



Title	Between Prestige and Pragmatism : Soviet Customs Relations with Japanese Concessions in Sakhalin in the 1920s-1930s
Author(s)	Antonenko, Viktoriia
Citation	北方人文研究, 15, 1-21
Issue Date	2022-03-25
Doc URL	<a href="http://hdl.handle.net/2115/84599">http://hdl.handle.net/2115/84599</a>
Type	bulletin (article)
File Information	15_02_Antonenko.pdf



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# Between Prestige and Pragmatism: Soviet Customs Relations with Japanese Concessions in Sakhalin in the 1920s–1930s

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## Abstract

This study makes use of Russian primary materials on smuggling to identify factors that defined the dynamics of the relations between Soviet customs authorities and the Japanese concessions in Sakhalin in the 1920s–1930s. I also describe the multilateral monitoring system placed over the foreign concessions by Soviet power, while adding to our knowledge of Sakhalin's Russian society by detailing the economic situation that made smuggling so widespread. The study of the monitoring system of the Soviet organizations over the Japanese concessions shows the dependence of the customs on the opinions and actions of the local institutions. Often, it was a contributing factor to the decision-making process of Sakhalin customs officials. Evaluation of the role of the concession supplies for the economic development of the Sakhalin region and its population clarifies the reason for the spread of the concession goods smuggling on the island. Based on analysis of unpublished archival sources, comparison of the positions of the customs officials at different levels of power made it possible to identify key motives that determined relations between Soviet customs and the Japanese concessions in the 1920s–1930s. My main finding is that the central and the local customs authorities often held divergent views on how to treat foreign concessions. An additional important result that stands in sharp contrast to previous research in this area by both Russian and Japanese scholars is my conclusion that the functioning of the concessions was largely insulated from the overall ups and downs of Japanese-Soviet relations, at least as far as customs matters were concerned.

**Keywords:** Japanese concession, Soviet customs, smuggling, the image of power

## 1. Introduction

The USSR began adopting a concession policy in 1920<sup>1)</sup>, even before the New Economic Policy (NEP) was officially implemented, promising “long term agreements under which foreign participants would be allowed to invest in the country and gain a full return on their investments, with the ability to repatriate part of the profits.” (Lewis 1994: 202) The state had been seeking

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1) Discussions on the implementation of the concession policy were held at the meetings of Council of People's Commissars since 1918, but the first document that determined the State activities in this direction – “The concessions theses” was signed by V. I. Lenin on 25 March 1920. (Erokhina 2009: 228)

foreign investment and technology for economic recovery, following the precedent of Imperial Russia.<sup>2)</sup> According to V.I. Lenin, the vocal proponent of using the foreign capital for the economic recovery of the State, concessions meant the state provision for temporary exploitation of the forest, water, or land plots with natural resources by foreign entrepreneurs for the economic use of these resources. The concessionaires become the lessee, not the owner of these plots. (Khromov 2006: 9) Despite the efforts of the Soviet leadership to create the favorable conditions for the foreign entrepreneurs in the 1920s, the numerous problems, such as the imperfection of the Soviet concession legislation, leaving concessionaires without sufficient legal protection, the Soviets' refusal to pay the debts of the Russian Empire, limits of the domestic market, and impeded access to the foreign market, made foreign investors cautious about new investments. (Khromov 2006: 12-14, 20-25, 31-32; Lewis 1994: 205; Davies 1989: 33) Accordingly, on the All-Union scale, the number of concession agreements was relatively small, less than 100 in 1927, accounting for less than 1% of total industrial production.<sup>3)</sup> (Lewis 1994: 205) Due to the noticeable economic growth of the Soviet economy in the beginning of the 1930s, the State reconsidered the role of foreign capital in the countries' development. The new course of the communist party to eliminate the diversity (*mnogoukladnost'*) in the Soviet economy led to the end of most foreign concessions in the USSR by the beginning of the 1930s. (Khromov 2006: 35-36)

In the Far East, however, the country's concession history took a different path, as the Soviet Far East concessions were not only part of the economic recovery plan, but also an essential tool to manage international relations in the region. Far Eastern industry, agriculture and infrastructure had been severely damaged by years of war, civil war and foreign intervention. Given the central authorities' lacking financial means, local Soviet organs had no other alternative than to attract foreign capital. (Stephan. *The Russian Far East* 1994: 159) Concessions were seen as a source of funds and new technologies, with more significant output than in the rest of the country. The gross product value of the Far Eastern concessions increased from 1.1% in 1925-1926 to 4.2% of regional production by 1930.<sup>4)</sup> (Mariasova 2000: 139-140) Besides economic profitability, foreign concessions in the Far East were bolstered by political support. John J. Stephan regarded the Far East concession policy as part of the Far Eastern Republic's "buffer strategy." (Stephan. *The Russian Far East* 1994: 164-165) The Soviet government used diplomacy as its main instrument to regain control of North Sakhalin, as diplomatic negotiations were closely linked to the concession question. With the signing of the Beijing Treaty on 20 January 1925, between the USSR and Japan, diplomatic relations were established. The Japanese government pledged to withdraw its troops from North Sakhalin before 15 May 1925. The agreement was signed on the condition that Japanese coal and oil concessions would be established. (Vysokov 2008: 405-406) Moreover, Sakhalin continued until 1944

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2) Foreign capital played a major role in the investment policy and technological progress of the Russian empire before World War I (Davies 1989: 33).

3) Lewis argues that in some industries concessions share was much more significant, e. g., up to 40% of manganese ore production. (Lewis 1994: 205)

4) In some industries the share of foreign capital was much higher. For example, Japanese concessions produced 67.4% of the oil in the Far East in 1930. (Mariasova 2000: 140)

as Japan's last stronghold of foreign investment in the USSR, playing a significant role in Japanese-Soviet relations for almost twenty years.

