

Privatization Developments in the Russian Far East

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Privatization Developments in the Russian Far East

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1. Introduction

I had a chance to go to Khabarovsk city and to visit and research some economic organizations including enterprises together with a few Japanese and Russian scholars, from June 15 to June 29, 1993. In this paper, I shall explain privatization of enterprises in the Khabarovsk region (krai) on the basis of data and information we gathered there.

Before getting into the main text of my paper, I would like to give a brief overview of the industrial structure and economic situation of this region. The population is 1,621,000 at the beginning of 1993 ([11] p.15). As can be noted in Tables 1 and 2, this region's most important industry is the manufacturing industry, in par-

Table 1. Structure of the Krai Economy (1990, %)

Industry	63.9
Agriculture	9.0
Construction	12.6
Transportation/Communication	10.1
Commerce/Public Catering	3.1
Others	1.3

Source : [1] p. 10.

Table 2. Structure of Krai Industry (%)

Branch	Output in Value		No. of workers
	1991	1992	1992
Industry as a whole	100.0	100.0	100.0
Power generation	3.1	1.4	5.1
Fuel industry	6.6	31.5	2.2
Iron/nonferrous metallurgy	9.1	8.6	7.6
Chemical/petrochemical industry	4.0	1.5	2.6
Machinery manufacture/metal processing	28.7	22.5	42.8
Lumber/pulp/paper industry, wood-working	11.7	9.3	17.6
Construction materials industry	6.2	3.4	4.8
Light industry	7.5	2.9	6.2
Food industry	18.8	15.7	9.0
Others	4.3	4.2	2.0

Source : [1] p. 9.

ticular, the machinery manufacturing and metal processing industries. The main parts of Russia's Far East military-industry complex are concentrated in this region. The stagflation which is prevalent in all Russia is also seen here. In 1992, the region's industrial production was 88.3% of the previous year's production and its agricultural production, 93%. The retail price index was 1,600% of the preceding year ([1] p. 11, 21).

2. Preparation for Privatization

In the Russian Federation, it was at the end of 1980's that movement towards the change of property relations of state-owned enterprises began. Namely in 1988 the Soviet Union government adopted the resolution "On issue of stocks and bonds by enterprises and organization," and allowed state-owned enterprises to be transformed into joint stock companies. And on March 6, 1990, the "Law of Property in the USSR" was established and private ownership was legalized.

Later by the Russian Federation Supreme Soviet the "Privatization Law" was enacted on July 3, 1991 (and amended on June 5, 1992) ([12] No. 31, 1991, pp. 15-18;

