds to believe that registration by corrupt officers is still occurring.⁵²

The government’s next major suppressive move was the requirement that all cars registered in Russia from 2017 be equipped with a GLONASS satellite navigation system. Initially, Russian authorities did not allow the installation of the GLONASS system into used cars imported since 2017. However, they faced massive discontent from Far Easterners and softened their approach by allowing two certified companies to install GLONASS on used cars.⁵³

Unfavourable demand conditions also contributed to the partial success of the governmental crackdown policy. At the end of 2014, the Russian ruble depreciated more than twofold, though it partially recovered soon after. Together with other factors mentioned above, this caused a noticeable decline in the import of Japanese used cars to Russia, from 128,300 in 2014 to 48,200 in 2016 and 68,800 (5.3 percent of the global Japanese used cars exports) in 2017 (see figure 1). Still, even these numbers remained significant and in 2017 the estimated number of cars with right-side steering in Primorsky krai was seven times higher than the number of those with left-side steering.⁵⁴ This makes the governmental desire to squeeze right-sided steering cars from Russian roads hardly realizable in the near future.

⁵⁰ Nakatani, “Umi o wataru chūkoshā”; *Vl.ru*, “‘Konstryktory,’ ‘raspily,’ ‘karpily,’ i ‘dvoyniki’: kriminal’naia i ne ochen’ istoria obkhoda poshlin vo Vladivostoke” [‘Construction sets,’ ‘saw-cuts,’ ‘car-cuts,’ and ‘doubles’: criminal and not-so-criminal history of tax evasion in Vladivostok], 18 December 2017, <https://www.newsru.ru/vlad/2017/12/18/166049/>.

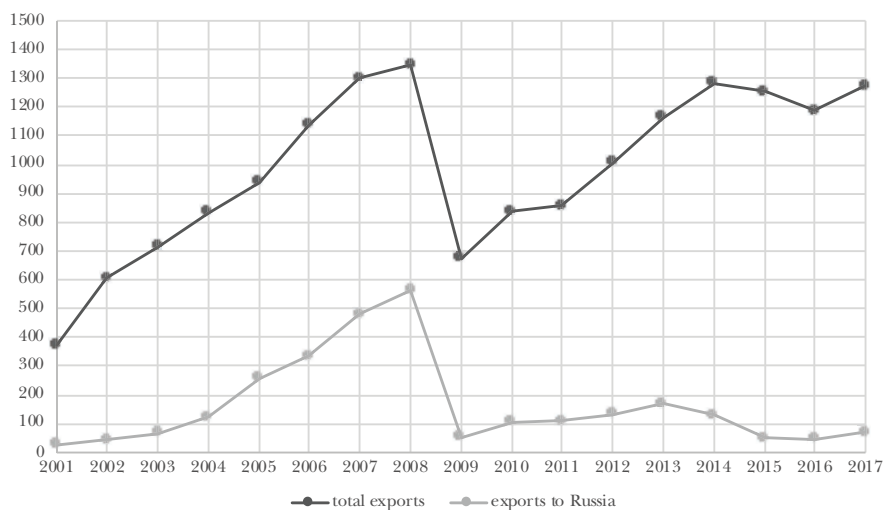
⁵¹ *PrimaMedia.ru*, “Tamozhnia Vladivostoka sozdala ugolovnyi pretседent dlia liubiteli ‘raspilov’” [Customs Service of the city of Vladivostok created a criminal precedent for ‘saw-cut’ lovers], 7 October 2016, <https://primamedia.ru/news/536700/>.

⁵² *Vl.ru*, “Konstryktory.”

⁵³ *Vesti Primorie*, “Rezident Svobodnogo porta zaimiotsia ustanovkoi trevoznykh knopok “ERA-Glonass” [A free-port resident will install ERA-GLONASS alarm buttons in Primorsky krai], 23 January 2018, <http://vestiprim.ru/news/ptnews/59407-rezident-svobodnogo-porta-zaymetsya-ustanovkoy-trevoznykh-knopok-era-ghlonass-v-primore.html>.

