



**THE ISSUE OF THE ECONOMIC SECURITY AND DEVELOPMENT
OF THE KALININGRAD FISHING INDUSTRY**

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Abstract:

This article reflects the ways and methods of the development of the Russian, particularly Kaliningrad's, fishing industry aimed at economic growth. The fishing industry conditions and the analysis of the political factors such as the World Trade Organization (WTO) accession and the end of the customs period of the Special Economic Zone that influence on the development of the fishing industry were also analysed. There were developed the measures and proposals, which have to ensure growth of the fishing industry in the current situation.

Key words: development of the fishing industry, World Trade Organization, Special Economic Zone, political factors, proposals, measures to improve

INTRODUCTION

Fishing is an important regional industry with big fishing ports in Kaliningrad and Pionersky (formerly Neukuhren) and smaller ones in Svetly and Rybachy.

The fishing industry is one of the traditional industries of specialization in many Russian regions, particularly in the Kaliningrad region [2, 5]. There are many fishing and (or) fish processing enterprises that operate on Kaliningrad's territory such as "Roskon", LLC "Vichiunai-RUS", LLC "Baltic fishing companies", JSC "Vestrybflot", JSC "Baltic Plant" and others.

Fishing industry provides many opportunities for the Kaliningrad fishing industry. And it is defined by the Federal target program of social and economic development of the region as one of the four priority sectors in the economic development of the region.

The target species in the Baltic Sea are the Baltic sprat and the Baltic herring, the Eastern Baltic cod, the Baltic flounder and turbot, salmon and Baltic trout.

Fishing industry is traditional in the unique Kaliningrad region due to its location. There are advantages and problems of the fishing development and growth. There should

be created a strategy that combines the government requirement, the needs of fishermen and of enterprises that operate in the fishing industry.

**RUSSIAN AND KALININGRAD'S ECONOMIC DEVELOPMENT
OF THE FISHING INDUSTRY**

The Kaliningrad region is one of the most perspective Russian regions for coastal fishing development. In the fishing industry based on local raw materials, there are about 200 enterprises and organizations of various forms of ownership. Currently in this area about 10.5 thousand employees are involved [1]. They accounted for 10% (about 24 thousand tons) of the total fish production organizations of the Kaliningrad region. They give 100% chilled fish supplied to the local market.

Coastal fishing is located in the Baltic Sea, the Curonian and Kaliningrad Lagoons.

The size of amount of quotas allocated to the Kaliningrad fishing companies in 2012, compared with 2010 was reduced by 24% and amounted to 184 thousand tons.

Data of catch quotas in the coastal fisheries and of fishing capacity are shown in the Table 1.

*Table 1
The establishment of quotas and the total catch of aquatic biological resources
for the implementation of coastal fisheries in the Kaliningrad region*

Type of aquatic resources	Installed catch quotas for 2012, thousand tons	The total catch of living aquatic resources in 2011, thousand tons	Lack of fishing capacity, thousand tons
Small herring species	27.7	16.3	11.4
Bottom species	4.8	4.3	0.5
Other fish species	3.5	3.3	0.2
Total	36.0	23.9	12.1

The data in the Table 1 shows that the total catch of living aquatic resources in 2011 was much less than the quota in 2012, and there is a significant lack of fishing capacity of small herring fish species (like sprat, herring).

Directions of the development of fishing industry of the Kaliningrad region are:

1. The oceanic fishery,
2. The coastal fishery,
3. Fish-processing,
4. Fishing in midland water operands of the Kaliningrad region,
5. Aquaculture,
6. Fish markets.

The Figure 1 shows “the dynamic of the investments’ quantity in the field of the coastal fishery in the Kaliningrad region”[3].

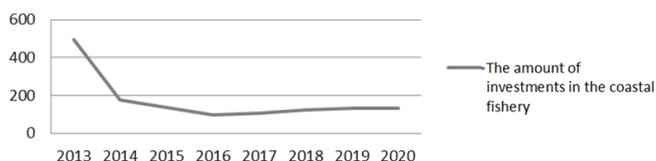


Fig. 1 The dynamic of the investments’ quantity in the field of the coastal fishery in the Kaliningrad region and the amount of subsidies to repay the loan’s percent (mln rubles)

According to the first figure’s information it’s clear that the amount of investments every year becomes less than the previous one, for example, in 2013 it was 493.7 million rubles, in 2014, 176.6 million rubles, and in 2015 it is projected approximately 136.6 million rubles.