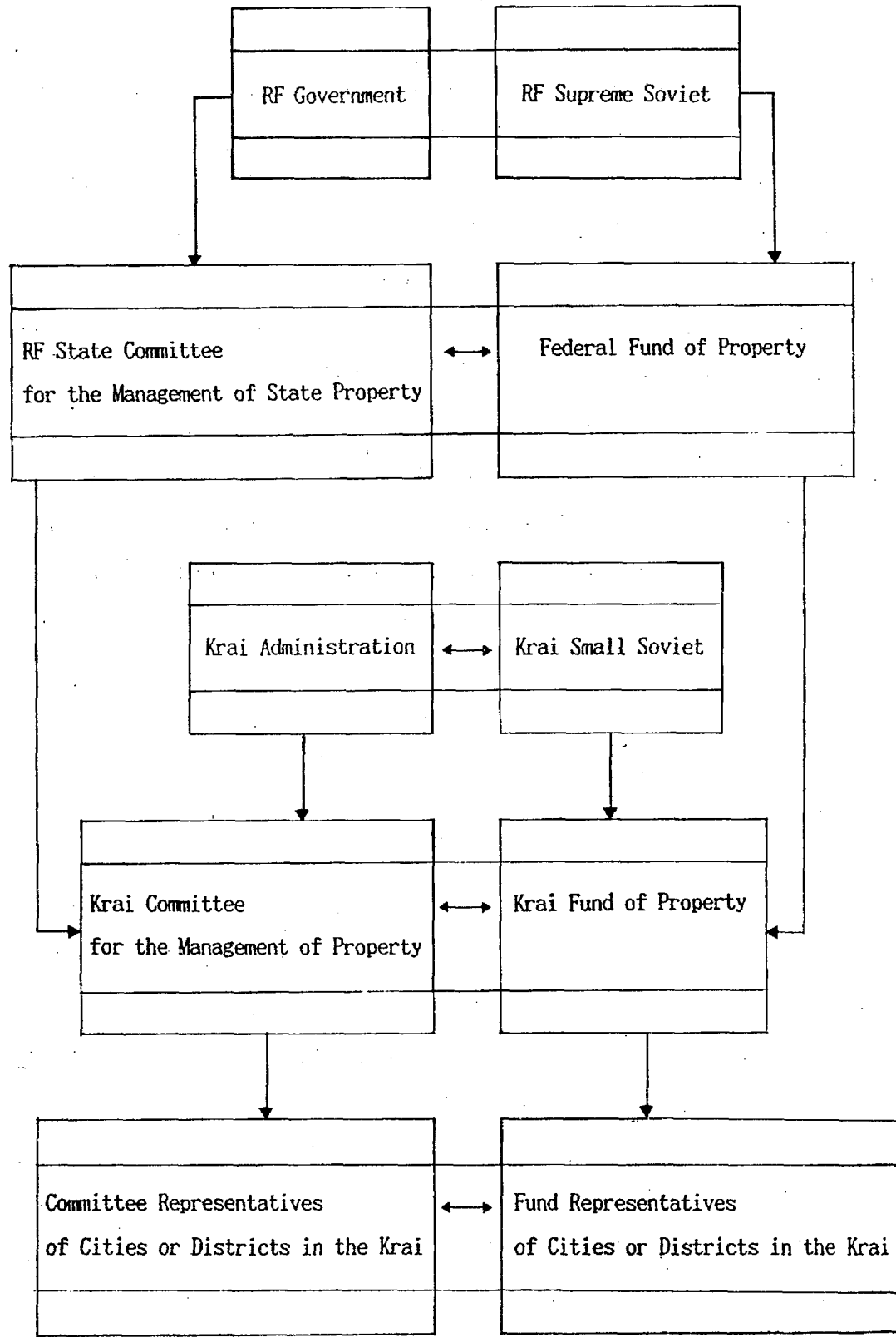
No. 29, 1992, pp. 13-14). According to the provisions of this law, it is the state and regional Committees for the Management of State Property that determine privatization policy. Organ which becomes a seller of State's holdings of the equity of privatized enterprise is the state or regional Fund of Property. In this region, the Krai Committee for the Management of State Property was established on April 1, 1991, and the Krai Fund of Property in October of the same year. The interaction of organizations concerned with the privatization in this region is shown in Fig. 1. As of February 1, 1993, the staff of the Krai Committee for the Management of State Property numbered 19. Together with those at its representative offices of cities and districts, the total staff of the committee was 153 ([2]).

On December 29, 1991, the "Basic Regulations of the State Privatization Program in the Russian Federation for 1992" was approved by Presidential decree ([12] No. 2, 1992, pp. 18-20). In accordance with this, the Krai Committee for the Management of State Property promptly drew up its regional privatization program and on February 6, 1992, the Krai Small Soviet approved it ([2]). On June 11, the Supreme Soviet of the Russian Federation approved the "State Privatization Program in the Russian Federation for 1992" ([12] No. 29, 1992, pp. 15-18). Thereupon, in order to keep in line with this program, the Krai Small Soviet revised the regional privatization program ([2]). The privatization programs of both the federal and regional levels set up concrete targets mainly for "small privatization".

The Presidential decree of July 1, 1992 "On Organizational Measures concerning Reorganization of State-Owned Enterprises and Their Voluntary Associations into Joint Stock Companies" ([12] No. 28, 1992, pp. 21-23) made it mandatory for enterprises or their associations which have more than 1,000 employees or which had book value of fixed assets of more than 50 million rubles as of January 1, 1992, to convert themselves into open-type joint stock companies. This was aimed at accelerating the "big privatization". In this region, 102 enterprises were included in the list of enterprises for which transformation into joint stock company is compulsory ([2]).

In order to carry out privatization, it is necessary to ascertain the ownership of the enterprises to be privatized. On March 18, 1992, the President approved "Regulations concerning Establishment of the Composition by Objects of Federal, State and Municipal Ownership and concerning Procedure for Legalization of Rights of

Fig 1. Interaction of Organizations Concerned with Privatization in Khabarovsk Krai



Source: [4] p. 4.

Ownership" ([12] No. 14, 1992, p. 15). With this, the final step in the process of legally establishing regional ownership of facilities (objects) was started. For this, the Krai Small Soviet approved on April 23 a list of krai-owned facilities and submitted it for consideration by the Federation Government. The decision handed down by the government on October 22, however, removed regionally important enterprises from the list of region-owned facilities. The Krai Small Soviet has registered its opposition to this. Furthermore, in accordance with the decision of the Krai Soviet of October 10, 1991, the work of establishing city and district ownership of facilities is proceeding. All cities and districts have already compiled their lists of municipal-owned facilities.