⁵⁴ *Vostok-Media*, “Eksperty: protsess zameny pravogo rulia na levyi neobratim” [The process of replacing right-hand-steering cars with left-hand ones is irreversible, experts say], 7 February 2017, <http://www.vostokmedia.com/n315524.html/>.

Figure 1
Japanese Used Car Exports (Thousand Units)



Source: Ministry of Finance, Japan. Retrieved from: CardealPage, “Don`na kuruma ga kaigai ni yushutsu sa rete iru no ka” [What kinds of cars are exported overseas?], 11 September 2017, <http://www.cardealpage.co.jp/seminar/archives/638>; Motoi Kawao, “Roshia Kyokutō no chūko Nihon-sha ichiba: Kogane jidai no nochi ni kuru no wa?” [Used Japanese car market in Russian Far East: What comes after the Golden Age?] Nippon.com, 31 October 2013, <https://www.nippon.com/ja/currents/d10011/>; Yūsuke Nakatani, “Umi o wataru chūkōsha: Russia no okeru Nihon-sei chūkōsha o meguru genjō” [Used cars over the seas: Used cars in Russia], *Keizai bōeki kenkyū* 33 (2007): 29–38.

Unauthorized Export of Marine Bioresources

Unauthorized export of marine bioresources from Russian-controlled waters is widely labelled “illegal, unreported, and unregulated fishing” (IUU). This term frames the activities from the statist viewpoint and thus more neutral terms (such as “illegal harvesting”) are preferred in cases in which the non-statist perspective is emphasized. Unauthorized export to Japan has been practiced by various entities, starting with individual fishing boats crews and ending with large-scale criminal networks. The government has tried to delegitimize this informal activity in public discourse by indiscriminately framing its perpetrators as “fish mafia.” This is not an accurate reflection of the situation, however, as it has been primarily crews of individual ships, not organized criminal groups, that have participated in these activities.⁵⁵

Illegal harvesting and sales of marine bioresources (especially of crabs,

⁵⁵ Williams, “Criminalisation of Russo-Japanese Border Trade,” 713–714.

sea urchins, Pacific salmon, and sea cucumbers) have been one of the main ongoing issues along the Russian-Japanese border since the Soviet period. Crabs have been considered the most valuable marine bioresource. In the post-Soviet period, Japan has become the main consumer of crabs caught in Russian-controlled waters, far ahead of the US, South Korea, and China in crab import volumes. As of 2012, more than 60 percent of estimated Russian-origin crab exports went to Japan.⁵⁶ While delivery of marine bioresources often involved a violation of Russian and Japanese laws, the internal Japanese market for seafood largely functioned in the domain of the formal economy.

The waters contested between Russia and Japan are rich in bioresources. While Japan formally considers harvesting by Japanese fishers in these waters technically legal, Russia designates such attempts as poaching. The USSR allowed Japanese boats to engage in limited harvesting under Soviet “observation,” while the Hokkaido Fisheries Association set a “self-restraint line” for its members that roughly coincided with the median line between Hokkaido and the disputed islands.⁵⁷

After the dissolution of the USSR, the previously state-owned Russian Far Eastern fishery fleet went through a privatization process that led to the emergence of some 500 to 600 Sakhalin-based companies in the second half of the 1990s.⁵⁸ Responding to this trend, Russian customs control posts were established on the Southern Kurils from 1992 to 1995, but on the whole, Russian border control over the disputed zone remained weak. Many Japanese fishers managed to exploit this weakness either by harvesting other kinds of bioresources in addition to the permitted harvesting of laminaria (kelp), or by violating this zone.⁵⁹

In the mid-1990s, the Russian government transferred supervisory power over the fishery to border guards, who carried out two *Putina* (fishing season) special operations in 1994 and 1995. In the course of these operations, border guards used to open fire on vessels that didn’t stop on demand, resulting in casualties.⁶⁰ Unauthorized fishing in Russian-controlled waters became dangerous for Japanese fishers.