The Figure 2 shows the dynamic of the amount of subsidies for reimbursement of part of the cost of investment loans (mln rubles).

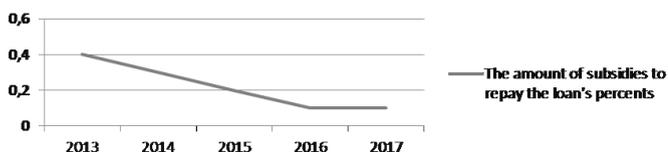


Fig. 2 The dynamic of the amount of subsidies to repay the loan’s percents (mln rubles)

According to the second figure’s information it’s clear that the amount of subsidies for reimbursement of the cost of interest on investment loans each year decreases: 2013 – 0.4 million rubles, in 2014 – 0.3 mln rubles, 2015 (plan) – 0.2 mln rubles.

POLITICAL FACTORS AND FISHING INDUSTRY:

Nowadays it is really difficult to talk about economic growth in any sector of the economy in connection with political events such as:

- strengthening of the dollar and the euro, the weakening of the ruble,
- sanctions, embargoes,
- crimea’s return to the Russian Federation,
- Russia’s accession to the WTO.

The Table 2 shows an effect of each factor on the political situation and development of the fishing industry in Russia, particularly in Kaliningrad region.

According to the second table’s information it’s clear that all political factors impact on the fishing industry of the Russian Federation, in particular on the fishing industry of the Kaliningrad region, on the one hand positively, on the other negatively.

Due to the strong and sharp decreasing of the national currency “ruble”, many enterprises may face with increasing of their own costs and, subsequently, with falling revenues, net income, gross and retained profits. All this can have a negative impact on the volume of production and sales, there will be the opportunity and necessity to review sales policy.

The initiation of sanctions (embargo) on the import of many foreign products may cause deterioration in relations of many Russian companies with foreign partners. However, this political factor may have positive effects on the development of its own production in many regions of the country: the construction of factories, collective farms, discovery farms, increasing money in the circulation in the country.

Return of the Crimea to the Russian Federation will certainly have a strong influence on the development of the Russian economy in a total, in particular on the fishing industry. Firstly, establishment the fish catch in the Black Sea.

Table 2
The effects of the influence of political factors 2012-2014 on the status and development of the fishing industry of the Russian Federation and Kaliningrad region

Political factors	The fishing factory
Strengthening of the dollar and the euro, the weakening of the ruble	<ol style="list-style-type: none"> 1. Growth of the enterprises’ costs 2. Growth of the products’ prices 3. Decline of the demand 4. Decrease of revenue, net income, gross profit
Sanctions, embargoes	<ol style="list-style-type: none"> 1. The saturation of the domestic market with domestic products 2. The rise of the competitiveness of Russian enterprises 3. Failure to provide totally domestic market with fishery products because of outdated old fleet 4. The rise of prices for the products 5. The discontinuance of enterprises’ working which depend on foreign raw materials
Return of the Crimea to the Russian Federation;	<ol style="list-style-type: none"> 1. Improvement of fishing in the Black Sea 2. The concentration of money in the Republic of Crimea, increasing cash flows to the republic
Russia's accession to the WTO.	<ol style="list-style-type: none"> 1. Expansion of product markets 2. The saturation of the Russian market with foreign goods 3. Growth of enterprises’ costs due to the increased foreign competition

Table 3
Measures to improve the activities of fishing enterprises of the Russian Federation as an example of the Kaliningrad region