In order to get the participation of all people in the privatization, since October 1, 1992, privatization check (voucher) has been distributed to every citizen living in the Russian Federation. In this region, 98% of residents had received their checks by April 1, 1993 ([2]).

3. People's Attitude towards Privatization

It was after mid-1992 that privatization started in full swing in this region ([1] p. 38). A questionnaire survey regarding privatization ([3]) was carried out in this region in August-September 1992. The results of the survey may reveal the people's attitude towards privatization at around the time it went into full swing.

The survey was conducted on 7,686 employees and 252 enterprise managers and specialists at 621 enterprises in various industries. Of these, 5,322 were working at big enterprises, 1,643 at medium-sized enterprises, 721 at small enterprises, and 863 at enterprises which are not subject to privatization ([3] pp. 4-5).

Knowledge about Privatization.....Although the privatization process had already started, only 4.7% of the respondents knew how privatization would be carried out actually. Two thirds had general knowledge about privatization, but 23.4% were absolutely ignorant of how it would be carried out. More than 90% of the employees had not heard anything about the variants of privatization. It was through the questionnaire survey that many of them learned for the first time about the substance of privatization process, its stages and possible variants. Even among the managers and specialists, less than half knew about privatization in detail ([3]

Table 3. Krai Residents' Attitude towards the Variants of Privatization (Ratio to total replies)

Variants of privatization	Distribution of replies (%)			
	All employees	(Breakdown)		
		Employees at small firms	Managers	Employees at nonstate-owned companies
a) Transformation to a joint stock company with the first variant	42.9	19.0	25.8	0.0
b) Transformation to a joint stock company with the second variant	35.5	21.5	37.7	18.5
c) Transformation to a joint stock company with the third variant	1.2	0.0	7.9	0.0
d) Auction	8.9	17.1	6.0	21.5
e) Commercial competition	3.8	15.2	6.7	10.8
f) Investment competition	2.2	4.4	5.6	20.0
g) Takeover after leasing	5.4	22.8	10.3	29.2

Source: [3] p. 11.

pp. 7-8).

The Readiness to Participate in Privatization.....In response to the question, "Do you intend to participate in the privatization process?", 62.8% answered "Yes" and 37.2% "No" ([3] p. 10).

Preferable Variants of Privatization.....Refer to Table 3. The seven variants are largely along the lines provided for in the regulations of "State Privatization Program in the Russian Federation for 1992." According to this program, a), b), and c) are to be the methods of "big privatization" and d), e), and f) "small privatization".

"The first variant" in a), "the second variant" in b) and "the third variant" in c) signify the respective privileges to be granted to workers' collectives upon privatization. Under "the first variant", preferred shares, composing 25% of the company's capital fund, will be given gratis to all the members of workers' collective.

Table 4. Anticipated Results of Privatization (%)

Branch of industry	Preservation of product items	Change of output	Attitude towards personnel dismissal					Stock Sale Forecast			
			Will unconditionally approve	Will approve with modernization	Will approve with raised wages	Will approve with modernization and raised wages	Will oppose	Will sell 100%	Will sell 50%	Undecided	Will not sell
Lumber industry	35.0	7.0	20.0	7.0	16.0	36.0	20.0	5.0	7.0	31.0	50.0
Fuel industry	70.0	5.0	20.0	19.0	14.0	36.0	11.0	3.0	1.0	43.0	41.0
Construction industry	56.0	6.0	29.0	9.0	14.0	34.0	14.0	7.0	10.0	33.0	32.0
Metallurgy	34.0	4.0	15.0	8.0	14.0	45.0	17.0	3.0	2.0	47.0	48.0
Chemical industry	42.0	2.0	13.0	13.0	5.0	64.0	5.0	5.0	9.0	34.0	52.0
Construction materials	36.0	-	11.0	13.0	8.0	45.0	23.0	4.0	11.0	36.0	48.0
Light industry	42.0	-	15.0	12.0	19.0	29.0	25.0	-	3.0	26.0	50.0
Food industry	74.0	1.0	12.0	9.0	8.0	44.0	26.0	2.0	7.0	43.0	47.0
Machinery manufacturing	28.0	5.0	13.0	10.0	9.0	49.0	19.0	3.0	5.0	54.0	37.0

Source: Compiled from [3] pp. 28-29.