Harvesting, followed by the illicit export of catches to Japan, became overwhelmingly the domain of Russian boats. It was much more profitable for Russian crews to sell catches in nearby Japanese ports without notifying Russian authorities due to both obviously lower prices in Russia, and fishers’ reluctance to pay high customs duties and expose perishable goods to

⁵⁶ *World Wildlife Fund*, “Illegal Russian Crab: An Investigation of Trade Flow,” 15 October 2014, https://c402277.ssl.cf1.rackcdn.com/publications/733/files/original/WWF_Illegal_crab_report_final_15_Oct_2014.pdf?1413407573/.

⁵⁷ Aleksandr Kurmazov, “Rossii’sko-iaponskoe,” 346.

⁵⁸ Williams, “Criminalisation of Russo-Japanese Border Trade,” 714.

⁵⁹ Aleksandr Kurmazov, “Rossii’sko-iaponskoe,” 350.

⁶⁰ Dmitriy Rusov, “O ‘severnnykh territoriakh,’ rybe i druzhbe” [About the Northern Territories, fish, and friendship], *Delovaia Sibir*, 14 November 1996.

protracted and corrupt customs control.⁶¹ It is worth mentioning that Russian customs control has remained cumbersome and corrupt through the 2000s and 2010s.⁶²

The majority of Russian harvesting boats were initially from ports in Russian regions closest to Japan: Sakhalin province (including the Kuril Islands), Primorsky krai, and Kamchatka province. The unauthorized export of marine bioresources to Japan was vitally important for the economy of the disputed Southern Kuril Islands, devastated by the disastrous 1994 earthquake and largely neglected by the central government in the 1990s and early 2000s. The persistence of informal trade in marine bioresources contributed to a dramatic rise in Russian boats' visits to Hokkaido Prefecture's ports: these visits increased from 2760 in 1992 to the record level of 9576 in 1998.⁶³

The poorly designed and enforced regime of control over harvesting in the Russian EEZ was a major loophole that was fully exploited by actors involved in unauthorized cross-border trade in marine bioresources. For the years 1994 to 2002, official Russian statistics showed that the volume of exported seafood was 14.6 times less than the volume of Japanese imports of the same seafood from Russia.⁶⁴ Customs clearance of bioresources, harvested in the Russian EEZ (outside Russia's territorial waters) was not required at that time. Companies just had to obtain quotas for harvesting specific bioresources in certain amounts. In practice, these conditions were often not met and fishers would obtain a quota for catching some common fish species, which they then used as a pretext for harvesting high-value crabs, Pacific salmon, or sea urchins. No wonder that distribution of commercial and even of research fishing quotas quickly became a very sensitive corruption issue involving not only regional but also high-level federal officials.⁶⁵ Many border guards also quickly got integrated into a local informal trade, often preferring to collect bribes instead of apprehending violators.⁶⁶

It was very difficult to catch the crews red-handed that were involved in illegal harvesting. As efficient networks between Russian informal entrepreneurs and Japanese purchasing companies formed over time, the Japanese started to lend some Russian partners money for modern boats, crab-catchers, and other equipment.⁶⁷ Having high-speed boats and surveillance and anti-radar equipment, fishing crews often managed to escape

⁶¹ Igor' Naidionov, "Mutnye vody" [Troubled waters,] *Russkii reportior*, http://rusrep.ru/2008/44/mutnye_vody/.

⁶² Yoon Heo and Roman Vernidub, "Trade facilitation and the regulatory environment in Russia" *International Area Studies Review* 18, no. 1 (2015): 53–72.

⁶³ Hokkaido government (2003), cited in Belov, "Regional Dimension," 130.

⁶⁴ Calculated from figures provided by Belov, "Regional Dimension," 132.

⁶⁵ See, for example, Vassily Ustiuzhanin, "Morskoe srazhenie pri Hokkaido," *Komsomol'skaya pravda*, 22 February 2001.