No	Action	Purpose
1	Finding ways to move the fishing in neighbouring areas	Increasing of the amount of fish catch (within the quotas)
2	Creating the fishing regional corporations, holdings	Increasing of fixed assets of enterprises
3	Revision of the enterprise development strategy	Improving of performance in the period of rapidly changing environment
4	Improving of the monitoring of catch's amount of aquatic resources	Simplification of fishing enterprises' work
5	State support for fishing enterprises	Optimization of costs, fuel subsidies, low-interest loans, optimization of property relations of fish farms in order to reduce prices for the citizens of the Kaliningrad region of aquaculture products.
6	Fleet's modernization	Increasing of fish catches, improving the quality of the catch
7	Reengineering of business processes	Improvement of KPI
8	Creation of the "cluster" production	Increasing of capital intensity, effective allocation of costs
9	Aquaculture's development	Providing a wide range of fish products' population; cultivation of marketable fish in systems with closed-loop water supply (WS)
10	Resolution of administrative (customs) barriers	Acceleration and simplification of the process of documentation

But at the same time a huge amount of money will be directed specifically to the Republic of Crimea: the construction of a bridge across the Kerch Strait, the opening of the Federal University and etc. The main thing is that budgetary resources and funds must be also received to other regions of the Russian Federation.

Russia's accession to the WTO has lasted for 18 years. In August 2012 Russia finally became a member of the World Trade Organization that deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible [4]. Certainly, as the consequence, on the Russian market it will be a wide variety of foreign goods, it is very positive for consumers. At the same time it will encourage domestic producers to improve the quality of goods and services. Enterprises will focus on the consumers. But many industries are at great risk of losing markets share. In addition, the state of fishing vessels, many fish processing companies are quite poor.

Thus, some political factors depend on others. Those advantages and pluses that Russia got after accession to the WTO today disappear due to "the West" sanctions (embargo). Therefore, the Government should seriously consider the establishing its own production, domestic support (subsidies, tax incentives), attracting investment to the regions and others.

In 2016, ending of the transitional period of Special Economic Zone (SEZ) in the Kaliningrad region will undoubtedly impact on the technical and economic indicators of enterprises engaged in fishing in 26th Subarea: growth of customs duties and as a consequence increasing of the cost of acquisition of foreign raw materials, fixed assets and an increase in the net income and retained profits, rising prices for products.

THE ACTIONS FOR MODERNIZATION OF FISHING INDUSTRY IN THE KALININGRAD REGION

Table 3 presents the measures to improve the performance of fishing enterprises, as well as their expected effect and purpose.

According to the information of the 3rd Table it becomes clear that there some ways, methods and actions to pro-

vide the fishing industry with a decent future, to improve the output and production, to create new workplaces, reduce costs and increase KPI, like profit, ROI, profitability and liquidity of organizations.

Thus, clusters will make domestic production, processing, production of various resources and products more competitive. In the early November 2014 the leadership of the Baltic Shipyard "Yantar" ("Amber") (Kaliningrad region) launched an initiative to create a regional shipbuilding cluster.

Creating the fishing regional corporations, holdings has to increase fixed assets of enterprises.

State support and assistance, such as subsidies for fuel or for the modernization of the fleet, will increase the amount of fishing, its net profit at the expense of possible tax benefits.

There is quite severe situation around land relations in fish farms: high fees for using land fish farms have got a negative effect on the prices of live fish. It is necessary to optimize the property relations of fish farms in order to reduce prices for the citizens of the Kaliningrad region of aquaculture products.

Improving monitoring of production amounts will help to facilitate the work and presentation of information to fishing enterprises.

Reengineering will identify extraordinary important, the most disturbed and the easiest process, so that KPI will be improved like profit, ROI, profitability and liquidity of organizations.

CONCLUSION

Kaliningrad's fishing industry is utterly important for its citizens and in total for Russia. The further growth of the economy should be based on the investing. Active industrial policy should provide a pragmatic approach to the formation of priority investment projects [3]. And, certainly, only a comprehensive, systemic event will give a better result, rather than the implementation of the proposals separately.

The development of the fishing industry should be determined by the state courts and the raw material base in the possible areas of fishing, the availability and accessibil-

ity of fish resources, their composition, temporal stability, state reserves and temporal distribution of certain types of fishing from the perspective of the organization, including legal aspects.

It's extremely important for government to support and maintain the fishing industry especially in the Kaliningrad region because it's one of the eldest and the main industries in the region.

It's necessary to preserve, reproduce and use rationally living aquatic resources and to transit from the fishery complex export of raw materials to the innovative type of development.

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