Under "the second variant," the right to buy ordinary shares, not exceeding 51% of the company's capital fund at the legally fixed price, will be given to them. Under "the third variant," if a specific group of those who are working in the company is ready to undertake the responsibility for carrying out the company's privatization plan and preventing of bankruptcy, the right to buy ordinary shares, composing 20% of the company's capital fund at par value, will be given to them. And in this case, ordinary shares composing 20% of the company's capital fund will be sold to all the members of workers' collective, giving a discount on par value at 30%.

Among all respondents, most of whom are employees of big enterprises, the overwhelming number were in favor of a) and b). Among the managers, the answers were somewhat divergent, but here also the greatest numbers were in favor of a) and b). The responses of employees in smaller firms and nonstate-owned companies were even more divergent.

Anticipated Results of Privatization.....Refer to Table 4. The questions "Will the preservation of product items be necessary?", "Will the output increase?" were directed at managers and specialists of enterprises. The questions "What attitude will you take regarding personnel reduction?" and "Will you sell your own shares?" were directed at all persons. Though the answers to the question about product items were diverse, it can be said that about half of managers and specialists plan to change the product items. Many managers and specialists predicted that the volume of production will rather rise. And, most of the respondents recognized that for this it would be necessary to reduce personnel. Of the respondents, only 18% were unconditionally opposed to personnel reduction. Close to 87% of the managers said that it would be rational to reduce personnel. Only a few people were thinking of selling shares they would acquire. About half intended to hold, while the other half was undecided ([3] pp. 30-31).

4. Progress in Privatization in 1992-1993

At first, in order to learn about the overall situation regarding progress in privatization in this region, let us look at the statistics. It should be noted, however, that the statistics are quite incomplete.

Table 5. Privatization of State and Municipal Property in the Krai in 1992

	Program			Actual results		
	No. of objects	Ratio to total no. of enterprises (%)	Value (million rubles)	No. of objects	Ratio to total no. of enterprises (%)	Value (million rubles)
Light industry	4	40	47	2	20	57.7
Food industry	14	70	39	7	28	108
Construction industry	8	14	48	7	6.1	20
Construction materials industry	10	71	54	4	13.8	14
Implements/machinery supply for agriculture	7	35	27	5	9.1	5.3
Transportation by car	8	50	52	2	6.7	7
Retail trade	798	60	150	241	32.6	507.1
Wholesale trade	5	30	25	6	42.8	67
Public catering	87	25	26	26	14.7	83
Life-related service	220	50	75	96	30.8	68.6
Other objects	-	-	-	51	-	125.7
Total	1178	51.8	566	463	19.8	1063.4

Source: [2]

The actual state of implementation of the privatization program for 1992 in this region is seen in Table 5. This program sets the targets in the branches of industry which have been designated for compulsory privatization by the program of the Russian Federation. It mainly concerns "small privatization" of the commerce and service industries. Firstly, it is seen that the target of the number of enterprises to be privatized has not been attained. What is more, as many enterprises were split in connection with privatization and total number of enterprises increased, the ratio of privatized companies had to fall below the target by a bigger degree. The ratio was only 19.8%. The value of privatized enterprises was almost double the target figure. However, when it is considered that the inflation rate in 1992 was 1,600%, the value in real terms was also below the target. But, at any rate, it can

be said that the process of massive privatization has started.

Besides the facilities in Table 5, in accordance with the Presidential decree of July 1, 1992, a total of 45 companies became open-type joint stock companies as of January 1, 1993 ([1] p. 40).

For the period after the start of 1993, slightly more detailed statistics are available.

Table 6 gives the privatization figures as of March 1, 1993, excluding the privatization carried out by the Krai Committee for the Management of State Property. The interrelationship between this and the two preceding data is not clear. However, it can be seen that the number of applications for privatization reached 1,143 and 452 of them has been completed. It seems that there exist no republic-owned enterprises. As to enterprises of all other types of ownership (federation-owned, krai-owned, and municipal-owned enterprises), privatization is progressing. The methods of privatization that were adopted in practice are also partially ascertainable. There are two cases of an enterprise being reorganized into joint stock company. The enterprises which have been leased out with option to purchase number 66. Leasing with purchase option is regarded to be actually equal to privatization.

What is the situation regarding privatization carried out by the Krai Committee for the Management of State property? The krai committee compiled a list of enterprises to be privatized in 1992 and in the first quarter of 1993. The lists contained 44 enterprises, among which the privatization of 36 has been completed. 32 was done by leasing with purchase option, and 4 was done by commercial competition ([2]).