When describing the relations between the Japanese concessioners and the Soviet administration, regardless of a perspective on the dynamic of such relations, scholars frequently refer to Soviet organizations as a unified system, using specific details of interactions between separate organizations or their members, with discussion of the Japanese concessions only serving to illustrate the unified nature of the Soviet state institutions. Such earlier studies, when evaluating the performance of the Soviet monitoring organizations, do not usually focus on the efficiency of these organizations' interactions at different authority levels and instead assume that local organizations were painstakingly following the center's orders. (Mariasova 2000: 34-35; Tetieva 2003: 119-120; Shalkus 2004: 105-106) This turns out to not always have been true. Archival materials presented below indicate that the approaches of the central government and the local authorities often diverged significantly leading to real disagreements.

The dominant viewpoint expressed in recent historiography is that the Soviet monitoring organizations regularly interfered with the normal operations of the Japanese concessions in Sakhalin, often over relatively minor matters. (Remizovskii. *Kita Karafuto* 2000: 15, 16; Tetieva 2003: 123-124) The two authors who paid the most attention to this issue were Takashi Murakami and N. V. Mariasova. To show the biased attitude of local Soviet organizations toward the Japanese concessions, both authors compared the Soviet officials' requirements for Soviet enterprises and the Japanese concessions. For example, in the case of a violation of the safety protocol that regulated the distance between drilling rigs, the Japanese oil concession was ordered to cease operations. In contrast, upon detecting many breaches of distance regulations regarding drilling rigs and other buildings on the Sakhalin Trust territory, the officials did not even once raise the possibility of suspending operations (Murakami 2004: 282; Mariasova 2000: 116) Other examples presented by these authoritative authors showed the same trend. For instance, Murakami mainly focused on the effect of local authorities' oppression of the Japanese oil concession. He explained this attitude of the Soviet officials in terms of ideological differences, including the fear of being arrested or even executed in a case of openly amicable relations with the foreign enterprise or its representatives. The gradual advance of the Soviet economy on Sakhalin also made the concessions less essential.

Mariasova's exploration of central and local policies and actions largely confirms Murakami's insights, but also raises the possibility that different authorities were not always moving in the same direction. On the one hand, the author stated that since the start of the concession operations, the central authorities tried to be cautious regarding their interactions with the concessioner. During the June 1925 special meeting that brought together representatives of the Main Concession Committee (Glavkontsesskom), the Supreme Soviet of the National Economy (VSNKh), the People's Commissariat of Foreign Trade (NKVT), the People's Commissariat for Foreign Affairs (NKID), and other central institutions, the parties decided that the economic and political importance of the concessions for the Soviet Far East required Soviet control to allow the enterprises to function in a cost-effective manner. (Mariasova 2000: 94) On the other hand, when Mariasova describes the oppressive measures of the local Soviet organizations toward the concessioner, she blames the

Center, stating that “all sanctions against the concessioner and foreign workers could be carried out only with the consent of the NKID,” (Mariasova 2000: 102) implying that the central authorities’ directions influenced all the oppressive actions of the local officials. The alternative explanation, divergent approaches at different levels of power, is not explored.

This study aims to analyze Japanese concessioner operations in Sakhalin from the comparative perspective of central and local customs officials in order to determine the main factors driving the dynamics of relations between customs authorities and Japanese concessions. Chronic shortages of almost all goods, including essentials, on Sakhalin set the stage for the spread of smuggling of concession goods throughout the region. Soviet attempts to curb this criminal phenomenon clearly illustrate differences in tactics among levels of customs hierarchy as regards the concessions, as well as reasons for such variations. Making use of previously unpublished primary sources from Russian archives, as well as English, Japanese and Russian secondary sources, this article attempts to add new details to our knowledge of both customs and concessions on Sakhalin, while providing evidence that policy and implementation, central and local, sometimes diverged. The Soviet monolith was often less than monolithic.

Soviet customs was part of a cumbersome system of organizations that monitored different aspects of Japanese activities. The next section of this study describes the place of Soviet customs in this system, its functions pertaining to the monitoring of the Japanese concessions, and the peculiarities of its interactions with other Soviet authorities when monitoring foreign enterprises. The third section focus on the link between the island’s supply from the state and the spread of smuggling during concession operations in Sakhalin. Finally, the fourth section, based on archival materials, analyzes the differences in motives between local and central customs authorities’ behavior toward Japanese concessions regarding concession goods smuggling.

## 2. The place of customs in the structure of Soviet monitoring organizations

By decree of the Central Executive Committee and the Council of People’s Commissars of the RSFSR (8 March 1923), the Main Concession Committee was created. It then became an advisory organization of the Council of People’s Commissars of the RSFSR for concession inquiries. Meanwhile, the Far Eastern Revolutionary Committee Concession Commission was organized on 31 January 1923, and its functions included conducting preliminary negotiations, developing draft contracts, reviewing the viability of concession applicants, and others. (Mariasova 2000: 30-31) In April 1925, for communication efficiency with Japanese concessioners and the observation of quantity and quality of goods imported to the concessions, the Tokyo Concession Commission of the USSR Trade Representation was established. (Mariasova 2000: 34)

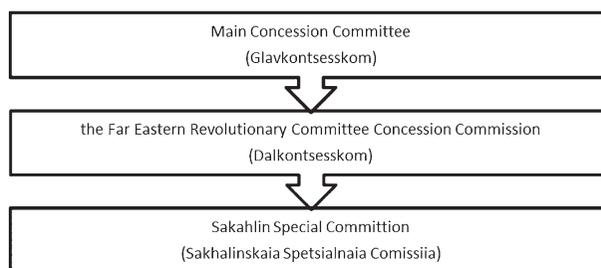
On 18 June 1926, a resolution by the Sakhalin Revolutionary Committee created the Special Commission for the Monitoring of Concessions in North Sakhalin.<sup>5)</sup> This decision was based on the resolution of the Main Concession Committee of the USSR No. 20, which took place on 8 May 1926. The representatives of the local Soviet monitoring organizations (the Mines Supervision Office

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5) Russian National Historical Archives of the Far East (RGIA DV) f. P-4536, op. 1, d. 3, l. 83.