⁶⁶ Boris Reznik, "Mafia i more" [Mafia and the sea], *Izvestia*, 10 October 2002.

⁶⁷ See, for example, Yuri Shchekochikhin, "U nas iest' vsio. Ne khvataev iaponskogo gorodovogo" [We have everything but Japanese policemen], *Novaia gazeta*, 3 June 2002.

when pursued by border guards. To prevent this, the latter could shell non-obedient boats, sometimes resulting in casualties. However, detected crews could get rid of their catches within sight of border guards. At worst, such poaching would result in having to pay a moderate fine.⁶⁸

When Russian boats sold seafood at the nearby Japanese ports, they frequently produced fake port clearance certificates. The Japanese law enforcement regime had been largely tolerant of this practice until 2002, as it was not profitable for Japanese authorities to damage the economies of Hokkaido Prefecture's cities. As of 2003, marine bioresources made up 24.8 percent of Japanese imports from Russia and some 40 percent of it came via Hokkaido ports.⁶⁹ The intensified informal trade had negative consequences for Japan as well, however, as Russian organized criminal groups established their presence in Hokkaido ports and there was an increase in the number of incidents caused by the misbehaviour of Russian sailors (including several murders⁷⁰).

In the early 2000s, Russia increased its pressure on Japanese authorities, in an effort to make them tighten control over Japan-bound crab imports by Russian vessels. In the course of negotiations, Moscow threatened to allocate fishery quotas in Russian-controlled disputed waters to South Korea.⁷¹ In April 2002, partially meeting Russian requests, Japanese customs started to require Russian customs certificates (that were much more difficult to forge) from Russian boats selling marine bioresources. This immediately led to a 1.5-fold reduction in the number of Russian fishing boats visiting Hokkaido ports in 2002 (see figure 2).

Informal entrepreneurs responded by implementing status-changing practices. Many owners registered their boats in third countries, such as Belize, Cambodia, and Panama⁷² (so-called flag of convenience/FOC practice), as Russian customs certificates were not required for third-country fishing boats selling their catches to Japan. Some South Korean, Chinese, and even North Korean ports turned into the key hubs for Russian-owned fishing boats flying flags of third states. Some boats, nicknamed "flying Dutchmen," tried to increase their legal maneuvering capabilities by simultaneously registering both in Russia and in third countries under various names and claiming to be either Russian or non-Russian depending on the situation. Such boats

⁶⁸ Otto Latsis, "Na kraiu sveta, gde ne okonchena Vtoraia mirovaia" [On the edge of the world where World War II is not over], *Izvestia*, 4 August 1995.