The statistics as to the first half of 1993 are also available. In this period in this region 285 facilities were privatized. Regarding to industrial branches, 31% of privatized facilities are retail trade companies, 28% are life-related service companies. As to the methods, 71% were privatized by commercial competition, 15% were by auction, 60 facilities (21%?) were by reorganization into joint-stock companies. 47 of the 60 facilities were federation-owned enterprises ([9] august 3, 1993, p.2). We can say that the focus of privatization in this region is moving from "small privatization" to "big privatization."

Table 6. Basic Indicators Showing Progress in Privatization in the Krai (March 1, 1993)

	Unit of measures	(Breakdown)												
		Total	Light industry	Food industry	Construction industry	Construction materials industry	Implements/machinery supply for agriculture	Transportation by car	Retail trade	Wholesale trade	Public catering	Life-related service	Unfinished buildings	Others
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. State-owned enterprises having independent balance sheets -- total (Breakdown by form of ownership)	unit	1,839	4	25	94	28	52	33	527	14	163	325	18	556
1.1 Owned by the Federation	"	168	1	10	26	19	18	15	6	5	1	0	0	67
1.2 Owned by republics affiliated with the Russian Federation														
1.3 Owned by the krai	"	252	2	13	63	7	31	15	9	9	27	1	18	57
1.4 Owned by municipalities	"	1,419	1	2	5	2	3	3	512	0	135	324	0	432
2. Applications for privatization of enterprises are offered-- total (Breakdown by form of ownership)	"	1,143	4	39	96	28	27	33	443	21	50	251	18	133
2.1 Owned by the Federation	"	283	3	30	59	24	16	21	22	20	1	0	2	85
2.2 Owned by republics affiliated with the Russian Federation														
2.3 Owned by the krai	"	71	0	8	34	2	6	1	7	0	0	2	1	10
2.4 Owned by municipalities	"	789	1	1	3	2	5	11	414	1	49	249	15	38

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
3 Applications for privatization of enterprises are rejected -- total (Breakdown by form of ownership)	"	117	1	1	8	7	5	3	26	5	4	36	1	20
3.1 Owned by the Federation	"	45	1	1	7	7	4	3	3	5	1	0	0	13
3.2 Owned by republics affiliated with the Russian Federation														
3.3 Owned by the krai	"	10	0	0	1	0	1	0	6	0	0	1	0	1
3.4 Owned by municipalities	"	62	0	0	0	0	0	0	17	0	3	35	1	6
4 In the process of realization -- total (Breakdown by form of ownership)	"	574	3	31	68	17	17	28	173	10	14	116	2	95
4.1 Owned by the Federation	"	210	2	24	46	15	12	18	17	10	0	0	2	64
4.2 Owned by republics affiliated with the Russian Federation														
4.3 Owned by the krai	"	44	0	7	21	2	4	1	1	0	0	1	0	7
4.4 Owned by municipalities	"	320	1	0	1	0	1	9	155	0	14	115	0	24
5 Applications are realised -- total (Breakdown by form of ownership)	"	452	0	7	20	4	5	2	244	6	32	99	15	18
5.1 Owned by the Federation	"	28	0	5	6	2	0	0	2	5	0	0	0	8
5.2 Owned by republics affiliated with the Russian Federation														
5.3 Owned by the krai	"	17	0	1	12	0	1	0	0	0	0	0	1	2
5.4 Owned by municipalities	"	407	0	1	2	2	4	2	242	1	32	99	14	8

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
6. Amount of money acquired from privatization of enterprises as of end of the month -- total (Breakdown by form of ownership)	million rubles	911.11	0	7	4	14	5.75	0	558.2	32.3	176.5	99.78	2.9	11
6.1 Owned by the Federation	"	44.12	0	1	1	4	0.4	0	2.5	32.3	0	0	0	3
6.2 Owned by republics affiliated with the Russian Federation														
6.3 Owned by the krai	"	5.16	0	2	0	3	0	0	0	0	0	0	0	0
6.4 Owned by municipalities	"	881.83	0	4	3	7	5.35	0	555.7	0	176.5	99.78	2.9	8
7. Value of assets of enterprises sold till the end of the month -- total	"	731.34	0	4	3	2	4.7	7.3	479.1	0	157.7	66.19	1.87	0
8. No. of state-owned enterprises reorganized into joint stock companies whose stock was sold -- total	unit	2	1	1	0	0	0	0	0	0	0	0	0	0
9. No. of leased enterprises -- total	"	173	1	3	16	6	1	2	87	2	41	14	0	0
Of which no. of leased enterprises with purchase option	"	66	1	3	12	2	1	1	19	1	14	12	0	0