(Gornyi Okrug), the Labor Supervision (Inspektsiia Truda), and the Industrial Committee (Promkom) became commission members. In late 1926, an Aleksandrovsk customs representative also gained membership in the Special Commission.<sup>6)</sup>

Structure of Soviet monitoring organizations over Japanese concessions in North Sakhalin (middle of the 1920s–beginning of the 1930s) (Mariasova 2000: 33–31, 34–35)



From the end of the 1920s to the beginning of the 1930s, with the policy of the direct purchase of foreign technical assistance, the majority of foreign concessions halted their operations, a political strategy that would change the structure of soviet monitoring organizations. (Lewis 1994: 209) In 1930, the functions of the Main Concession Committee were reduced to the legal support of the People's Commissariats, which became concession supervisors. A year later, the Far Eastern Concession Committee was abolished. By decree of the VSNKh on 25 August 1931, the official monitoring of North Sakhalin concessions was entrusted to the commissioner of the Supreme Soviet of the National Economy, which was subordinated to its foreign sector. After this decree, the operations of the Special Commission were suspended in 1932. Local monitoring was delegated to the heads of the Mine Supervision Offices (Aleksandrovsk for the coal concession and Okha for the oil concession).

Sakhalin customs was subordinated to the Far Eastern Department of the Main Directorate for Customs Control (DVO GTU, Khabarovsk) and the Main Directorate for Customs Control (GTU, Moscow). Activities for providing customs control over Japanese concessions can be divided into two blocks. The first involves the monitoring of the concessioner's export–import operations (boat and passenger inspections). The second consisted of two parts: tracking imported duty-free concession goods (equipment and consumer goods) used by concession employees (Japanese and Soviet) to prevent smuggling and, in cases of smuggling, enforcing customs regulations accordingly. Paragraph 21 of the concession agreement states that all concession supplies imported to Sakhalin are duty free, and paragraph 22 prevents these supplies from being sold on the USSR's domestic market.<sup>7)</sup>

The Special Commission's duties focused on the control of different areas of concession activities.

6) RGIA DV F. P-4536, op. 1, d. 3, ll. 175–176.

7) RGIA DV F. P-4536, op. 1, d. 2, l. 37.

This included the transfer of concessioner sites for coal and oil extraction, the payment of deductions, the import of items necessary for their enterprises (with the People's Commissariat of Trade in the Far East), the use of forests (with the People's Commissariat of Agriculture), and others.<sup>8)</sup> (Tetiueva 2003: 120) As part of its functions, the Special Commission was also tasked to ensure prompt resolution of different issues associated with concession activities.

Despite the Special Commission's effectiveness in coordinating local officials' activities, some of its decisions led to the imposition of additional powers or damaged the reputation of customs in the eyes of the concessioner. In a discussion on the issuance of customs passports to oil concession boats, which lacked a clear understanding of the question of belonging (USSR or Japan property) as well as instructions from the central authorities, the Special Commission decided to resolve this problem temporarily. They chose to mark the passports with the concession's boat utilization instead of ownership proof. In response, the concessioner informed Aleksandrovsk customs that the concession decided to return the passports because the GTU has yet to decide on ownership in 1928.<sup>9)</sup> During a 5 November 1930, meeting, the commission instructed customs representatives to check the quality of shoes, which allegedly had paper soles.<sup>10)</sup> This type of activity had no direct connection to customs functions.

As a commission member, the customs head had to produce the institution's performance reports, which other commission members evaluated; the customs officials were given instructions regarding the execution of customs procedures and assignments beyond direct customs functions. Therefore, Sakhalin customs autonomy as regards concession activities was limited by the local authorities.

The institution's working practice shows that the Sakhalin customs head followed the instructions of the other monitoring organizations even after the Special Commission was abolished. In December 1931, the VSNKh commissioner in Okha instructed Okha customs about the detention of some fabrics that were imported to Sakhalin by the oil concession for its employees' supply. The commissioner made the decision based on concession workers' complaints about the quality of the fabrics.<sup>11)</sup> Unsatisfied with the commissioner's decision, the concession administration argued that most concession workers agreed to buy banned materials, and Soviet authorities wrongly interpreted the collective agreement. In case other organizations attempted to interfere with customs work, the DVO GTU instructed customs to immediately report such incidents since customs was supposed to perform functions only related to direct customs duties.<sup>12)</sup> However, the communication problems caused by Sakhalin's geographic location further complicated the work of the island customs.

After the dramatic changes in the structure of the Soviet authorities, monitoring Japanese concession activities in the early 1930s, representatives of the foreign sector of the VSNKh visited

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8) RGIA DV f. P-4536, op. 1. d. 3, ll. 86-87.

9) RGIA DV f. P-3803, o p. 3, d. 1, ll. 152-154.

10) Ibid, l. 21.

11) RGIA DV f. P-4522, op. 1, d. 9, ll. 35-38.

12) RGIA DV f. P-4398, op. 1, d. 1, l. 70.

Sakhalin. They wanted to examine more closely the local officials' work methods in the context of a higher number of conflicts between local monitoring institutions and Japanese concessions in the early 1930s. It should be noted that Sakhalin customs was not the only organization that clashed with the concessioner.

Two foreign sector representatives arrived in Sakhalin in 1933.<sup>13)</sup> While working in Okha, the inspection team concluded that several main factors drove the primary strategy of the local monitoring organizations toward the concessioner, and an important local factor was the development of the Sakhalintrust. The Soviet oil company first produced oil in Sakhalin in 1928 and had been developing rapidly by the 1930s. The new enterprise changed the economic life of the Okha district, which had been mainly determined by oil concession activities in the 1920s. The trust gradually developed and, in 1932, exceeded concession figures in terms of the amount of produced oil. (Remizovskii. Stranitsy istorii 1999: 115) However, because of the enterprise's failure to implement a plan to import equipment and supplies in its first years, it became economically dependent on concessions. (Shalkus 2004: 149) This situation led the concessioner to increase its sale of duty-free goods.