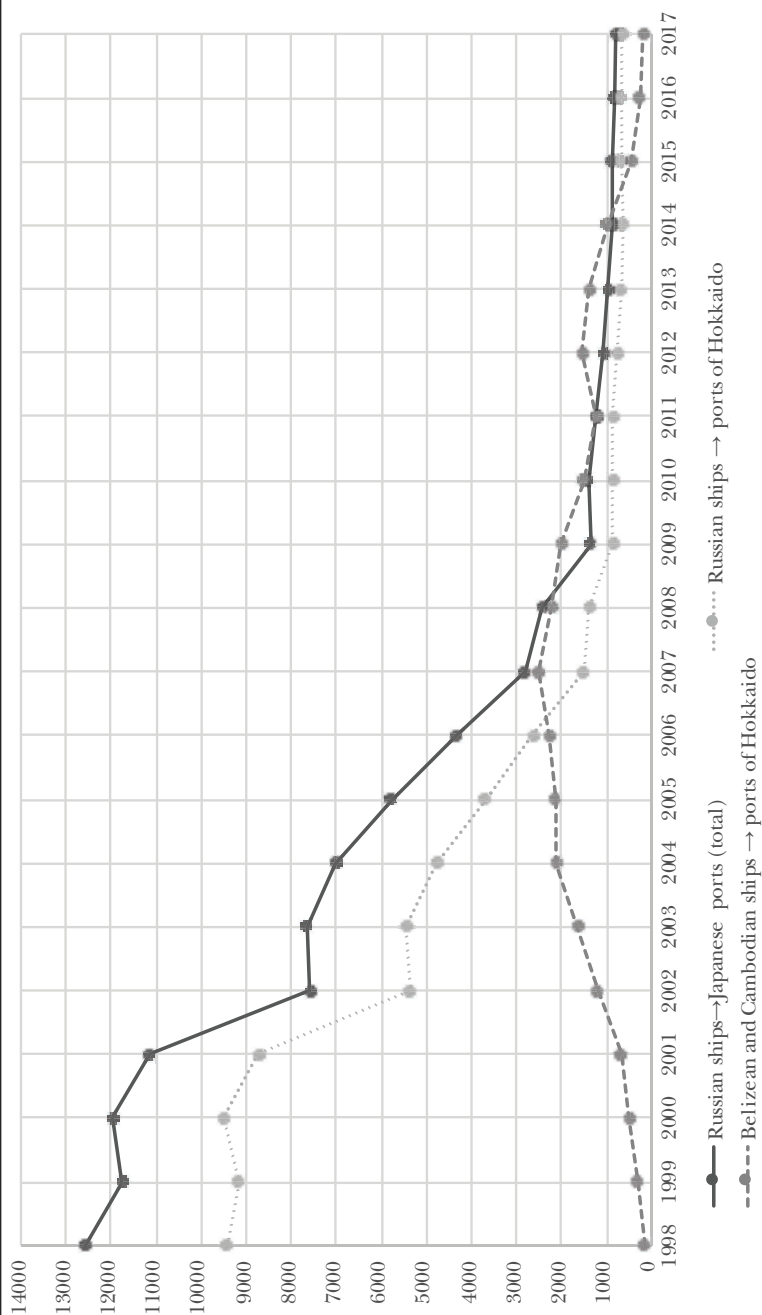
⁶⁹ Williams, "Criminalisation of Russo-Japanese Border Trade," 711.

⁷⁰ See for example *National Policy Agency*, "Heisei 15-nen keisatsu hakusho" [2003 Police White Paper], 003, <https://www.npa.go.jp/hakusyo/h15/html/E1101042.html/>

⁷¹ Vassily Golovnin, "Zakuska dlia vlasti" [A snack for the government], *Sovershenno sekretno*, 1 July 2002, <http://www.sovsekretno.ru/articles/id/844/>.

⁷² Yekaterina Glikman, "Krabovladel'checkii stroi" [Crab-owning system], *Novaia gazeta*, 20 December 2007, <https://www.novayagazeta.ru/articles/2007/12/20/30580-krabovladelcheskiy-stroy>.

Figure 2
Visits of Russian and “Flag of Convenience” Ships to all Japanese Ports, and to Ports in Hokkaido Province



Source: Portal site of Official Statistics of Japan, <https://www.e-stat.go.jp/en/stat-search/files?page=1&roukei=00350320&stat=000001013145&second=1>

could be quickly repainted when necessary.⁷³ As a result of the prevalence of such practices, the number of visits by Belizean and Cambodian ships to Hokkaido seaports surpassed for the first time the number of visits by Russian ships. This trend persisted until 2015 (see figure 2).

Those engaging in these types of deceptive practices were able to take advantage of the limited punishments for this grey zone between legality and illegality. If caught, a ship owner had to pay a moderate fine and a captain could receive a suspended sentence (in many cases without even a working ban).⁷⁴ Moreover, in some cases crews of apprehended ships just refused to identify their captains.⁷⁵