Source: [2]

Table 7. Progress in Privatization in Each Region of the Russian Republic (January 1993) (Ratio to Enterprises Having Independent Balance Sheets, %)

Region	Enterprises in the program	Privatization applications	Realised applications
Khabarovsk krai	56.0	57.7	22.6
Nizhegorod oblast'	54.1	156.9	117.7
Moscow city	53.4	67.8	15.9
Saint Petersburg city	54.7	82.3	56.6

Source: Compiled from [2]

There is a table which compares the progress in privatization in each of the regions of the Russian Republic. Part of the data in this table was extracted and compiled into Table 7. In Nizhegorod where privatization is said to be most advanced, the ratio of privatization applications and of privatization completions to the number of enterprises which have independent balance sheets are both more than 100% and are the highest in the republic. The ratios could exceed 100% because enterprises were split up on the occasion of privatization. As far as the original table which was the source of Table 7 shows, privatization in the Khabarovsk region is quite backward in the republic.

Table 8 shows how "small privatization" was conducted and who became the new owners as a result of it. Regarding the method of privatization, the largest number of cases was sale by competition. The largest number of purchasers was workers' collective. Overall, the sales price was 4.4 times the minimum selling price. It is said that the multiple in the case of competition sales was 3-32 times and in the case of auction 6-50 times ([2]). It can be assumed that purchasers experienced rivalry in many cases of small privatization.

We were not able to obtain statistics pertaining to the method of privatization and the new owners under "big privatization." But in the "Priamurskie vedomosti," newspaper of the krai soviet ([10]), the Krai Fund of Property often announced auctions of state-owned shares which are included in capital funds of privatized enterprises, and most of those announcements mention the variants of privilege choiced by workers' collectives. We can find about 80 announcements published from

Table 8. Progress of small privatization in the Krai as of April 1, 1993)
(Cumulative results since beginning of privatization)

1. Enterprises

(Breakdown by industry)

Trade	534
Public catering	111
Life-related service	169

Total	814
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2. Privatized enterprises

(Breakdown by industry)

Trade	178
Public catering	24
Life-related service	93 (95)

Total	295 (297)
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(Breakdown by way of privatization)

Competition	172
Auction	59
Leasing	62
Joint stock company 2	

Total	295
-------	-----

(Breakdown by purchaser)

Workers' Collectives	177
Juridical persons	84
Natural persons	36

Total	297
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Total of minimum selling prices is 322,685,000 rubles.

Total of sales prices is 1,422,037,000 rubles.

3. Trade enterprises privatized

(Breakdown by way of privatization)

Competition	93
Auction	27
Leasing	56
Joint stock company 2	

Total	178
-------	-----

(Breakdown by purchaser)

Workers' Collectives	128
Juridical persons	39
Natural persons	11

Total	178
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Total of minimum selling prices is 230,938,000 rubles.

Total of sales prices is 1,074,150,000 rubles.

4. Public catering enterprises privatized

(Breakdown by way of privatization)		(Breakdown by purchaser)	
Competition	12	Workers' Collectives	13
Auction	6	Juridical persons	9
Leasing	6	Natural persons	2
Joint stock company	0		
		<hr/>	
		Total	24
<hr/>			
Total	24		

Total of minimum selling prices is 54,796,000 rubles.

Total of sales prices is 181,505,000 rubles.

5. Life-related service enterprises privatized

(Breakdown by way of privatization)		(Breakdown by purchaser)	
Competition	67	Workers' Collectives	36
Auction	26	Juridical persons	36
Leasing	0	Natural persons	23
Joint stock company	0		
		<hr/>	
		Total	95
<hr/>			
Total	93		

Total of minimum selling prices is 36,952,000 rubles.

Total of sales prices is 166,382,000 rubles.

Source: Compiled from [2]

January to October in 1993, and thereby know the choiced variants of 77 enterprises. In 65 enterprises workers' collectives choiced the second variant, in 9 the first, and only in 3 the third. It means that in almost all the cases of "big privatization" workers' collective has acquired the right to buy shares to the amount of 51% of company's capital fund.

Also in the 3 big enterprises where we were able to visit in Khabarovsk city, workers' collectives have obtained shares composing 51% or more of capital fund. Their cases are introduced below in brief.