The inspection representatives noted that by the end of the 1920s, experienced Soviet officials had been responsible for interactions with the concessioner. However, as the new decade began, personnel changes led to the occupation of leading positions by *vydvizhentsy*,<sup>14)</sup> who had insufficient practice or working experience. According to the commission report, "new [officials] who started to work in Okha in the end of 1930, with poor communication with the center and in the absence of the sufficient leadership did not quite clearly imagine the complexity of regulating the activities of the concession enterprise, and, having simplified their task, reduced it to simple pressure on the concessionaire."<sup>15)</sup>

The commission identified three main inaccuracies in customs work:

1. The approach toward reducing the illicit trade of concession goods was too steep. Since in the previous period both the Soviet organizations (including the Oil Trust) and individuals had a comprehensive practice of concession goods purchase, the legal grounds on which such trade was possible had been unclear.
2. "The customs did not think enough about the formal justification for individual acts of the repressions"<sup>16)</sup> (imposing a fine on the concessioner for selling goods to workers above the norm, searches in the apartments of concession workers).
3. There was a wrong impression of the prestige of power of customs (seizure of tents to "teach [the concessioner] a lesson").

The commission also admitted that the majority of shortcomings in customs work were caused by insufficient guidance from higher customs authorities.

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13) State Historical Archive of the Sakhalin Region (GIASO) f. P-53, op. 7, d. 3, ll. 10-20.

14) Persons promoted from the ranks by the authorities, generally on the basis of a certain amount of merit, although the purges of those deemed unreliable also opened up many positions.

15) GIASO f. P-53, op. 7, d. 3, l. 12.

16) Ibid, l. 14.

The fact that the commission representative accessed customs documents, evaluated the institution's work, and provided some suggestions on the most productive methods of operation in the future shows that Sakhalin customs was not considered as an independent organization but rather part of the group of monitoring institutions working toward a common goal—the effective regulation of Japanese concessions activities.

After administrative changes in the foreign concession monitoring system through the initiative of the Far Eastern authorities, the Special Commission was revived in Khabarovsk and Aleksandrovsk. In Okha, a special meeting was established at the presidium of the Okha City Council with similar authority.<sup>17)</sup> Their activities included control over the assortment and quantity of imported goods. However, in 1935, the Soviet authorities stopped these functions, leading to reduced control over the import of goods by the concessioner.

### 3. The supply situation in the region and reasons for smuggling

The first years of Soviet Sakhalin saw the emergence of supply shortages as a massive problem for local inhabitants. (Karlin 2000) That is, the Soviet organizations' insufficient supply for the local population became the primary reason for the spread of smuggling in the region. For most concession workers, selling duty-free goods in secret or at a town market quickly became a source of permanent income. In 1928, the Okha concession administration complained to Far Eastern officials that the consumption of concession goods has become the rule rather than the exception within the Sakhalin reality.<sup>18)</sup> Okha's customs manager, in a report on smuggling in Sakhalin (1931–1932), argued that because of the poor supply of products, people had no alternative but to purchase illegal goods from concession workers. He stated that “due to the lack of supply for workers in Okha, vegetables, fresh and dry and especially noticeable before spring and almost all summer, this period of smuggling from the concession especially flows and nobody stops it. This is because of the fact that by the spring in Okha, more than 2,000 of the registered population are sick with scurvy. In addition, a large percentage of them walk on crutches which causes the authority (customs – V.A.) to turn a blind eye to the ongoing smuggling.”<sup>19)</sup>

At the end of the 1930s, the island's poor supply remained unresolved. In November 1938, the head of the foreign department of the People's Commissariat of the Fuel Industry (NKTP), T. Litvinov, complained in a letter to the NKTP deputy that from this year, Okha customs forbade mine supervision office inspectors from purchasing concession goods including remote concession sites that lacked Soviet stores. He asked the NKVT to instruct the GTU to change this order. However, in December of that year, the GTU explained to the NKTP that duty-free concession goods were intended only for the supply of enterprise employees; therefore, it was considered illegal for other people to purchase them.<sup>20)</sup> Without an alternative supply source, the customs response put the

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17) GIASO f. P-53, op. 7, d. 20, ll. 2–19.

18) RGIA DV f. P-4536, op. 1, d. 10, l. 73.

19) RGIA DV f. P-4398, op. 1, d. 3, l. 85.

20) RGIA DV f. P-4522, op. 1, d. 73, ll. 2, 4.

organization in a quandary.

The second reason for the spread of smuggling in the region was the monitoring organizations' inability to establish firm control over Japanese concession goods. Since Japanese concessions began their operations in Sakhalin, there had been no record of the quantity and types of concession goods. It was not until 1926 when the USSR Trade Mission in Japan became one of the first organizations to express its concerns about the issue. While Sakhalin customs officials kept statistics of incoming goods, they could not control where these goods had been distributed and what portions had been consumed by concession workers. In addition, the concessions provided no reports regarding the balance of goods in warehouses. Because of heavy workload and staff shortage, customs inspections on the concessions had been inconsistent.<sup>21)</sup> The food and consumer goods import situation involving the Sakhalin concessions remained "uncontrollable" as observed by the DVO GTU in 1936.<sup>22)</sup> Overall, for various reasons, the local Soviet authorities, including customs, were unable to firmly regulate the financial operations of the concessioner regarding the import and trade of duty-free goods.

Another important rationale for concession workers' smuggling of goods was their small wage relative to the sum of the norm of goods they could purchase in the concession stalls based on a collective agreement. Despite yearly attempts of Soviet authorities to balance two indexes, this problem persisted until almost the end of concession activities in Sakhalin.

Table 1. Import and sale of concession goods (in thousands of rubles, by 1 April 1940, RGIA DV f. P-4522, op.1, d.75, l. 5.)

	Imported	Sold
1935/36	2685.7	2459.1
1936/37	3167.6	3007.2
1937/38	3923.3	4065.4
1938/39	3419.9	3579.1
1939/40	2788.3	3151.1
Total	12061.5	16261.9

The norm of goods was determined by the collective agreement; however, in the first years of the concession operations, the number of imported goods was regulated solely by the enterprises' administration, due to which surplus goods accumulated on the concession warehouses. Therefore, the value of the goods sold to the concession workers by the enterprises, at certain years, exceeded the value of imported to Sakhalin from Japan consumer goods for the corresponding period. (see Table 1). Concession employees had no problem purchasing the high norm of goods established in the collective agreements. Two of the most popular ways to obtain extra money were smuggling goods bought at concession stalls to people working in Soviet organizations or professional smugglers and fattening and selling livestock (mainly pigs) in the city market or to Soviet

21) RGIA DV f. P-4536, op. 1, d. 10, l. 81.