In the late 2000s, the Russian government proceeded further with mending loopholes in its EEZ regime and penalizing informal traders more efficiently. Since 2008, border guards started applying new tactics aimed at preventing ships from getting rid of their illicit catches when caught: they used helicopters to reach and board the ships.⁷⁶ More importantly, the Russian government prohibited the export of bioresources from its EEZ in 2007 and compelled all ships under the Russian flag to register catches with the customs service.⁷⁷ This new wave of governmental restrictions brought significant, though not yet decisive, success. In 2007, the difference between Russian marine bioresources export data and Japanese import data was 5 times, in 2009 it was 2.6 times,⁷⁸ and in 2013, 1.7 times.⁷⁹ The number of visits to Hokkaido seaports by Russian ships, as well as by Belizean and Cambodian ones, was reduced by about half between 2007 and 2011 (see figure 2). Still, some informal entrepreneurs managed to bypass the prohibition by exploiting grey zones at the edge of non-demarcated EEZ borders. More specifically, they resorted to a transshipment practice: a boat harvesting in the Russian EEZ transferred catches to a foreign boat when nearing the EEZ's border.⁸⁰

Despite not being able to eliminate informal seafood exports, the Russian government intensified its efforts to make Japan and other major Russian crab consumer countries cooperate more efficiently and to prompt it to restrict its policy towards crab exporters irrespective of their national identity. In the course of negotiations, Russia employed a range of arguments, starting

⁷³ See, for example, *Regnum*, “FSB vernula gosudarstvu rybolovnuiu shkhunu, ‘vedionnuiu’ s Kamchatki v Koreiu” [FSB returned to the state a fishing boat taken away from Kamchatka to South Korea], 9 September 2013, <http://regnum.ru/news/accidents/1704736.html/>.

⁷⁴ Aleksandr Ognevsky, “Krugovorot kraba v prirode” [Circulation of crabs], *Tikhookeanskii vestnik*, 27 February 2005.

⁷⁵ Viktoria Averbukh, “Letuchii primorets” [A flying Primorian], *Izvestia*, 24 February 2001.

⁷⁶ Averbukh, “Letuchii primorets.”

⁷⁷ Naidionov, “Mutnye vody.”

⁷⁸ Fiodorov, “Kriminalisticheski znachimye,” 65.

⁷⁹ *World Wildlife Fund*, “Illegal Russian Crab.”

⁸⁰ Yurii Rogov, “Khoziaeva dal'nevostochnykh morei” [Masters of Far Eastern seas], *Zolotoy rog* 69 (2008), available at Integrum World Wide, <http://www.integrumworld.com>, accessed 5 November 2015.

with Japan's obligations as a port state (according to the UN Food and Agricultural Organization's Agreement on Port State Measures to Prevent, Deter and Eliminate IUU fishing) and ending with environmental damage (appealing to international organizations such as the WWF).⁸¹

Finally, Japan was persuaded to conclude an agreement obliging Japanese ports not to accept several crab species without certificates issued by governmental agencies. This agreement was signed in 2012 and came into force in April 2014.⁸² As a result, for the first time since the 1990s, registered crab exports from Russia equaled foreign states' import data for the same species. The volume of legal crab harvesting in Russia reached 83,600 tons in 2016, a record level in Russian/Soviet history.⁸³ While the number of visits by Russian ships to Hokkaido seaports remained stable from 2014 until 2017, the number of visits by Belizean and Cambodian ships was 5.6 times lower, nearly returning to the level of 1998 (see figure 2).

Still, Russian border guards continued to apprehend foreign vessels that violated fishing regulations: 23 foreign vessels carrying some 125 tons of illegally caught crabs were apprehended in 2015.⁸⁴ It is suspected that some parts of illegally harvested crabs can be cleared in Japan as transit cargo bound for China under fake Japanese documents and be re-exported to Japan later.⁸⁵

Conclusion

In both cases, informal cross-border activities have been carried out by networks of various actors, some of whom tended to stay in the formal economy (such as car traders and traders in marine bioresources operating in Japanese territory), whereas others resorted to informal but largely legal practices deemed undesirable by the Russian government (such as exporters of disassembled cars), and yet others engaged in illegal practices carrying the threat of either mild or heavy punishment (unauthorized harvesters, car smugglers, facilitators of reassembled cars' registration for bribes, and corrupt officials).