1) An apparel manufacturing company ([6])with 2,087 employees (as of 1992). Established in 1963. Formerly a city-owned enterprise. On May 6, 1993, reorganized into an open-type joint stock company and registered. Capital fund was turned into stock, consisting of 71% ordinary shares and 29% preferred shares. The workers' collective choiced the second variant of privilege, and so 51% (ordinary shares) were sold to employees on priority basis and 49% were held by the Fund of Property. It was said that the Fund of Property would put up 24% at auction after July 15. This is a case of privatization carried out in accordance with the Presidential decree of July 1, 1992.

2) A fishery machinery manufacturing company ([7])with 1,120 employees (1991). Established in 1945. It was a state-owned production association under the jurisdiction of the Soviet Union Fisheries Ministry and was comprised of a machinery manufacturing plant in the city of Khabarovsk (the main enterprise) and three machinery repair plants located in Nakhodka, Sovgavani and Petropavlovsk-Kamchatskii. Upon privatization, each of the four plants were made independent. The machine production plant in Khabarovsk was reorganized into an open-type joint stock company and registered in January 25, 1993. The capital fund was turned into stock, consisting of 71% ordinary shares and 29% preferred shares. The preferred shares were acquired by the Fund of Property. Later, 51% shares (ordinary shares) were sold on priority basis to employees, 29% (ordinary shares) were bought by related companies and kolkhozes, and 20% (preferred shares) were retained by the Fund of Property. It means that here also workers' collective choiced the second variant. This is a case of privatization in accordance with the Presidential decree of July 1, 1992.

3) An energy machinery manufacturing company ([8])with 2,699 employees (1993). Established in 1933. Formerly, a state-owned enterprise under the jurisdiction of the Soviet Heavy Machinery Manufacturing Ministry. It was reorganized into a joint stock company on January 9, 1990 and registered on March 19, 1991. The Ministry retained 89% of the shares and 11% were transferred gratis to the workers' collective. Later, the workers' collective and about 500 employees purchased the shares held by the government and, by the end of 1992, the portion of state ownership in the capital fund became zero. In June 1993, the articles of association were amended in order to note the status of the company as an open-type joint stock company. At the same time, it was decided that the shares held by the workers' collective would be allocated among its members. This is a case of development of privatization which started in the Soviet period.

As is seen in the case of the apparel manufacturing company, and as is learned from the announcements by the Krai Fund of Property above mentioned, on the occasion of "big privatization," after workers' collective bought up some quantity of shares, Fund of Property put up at auction a portion of shares which it held. In most of auctions, these must be paid only by privatization checks and such auctions are called "check auctions." According to the account of N. A. Meretskaya, the chairman of the Krai Fund of Property in June 1993, "check auctions" in this region were as follows. In the period from January 1, 1993, when it became possible to use privatization checks, to June 1, shares of 17 enterprises were put up at auctions. It is expected that from June to August, shares of 40 enterprises, and subsequently those of 50 enterprises might be sold in the same way. The former 17 enterprises all in practice bought up much of their own shares in the "check auctions," so that they might protect themselves from a danger of takeovers ([9] June 11, 1993, p. 2). "Check investing funds," which are established as open-type joint stock companies in order to be trusted with privatization checks, were also active in those auctions and acquired lion's share of stocks ([10] September, 3, 1993, p. 1).

5. Future of Privatization

We can find in the "Priamurskie Vedomosti" the article titled "Destatization: causes, consequence, problems," which is written by N. Polichka, pro-rector of DVKU (Far Eastern Regional University?) and N. Meretskaya. The article contains the following idea: "Destatization (Privatization) is necessary. But the state should take a new function, that is, state regulation of free economy. How can the state regulate social-economic relations, when private ownership or private interest makes up their base? For one thing, it can have economic and legal influence by means of making and implementing of tax policy, fiscal policy, price policy, anti-monopoly policy and so on. Another important instrument of regulation is state ownership taking the form of shares of joint stock companies" ([10] February 4, 1993, p. 2).

It seems that the Khabarovsk Krai Administration agrees with such an idea, and in practice, it positions privatization as a policy measure to create a mixed economy, where state regulates free economy. It thinks that its own task for the 1993-1995 period concerning privatization is, in the first place, to promote privatization further and, in the second place, to establish a system to manage and control property (shares) which the State and municipalities own in enterprises ([1] pp. 41-43).

Specifically, the regional administration plans the following activities: First, as regards promotion of privatization:

- 1) To form a broad base of private owners by means of completing the "small privatization" program. To privatize up to 70% of all corporations belonging to the commerce, public catering and life-related service industries by the end of 1993.