22) RGIA DV f. P-2443, op. 1, d. 432, l. 8.

procurement organizations.<sup>23)</sup> The region's general food supply issues forced the relevant Soviet organizations to turn a blind eye to the source of purchased livestock.

#### 4. The fight against concessions' goods smuggling<sup>24)</sup> in Sakhalin in the 1920s-1930s: differing approaches within the Soviet customs

*The fight against smuggling in the 1920s: "lack of the local peculiarities"*

During the first years of Sakhalin's customs operations, its statistics showed a moderate increase in smuggling cases (Tables 2 and 3), however, incomparable with the volume of the foreign duty-free goods imported to the region annually. Also, the number of cases in the Okha district grew notably slower than in Aleksandrovsk.

Table 2. The scale of smuggling in Aleksandrovsk (1925-1937, RGIA DV)

	Number of cases	Value of smuggled goods (rubles)	Value of imported goods on the concession (rubles)
1925 (5/15-12/31, including Okha)	11	2345	125166 (machines included)
1926/27 (until 4/1/27, including Okha)	13	254	109794
1927/28	74	3834	573782
1928/29	145	5371	340155
1929/30	442	21530	1519070
1931	471	214687	1043063
1932	471	133340	1284411
1933	304	89264	1730912
1934	244	44003	
1935	503	69555	2740306
1936	333	58278	2677047
1937	157	23511	1818084

23) RGIA DV f. P-4398, op. 1, d. 3, l. 85.

24) The term smuggling is interpreted as the illegal movement of goods across borders. Based on the Soviet legislation, it has additional meaning applicable to the illicit trade of the concession goods: "Smuggling equals: ... selling ... of items imported duty-free or with a reduced duty, not for sale purposes [on the domestic market]" (Articles 259, 260 of the 1924 Customs Code). According to paragraph 21 of the Concession Agreement, all supplies for concessions were imported to Sakhalin duty-free. By paragraph 22 of the Agreement, these supplies could not be sold on the domestic market of the USSR.

Table 3. The scale of smuggling in Okha (1926–1938, RGIA DV)

	Number of cases	Value of smuggled goods (rubles)	Value of imported goods on the concession (rubles)
1926/27 (including Aleksandrovsk)	13	254	109794
1928	15		3026271
1929 (until 9/1)	35	950	2330057
1930 (until 10/1)	123	2756	4352714
1931	233	56404	1410730
1932 (until 10/1)	265	119162	
1933	319		
1934	448		
1935	534	213146	2290150
1936	367		
1937	294		
1938	46		

Out of 21 smuggling cases in operational year 1925–26, only eight—less than a half—were linked to the illegal sale of concession goods. Based on the obtained statistics, Aleksandrovsk’s customs manager, disregarding the terrible supply problem, claimed that smuggling on the island was not widespread.<sup>25)</sup> Moreover, in Sakhalin, the fight against smuggling was confounded by the lack of effective guidance from higher customs authorities.

The first inspection of Aleksandrovsk customs was conducted in 1927 since “their (Sakhalin customs – V. A.) work was generally little known to the Department (the DVO GTU – V.A.); meanwhile, their activities take place in front of foreigners, and therefore it is necessary that the work there is raised to the proper level.”<sup>26)</sup> Concurrently, while examining Aleksandrovsk’s customs operations, the inspector was primarily focused on the technicalities of the cargo and passenger inspections—which was traditional for customs functions—rather than on the peculiarities of the local struggle against smuggling. Hence, the following years saw no significant progress, as the yearly report to the DVO GTU in 1928 characterized the confiscation proceedings in Aleksandrovsk as insignificant, with only 59 cases totaling 3,349 rubles, while the value of imported consumer goods for the 1927/28 operational year was estimated at 573,782 rubles.<sup>27)</sup> In another report to the DVO GTU in October 1928, Okha’s manager mentioned only 15 smuggling cases associated with attempts to bring concession goods to the mainland.<sup>28)</sup> With moderate growth in its number of cases in the succeeding years, Okha customs continued to lag.

The first revision of Okha customs since its establishment in July 1926 was conducted by the assistant chief of the DVO GTU, V. A. Shcheritsa, in September 1929.<sup>29)</sup> The inspector admitted that

25) RGIA DV f. P-2470, op. 1, d. 211, l. 96.

26) From the 1926/27 operational year the DVO GTU report to the GTU (RGIA DV f. P-2443, op. 1, d. 104, l. 13).

27) RGIA DV f. P-2443, op. 1, d. 192, l. 258.

28) *Ibid.*, l. 216.

the remote location and the lack of proper communications compelled local customs officials to follow guidance from other local authorities. Moreover, the structure of the Japanese concession monitoring system facilitated the close cooperation of customs and, in some cases, its compliance with the orders of other Soviet organizations. In May 1930, in a letter to A. I. Kaptenor, the newly appointed manager of Okha customs, Shcheritsa characterized the smuggling situation in the district as “accidental and *lacking local peculiarities*”.<sup>30)</sup>

During the first years of the fight against smuggling on the island, customs officials predominantly dealt with concession employees as smugglers and individuals as recipients of contraband goods; the concessioner was not directly involved in any smuggling cases in the 1920s. With the lack of serious conflicts between the customs and Japanese enterprises regarding the fight against concession goods smuggling, regional and central customs authorities focused elsewhere on the local customs work areas.<sup>31)</sup>

#### *Fight against smuggling in the beginning of the 1930s: rise of awareness*

With the start of the new decade, the number of smuggling cases in Aleksandrovsk had rapidly increased (Table 2). In operational year 1929–1930, 422 smuggling cases with a sum of 21,530 rubles were recorded in Aleksandrovsk district, the majority of which (417) were linked to the illegal sale of coal concession goods by the enterprise’s employees to the local population or the resale of concession goods by professional smugglers.<sup>32)</sup> On the other hand, there was virtually no progress in the fight against concession goods smuggling by Okha customs. During institution’s second inspection in September 1930, most of the 123 smuggling cases, totaling 2,756 rubles, involved the detection of goods found in the baggage of passengers arriving on the island. Only several cases of the illegal purchases of concession goods were detected during the attempts to take them out of Okha.<sup>33)</sup> The customs head pointed out local officials’ distinct attitude toward the trade of concession

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29) RGIA DV f. P-2443, op. 1, d. 90, l. 191.