⁸¹ Belov, "Ustranenie," 125.

⁸² "Agreement between the Government of the Russian Federation and Government of Japan about preserving, rational use, management of live resources in northwest part of the Pacific Ocean and prevention of illegal trade in live resources," 8 September 2012, CIS-Legislation, <https://cis-legislation.com/document.fwx?rgn=61932/>.

⁸³ Ilya Shestakov, "Lovi kraba: glava Rosrybolovstva o kvotah na vylov primorskogo kraba i bor'be s brakonierstvom" [To catch crabs: head of the Federal Agency for Fishery about quotas for catching crabs in Primorye and about combatting poaching], 20 June 2017, <http://www.forbes.ru/biznes/346467-lovi-kraba-glava-rosrybolovstva-o-kvotah-na-vylov-primorskogo-kraba-i-borbe-s/>.

⁸⁴ *AfterShock*, "NNN-promysel na Dal'nem Vostoke Rossii" [IUU fishing in the Russian Far East], 6 October 2016, <https://aftershock.news/?q=node/442675/>.

⁸⁵ Tatiana Dvoynova, "Dal'nevostochnyi krab polziot v Podnebesnuyu" [Far Eastern crabs vanish in Celestial Empire], *Nezavisimaya gazeta*, 9 July 2015, http://www.ng.ru/regions/2015-07-09/1_primorie.html/.

Border control is not the only important tool that the Russian government employs in dealing with informal entrepreneurship: internal vehicle registration control has also been highly important in the case of trade in Japanese used cars. Still, legalization of a commodity by customs control and the eligibility of entrepreneurs to operate in a borderland zone have been crucial issues, shaping competition between the state and informal entrepreneurs.

Largely skeptical attitudes towards governmental capability to suppress informal cross-border flows in the age of globalization are typical in contemporary mainstream border studies. However, in both researched cases governmental suppressive policies proved to be largely successful in the long term. Key features of competition between governments and informal entrepreneurs are presented in the following table.

Some specific factors shaping informal Japanese-Russian cross-border trade contributed to this success: in time, authorities largely succeeded in taking control over traffic of less intensive flows of bulky goods transferred by limited numbers of ships. While initially governmental policies were not efficient and thus partially tolerant of socially informal entrepreneurship in times of severe economic crisis, these policies became more efficient and suppressive in the 2000s. In the case of trade in used cars, the government introduced high customs duties for car bodies and also eventually managed to introduce a nation-wide surveillance system for vehicle registration. In the case of the informal trade in marine bioresources, tightened unilateral customs and border control regimes did not have a dramatic effect, as informal entrepreneurs had too many options for evading border control. However, in line with my corresponding hypothesis, Russia eventually managed to bridge the gap between its own and Japanese law enforcement regimes by inducing Japan to establish a more efficient bilateral suppressive regime towards irregular crab exports, irrespective of the suppliers' national identity (2012 agreement). In both cases, border guards and customs officers proved to be capable of adjusting to informal economic practices by adopting more efficient laws and identifying easier controllable targets for prohibition and taxation (such as car bodies or certain crab species).

Still, the competition proved to be tough and protracted. Informal cross-border entrepreneurs managed to utilize the high solvency of the Japanese consumer market, price differences for certain commodities, and the uniqueness and affordability of some goods that Japanese and Russian markets were able to offer to each other. They demonstrated formidable capabilities and inventiveness while adjusting themselves to restricted regulations by using such typical tactics as disassembling of used cars to diminish customs duties, acquiring a privileged legal status (becoming a sailor to import a car tax-free), switching between different legal identities ("flying Dutchman" practice), and utilizing "blind spots" in the sea border control regime. These tactics allowed informal entrepreneurs either to retain

Table 1
Summarized Features of Competition Between Governments and Informal Entrepreneurs in the Two Researched Cases