- 2) To complete by the end of 1993 the reorganization of big and mammoth enterprises in this region into open-type joint stock companies. Also to reorganize into open-type joint stock companies the economically most prominent medium- and small-sized corporations which owned fixed assets exceeding one million rubles in value as of January 1, 1992, although they are placed outside the scope of application of the Presidential decree of July 1, 1992.

- 3) To start in 1994-1995 privatization of corporations whose privatization is currently prohibited, including military-industry complexes.

4) With the aim of reducing the proportion of state-owned sector of economy down to 45-50% of whole economy by the beginning of 1996, to start in 1995 extensive sale of stock packets currently owned as state property.

Next, as regards the system for the management of property (shares) owned by the State and municipalities in enterprises: to establish the following system by 1993:

5) Property owned by cities or districts in enterprises shall be managed by the administrations of cities or districts.

6) Property owned by the Federation or the Krai, but existing in enterprises related to vital activity in the cities or districts shall be managed by the administration of cities or districts under the control of the Krai Administration.

7) Property owned by the Federation or the Krai, but existing in enterprises related to vital activity in the krai shall be managed by the Krai Administration.

8) Property owned by State in joint stock companies shall be managed by the directors of joint stock companies appointed by the Krai Administration.

9) Up to 25% of State property shall be transferred to "trust management." Management officials of the Krai Administration shall be dispatched to trust agencies to serve as directors on the board and supervise and watch trust agencies carry out their responsibility in the management of State property.

* Article 6 of Presidential decree of July 1, 1992 refers to "trust management." The outline is as follows. "To recommend Funds of property in each level to transfer packet of shares belonging to them to "trust management" by natural or legal person by contract till the sales of the shares. To determine that packet of shares owned by the State and making up more than 50% of capital fund of an enterprise can be transferred to "trust management" with consent of the workers' collective." ([12] No. 28, 1992, p. 21) In accordance with it, the Krai Small Soviet approved on January 2, 1993, "Regulations on transferring the State property in Khabarovsk Krai to "trust management" ([10] February 3, 1993, p. 3). Furthermore it determined on March 19 to transfer state-owned shares of 10 enterprises in this region to "trust management." The ratio of State-owned shares to capital fund in each enterprise is 20%. This resolution does not make mention of who are the trustees ([10] May 6, 1993, p. 5).

6. Conclusions

Outstanding features of the privatization of enterprises in the Khabarovsk region may be summarized as follows:

1) Preparations for privatization of state-owned corporations were made under the leadership of the central government of the Russian Federation. However, the Krai Administration is still pitted against the State over determination of the ownership of privatized enterprises, because the Krai Administration wants to secure as Krai property those enterprises important to the Krai.

2) At the time when privatization went into full swing, people working in corporations were not familiar with the details of privatization. Workers, in particular, knew almost nothing about privatization. Notwithstanding, people already had a mixed feeling of expectation and uneasiness about privatization of state-owned corporations. In short, many people want to take part in privatization, and the employees of big corporations wish to own stock of the enterprises where they are employed. Corporate managers think that production will increase substantially after privatization. On the other hand, however, in view of the rigorous environment surrounding corporations, quite many enterprise managers think that the items they are producing now will have to be changed greatly after privatization. Corporate managers as well as the majority of employees think that personnel dismissals will be inevitable.

3) Quite a large number of state-owned corporations have already been privatized. The target of the privatization program for 1992 in the Khabarovsk region was not attained within the 1992 fiscal year. Compared with other regions in the Russian Republic, the speed of privatization in this region is somewhat slow. However, there is no doubt that the process of massive privatization has got off to a start. New owners of privatized enterprises are, in principle, workers' collectives or employees of the enterprises concerned. In the case of "small privatization," workers' collectives purchased their enterprises through competition. In the case of "big privatization," workers' collectives were given priority to acquire ordinary shares amounting to 51% of capital fund.

4) The Khabarovsk Krai Administration is trying to promote privatization

of state-owned corporations further and create by the start of 1996 a "mixed economy" in which state- and municipal-owned sector will account for nearly half of the entire economy. In that event, the Krai Administration, together with the administrations of cities and districts in the Krai, intends to regulate the economy through the management of state- and municipal-owned property. This might give rise to conflicts between the local administration or the central government of the Russian Federation and enterprises. External stockholders are making their debut on the scene as owners of privatized enterprises in addition to the State, municipalities, enterprise managers and employees. It is presumed that these legal and natural persons will create complex relations of coordination and opposition over the management of privatized enterprises in the future.

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