30) Ibid, l. 246.

31) In some cases, not related to smuggling issue, customs’ decisions were not well received by the concession administration. For example, Okha customs refused to allow two moored offshore Japanese boats to take barges which were carried off to open sea during a violent storm near Okha in September 1927. The barges got lost as a result, causing serious financial losses for the concession. (read detailed description of the incident in Murakami 2004: 285) In response to the customs actions, the GTU expressed its disapproval of the actions of the customs head, stating that “the responsible heads of the institutions are obliged in their requirements, in the exceptional cases, to rest not only on the existing legal provisions, rules, and instructions but also on expediency, in other words, on common sense, avoiding bureaucratic approaches resolving issues.” (RGIA DV f. P-4536, op. 1, d. 8, l. 55).

32) Regardless of the substantial increase in the smuggling cases, based on the poor supply situation in the region, high supply norms, and the fact that the value of imported consumer goods exceeded the total annual wages of the worker count in 1930, the Far Eastern Rabkrin (a governmental establishment in the USSR responsible for scrutinizing the state, local, and enterprise administrations) transport and communication group’s inspection deemed insufficient the Aleksandrovsk customs fight against concession goods (RGIA DV f. P-4562, op. 2, d. 1, ll. 246–247).

goods to the local population: “[I]n the Okha region, the resale of the Japanese goods by workers and employees of the concession is widely practiced. This phenomenon is considered normal by the local authorities since the entire Sakhalin Island is in a privileged zone and enjoys the right of duty-free import to supply the population with imported consumer goods.”<sup>34)</sup> Meanwhile, according to paragraph 22 of the Concession Contract, imported concession goods could not be sold on the USSR’s domestic market. The historiography has widely covered the oil concession’s active assistance to the Sakhalinest Trust since its establishment in 1927.<sup>35)</sup> However, the legal ground for the Soviet enterprise’s usage of concession property remained uncertain. Thus, GTU inspector A. N. Izrailev, doubting the expertise of local authorities, considered this situation unclear and requiring a resolution by the central customs administration.<sup>36)</sup> On the other hand, risking a possible violation of customs legislation, Izrailev called the work of the institution fair during a meeting at the DVO GTU.<sup>37)</sup>

In 1931, the small case count in Okha may have been due to the attitude of local authorities, including customs, toward the purchase of concession goods by the local population and organizations unrelated to the Japanese concessions. With the irregular inspections of the GTU officials in Sakhalin and the periphery’s inconsistent communications with the Center, the duty of exposing the true scale, methods, and subjects of smuggling lay on the shoulders of inexperienced local customs officials.

In July 1931, Vladivostok customs employee A. I. Kaptenor, who previously held customs operational and administrative positions,<sup>38)</sup> began his stint as Okha’s customs manager. The upsurge in smuggling cases in 1932 (almost twice from the previous year) indicated the special focus of the new administration on this particular line of work. (Table 3)

In February 1932, the DVO GTU sent Sakhalin customs information regarding the concessioner’s financial operations involving Soviet currency.<sup>39)</sup> In a letter, the department emphasized the importance of concession employees’ involvement in the fight against the illegal trade of concession goods. Remarkably, the document had no instructions as to the punishment for local organizations that buy duty-free goods from the concessioner. Working closely with the local Joint State Political Directorate (OGPU) detachment, Okha customs was able to prosecute several professional smugglers – the concession employees. One of them, A. V. Panferov – clerk in the concession stall; based on his and other witnesses’ testament, he started buying and selling smuggled goods in

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33) RGIA DV f. P-2443, op. 1, d. 90, l. 276.

34) Ibid, l. 276.

35) The authors use this information in order to show the contribution of the Japanese concession to the development of the oil industry in the region (Mariasova 2000: 106–107); the economic dependency of the Trust on the oil concessions since the start of the operations (Shalkus 2004: 149); or the improvement of the relations between the Soviet monitoring organizations and the concession in the late 1920s (Murakami 2004: 279).

36) RGIA DV f. P-2443, op. 1, d. 90, l. 277.

37) RGIA DV f. P-2443, op. 1, d. 250, l. 135.

38) RGIA DV f. P-4398, op. 1, d. 1, l. 2.

39) RGIA DV f. P-4398, op. 1, d. 4, l. 9.

Blagoveshchensk back in 1924. Upon arriving in Okha, he got access to concession goods through work and illegally supplied flour and other goods to his brother and other people starting from the middle of the 1920s. In turn, his brother was making pies out of the concession supplies, giving the proceeds to Panferov.<sup>40)</sup> Another concession stall clerk G. F. Hamzin admitted that he was selling his norm of concession goods to the people who had no connection to the concession at higher prices for the profit for several years.<sup>41)</sup> Overall, trying to follow the instructions of the higher authorities, the customs officials, unraveled the state of affairs when the concession goods were a steady income source for part of the Sakhalin population. However, a lack of experience in combating the illegal distribution of concession goods led to modest results in the number of smuggling cases.