	Trade in used cars	Marine bioresources harvesting
Incentives for informal entrepreneurship activities	<ul style="list-style-type: none"> • low prices and high quality of Japanese cars • high prices and low quality of Russian cars • initially liberal Russian customs regime for bringing in cars for personal consumption 	<ul style="list-style-type: none"> • high demand and higher prices in Japan for seafood harvested in Russian-controlled waters • cumbersome Russian and liberal Japanese customs regime • privatization of Russian commercial fleet
Reasons for governmental intervention	<ul style="list-style-type: none"> • tax collection • safety concerns • protection of domestic vehicle manufacturing 	<ul style="list-style-type: none"> • tax collection • protection of bioresources • support of legal harvesting • fighting organized crime
Initial suppression moves by informal authorities	<ul style="list-style-type: none"> • moderately raised customs duties • abolition of sailors' privileges (2003) 	<ul style="list-style-type: none"> • tougher sea border control and brutal apprehension practices (since 1994) • pressurizing Japan
Responsive moves by informal entrepreneurs	<ul style="list-style-type: none"> • representing oneself as a sailor (second half of 1990s) • "construction sets" (became prevalent in 2000s) • "saw-cuts" (prevalent at the end of 2000s and in the first half of 2010s) 	<ul style="list-style-type: none"> • getting rid of catches if detected • "flag of convenience" and transshipment practices (prevalent in 2000s and in second half of 2010s)
Crucial moves by authorities	<ul style="list-style-type: none"> • imposing high customs duties for cars and car bodies (2008–2011) • preventing registration of re-assembled "saw-cuts" by establishing interagency databases and tougher law enforcement (2013–2014) 	<ul style="list-style-type: none"> • requirement to clear all catches from Russian EEZ through Russian customs (2007) • Russian-Japanese agreement demanding all importers of crabs to present certificates issued by governmental agencies at Japanese customs (2012)
Consequences	The volume of trade reduced dramatically but "construction set" and "saw-cuts" practices are still applied occasionally.	The volume of informal trade reduced dramatically, but there are some signs of unauthorized crab exports via third countries and opportunities to harvest some species other than crabs.

legal status during customs control (trade in used cars), or to complicate detection and legal identification and minimize punishments when being caught (trade in marine bioresources). The two considered cases perfectly illustrate the fluidity of informal cross-border trade, which is highly capable of resisting the dichotomies of legality-illegality, desirability-undesirability, and punishability-unpunishability that central governments tried to impose.

As the research demonstrates, some informal entrepreneurs managed to adjust themselves even to very tough restrictions and thus stay in the game. Others could choose to either abandon their former business or to integrate into the legal economy. As Belov argues, Russian suppressive measures, combined with more efficient Russian-Japanese cooperation in the field of customs clearance, led to a shift in the pattern of bilateral trade in 2014: large companies have acquired the dominant share in trade while smaller business actors have become more law-abiding and better integrated into the formal economy.⁸⁶ It should be noted, however, that legalization has led to a clear drop in the volume of used car exports and visits of Russian ships to Japanese ports: recent numbers in both categories have proven to be much lower than during the largely informal activities of the 1990s and 2000s (see figures 1 and 2).

In terms of practice, significant lessons for governments can be summarized in the following ways. First, the considered informal practices are to a high degree legitimate in the eyes of local populations, due to a perceived governmental inability to satisfy their needs. Second, as the case with the IUU fishery demonstrates, suppressing cross-border entrepreneurship is not very efficient until full-fledged cooperation with a neighbouring state is achieved. Third, if a government chooses suppression (however, legalization and tolerance should be considered equally important alternative options), it should be surely prepared for protracted competition with informal entrepreneurs who would be eager to bypass restrictions. In this case, the ability to anticipate the moves of opponents, to collect and use feedback systematically, and to identify the most efficient targets for taxation and prohibitions could increase the efficiency of governmental efforts.

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and International Relations, Moscow, Russia, May 2018*

⁸⁶ Belov, "Over a Century," 93.

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