*Smuggling case #47 as an indicator of the divergence in the customs authorities' anti-smuggling approaches*

Besides the rise in the number of cases, the Okha customs administration also began paying attention to new emerging types of smuggling. For the first time in Sakhalin customs history, not only concession workers and local people but also the oil concession itself and Soviet organizations (government agencies, enterprises, etc.) were prosecuted for the illegal trade of concession goods. Kaptenor explained that while the local Soviet organizations' purchases of concession goods without the permission of Far Eastern officials were more the rule than the exception for Sakhalin, the increasing frequency of such purchases was "the greatest evil ... inflicted on our financial system."<sup>42)</sup> In response, based on Article 164, paragraph c, of the 1928 Customs Code,<sup>43)</sup> customs decided to take legal action against organizations purchasing concession goods. The "great evil" pertained to the accumulation of Soviet currency in the hands of the concessioner as a result of the duty-free goods trade; that is, the foreign concessions used Soviet rubles for their employees' salaries, local taxes, and insurance payments. The enterprise did not have to undergo unprofitable currency exchange procedures, which ultimately abridged the cost of natural resource extraction on the island, leading to a reduction of repayments paid by the Japanese enterprise to the USSR based on the Concession Contract.<sup>44)</sup>

While in some cases the Sakhalin Trust was permitted by the Regional Executive Committee and the Party organization to purchase concession equipment, other Soviet organizations frequently did not have any permissions. In 1932, customs was able to determine the scale of unauthorized purchases by some Soviet organizations in the previous year: the Sakhalin Trust – 13,873 rubles, the Far Eastern Railway Construction Organization – 14,380 rubles, the Labor

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40) RGIA DV f. P-4398, op. 1, d. 1, l. 11.

41) Ibid, l. 10.

42) RGIA DV f. P-4398, op. 1, d. 4, l. 54.

43) Smuggling is defined here as the sale to a third party for a fee without an established permit for goods imported from abroad duty-free or with a reduced duty not for the purpose of marketing.

44) According to the Concession Contract, signed 14 December 1925, the Japanese concessions in Sakhalin had to deduct to the USSR from 5 to 15 percent of their gross income annually (Mariasova 2000: 95, 113).

Inspection – 506 rubles, and others. To discourage the concessioner from participating in illegal trade, Kaptenor hoped for support from the local organizations. However, Okha officials, who enjoyed concession goods, did not cooperate well in customs' fight against smuggling. Meanwhile, when customs began prosecuting some of them for smuggling at the beginning of the 1930s, these organizations' hostility toward customs significantly complicated its employees' lives.<sup>45)</sup> The concessioner also complained about its inability to reject the requests of Sakhalin organizations, expressing its concerns in a correspondence to Okha customs: "On the basis of supply, the concession in the past had many incidents ... The authorized representative of the Sakhrevkom, Mr. Chernov, in the past, have sent a letter to the concession with threats in a case of the refusal to supply employees of some state bodies, and indicating that the need for such supply if it is impossible to obtain from other sources, arises from the concession agreement, and, in any case, it is mandatory for the concession [to follow] orders of the State administrative bodies."<sup>46)</sup> Disregarding this explanation, Okha customs proceeded further with its smuggling cases against the enterprise. It estimated the oil concession's smuggling operations in 1931 at 26,284.88 rubles (the sum of illegally sold items and fines) and included it in its smuggling case #47.<sup>47)</sup>

The motive behind customs' categorical actions was not novel and originated from its lack of experience in dealing with foreign enterprises on Soviet soil,<sup>48)</sup> along with its lack of instructions from higher authorities. In a June 1932 letter to the OGPU anti-smuggling commissioner in Okha, the customs complained that despite frequent inquires to the DVO GTU, they did not receive any instructions regarding changes in punitive measures in smuggling cases or their termination.<sup>49)</sup> Another possible reason for customs' actions against the illegal trade of concession goods could be linked to the manner in which other monitoring organizations interacted with the concessioner. In the same letter, Kaptenor noted that the other monitoring organizations have strengthened their supervision of the concessioner.<sup>50)</sup> In the isolation of the remote East Coast, the approaches of other organizations compelled Okha customs to adopt a more decisive approach.

Describing the deterioration of relations between the concession and the local Soviet organizations in the early 1930s, Mariasova explained the situation through the shift in Soviet-Japanese relations.

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45) Reactions of the local Soviet organizations to the measures taken by the customs to make organizations responsible for making illegal purchases can be illustrated by this fact: Okha customs issued a decree, approved by the DVO GTU, about confiscation of two iron safes illegally purchased from the oil concession. When the customs officials began to confiscate the aforementioned safes, the chairman of the District Executive Committee began to threaten the customs chief with arrest, in case of the customs decree enforcement. (RGIA DV f. P-2443, op.1, d. 296, pp. 10-11)

46) Letter from the oil concession administration to the authorized representative of the NKTP from 28 April 1932 (RGIA DV f. P-4522, op.1, d. 20, l. 57).

47) RGIA DV f. P-4398, op. 1, d. 4, l. 53.

48) In a letter to the OGPU anti-smuggling commissioner in Okha in June 1932 Kaptenor admitted that none of the customs staff had previous experience in the fight against smuggling (RGIA DV f. P-4398, op. 1, d. 4, l. 72)

49) RGIA DV f. P-4398, op. 1, d. 4, l. 69.

50) *Ibid.*, l. 73.

Owing to Japan's invasion of China in 1931, the Soviet side imposed tougher requirements on Japanese concessioners, which led to an increased number of conflicts with the foreign enterprise. (Mariasova 2000: 109) However, the author's examples of the local Soviet organizations' actions failed to explain how such actions were directly connected with changes in the political situation. Instead, the foreign sector inspection representatives who came to Sakhalin in 1933 suggested that lack of leadership of the Center and the inexperience of the local officials caused numerous conflicts with the concessioner.<sup>51)</sup> Meanwhile, increased militarization and economic development in the Far East from the early 1930s determined the main directions of USSR policy in the region. To achieve its goals, political stability in the region was essential. Following the established political course, Soviet diplomats made multiple attempts to sign a Non-Aggression Pact with Japan from the late 1920s to the early 1930s, which were unsuccessful. Moreover, the expression of neutrality among the Soviet press toward Japanese military escapades in Manchuria was another way to appease the neighbor in the East. (Kovalio 1984: 319-332)

The DVO GTU harshly criticized the bold actions of customs. The department explained that the customs manager "got carried away with the isolated facts from the activities of the concession, such as selling of the concession [goods to] the organizations" instead of helping suppress the trade of concession goods over the collective agreement norms in Okha and other concession sites.<sup>52)</sup> Punitive actions against the concessioner without the consent of higher authorities led to a change in Okha customs leadership, a decision founded on the concessioner's complaints against customs' actions. On 19 June 1932, the concession raised a protest to the NKTP representative that despite instructions from higher authorities, Okha customs started to actively collect fines. In its letter to the NKTP's authorized representative on 3 July 1932, the concessioner complained that Okha customs began conducting seizures of their property, securing a fine imposed on the concession.<sup>53)</sup> The concession officials asked the NKTP representative to *give directions* to Okha customs "to change its (Okha customs - V. A.) attitude toward us and stop actions that entail delays and difficulties in the work."<sup>54)</sup> The concession ended up escalating the issue to the international stage, applying through the Japanese consul in Khabarovsk to the Soviet government to decide on the actions of Okha customs.<sup>55)</sup> The concessioner, well acquainted with Soviet legislation and documents regulating concessions activities, produced a sustainable response to the customs' complaints, leading to a decrease in the authority of the Soviet monitoring organizations in the eyes of concessions representatives.

As for Okha customs' smuggling case #47 of 1932, the GTU decided that it should be deferred based on the following argument. The Soviet organizations pressured the concessioner to sell duty-free goods to them, and the concessioner, warned by customs officials, immediately stopped selling

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51) GIASO f. P-53, op. 7, d. 3, l. 12.

52) RGIA DV f. P-2443, op. 1, d. 295, l. 16.

53) Upon the discovery of the fact of tents' for the new workers arrest of Okha customs, the DVO GTU instructed the customs to urgently cancel the arrest order. (RGIA DV f. P-4398, op. 1, d. 1, l. 72.)

54) RGIA DV f. P-4522, op. 1, d. 20, l. 45.

55) RGIA DV f. P-2443, op. 1, d. 295, ll. 42-43.

unauthorized duty-free goods to local organizations in 1932.<sup>56)</sup> Consequently, the Soviet institutions involved in this illegal trade have not been prosecuted. However, the GTU stated that in case the concessioner would disclose similar unlawful operations in the future, this case could again be brought up to light and added to the new materials.<sup>57)</sup>

To avoid repeating the previous situation, the DVO GTU limited the local customs' authority over the concessioner. In March 1932, in a letter to Okha customs, the DVO GTU noted, "[C]oncerning the making of any requirements to the concessionaire, it is necessary to observe special caution; it is always better to put an arising question that does not find direct instructions in the laws of the USSR or the concession guidelines before the Department."<sup>58)</sup> According to the DVO GTU, well-grounded customs decisions would help strengthen customs' authority in the concessioner's eyes. The central customs administration then encouraged local customs to focus on Soviet workers and institutions—direct accomplices of the concessions in violating Soviet law.

The inexperienced local customs officials couldn't make an argument about the punitive measures against foreign enterprise convincing enough to challenge the practices of well-versed in the Soviet legislation concessioner. The "reckless and ill-conceived" actions of Okha customs jeopardized the prestige of the Soviet power in the international arena, causing the backlash of the higher authorities, who, in turn, made efforts to neutralize the situation.

*The priorities of the central customs authorities regarding the fight against concessions' goods smuggling*

Despite the central customs authority's rhetoric on a decisive combat against Soviet organizations' practice of acquiring concession goods, none of the local organizations were prosecuted for smuggling after 1932. The GTU decisions contributed to this situation. In June 1934, the coal concession in Aleksandrovsk sold 250 shovels to Aleksandrovsk port to speed up coal loading for Kamchatka. Customs was informed through the regional communist party organization that this purchase was approved at the level of the Far Eastern party organization. While the GTU stated that no other institutions except the GTU and the NKVT could give such permission in the future, the transaction was retroactively approved in March 1935.<sup>59)</sup>

In 1935, when the head of the DVO GTU, G. Ya. Voitovich, conducted an inspection of Okha customs, the illegal trade of concession goods by concession employees was reestablished as the primary form of smuggling on the island.<sup>60)</sup> The workers sold the goods to the local population and in the mainland markets upon leaving the island. To discourage this practice, Voitovich decided that workers leaving Sakhalin could bring a one-month norm of food supplies and a one-year norm of consumer goods. In October that year, case #47, which Okha customs opened in 1932, was again

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56) RGIA DV f. P-2443, op.1, d. 405, l. 55.

57) RGIA DV f. P-2443, op.1, d. 406, l. 11.

58) RGIA DV f. P-2443, op. 1, d. 300, l. 29.

59) RGIA DV f. P-2443, op. 1, d. 405, ll. 1-8.

60) RGIA DV f. P-2443, op.1, d. 409, ll. 1-2.

brought to the attention of the central customs administration by the DVO GTU. This was because in the last two years, 1934 and 1935, the concession continued its practice of providing supplies for workers, exceeding the established collective agreement norms. Moreover, the concessioner provided temporary workers with goods outside the collective agreement. In 1934, the concession sold 650 blankets to temporary workers based on the Labor Inspection's permission to provisionally do so, which would otherwise be unauthorized. Nonetheless, the GTU interpreted this permission as an excuse to avoid any punitive measures. In 1935, the concessioner continued to sell blankets, clothes, shoes, and other goods to temporary workers in several concession sites despite the lack of permission. These actions of the oil concession administration could be explained by their interpretation of the collective agreement: the supply norms determined by the document were only at a minimal threshold, and the concession could increase them.

In June 1935, in a letter to the DVO GTU, the GTU explained that it had not considered cases involving the supply of temporary workers beyond the norms as smuggling; there was no reason to bring up smuggling case #47. Moreover, the GTU supported the concession's interpretation of the collective agreement, admitting that the supply norms stipulated in the document were minimal, and customs' attempts to prevent the concession from supplying extra goods to workers might undermine the Soviet government's authority in the eyes of foreign enterprises.<sup>61)</sup> Based on the GTU's instructions, in April 1936, the DVO GTU urged Sakhalin customs to be flexible when dealing with concessioners. This flexibility, which was required of customs officials, had to be practiced "in an atmosphere of the most sensitive attitude to the solicitudes that our Party and Government are currently dedicating to living conditions, material needs and cultural services of the working people of the [Soviet] Union."<sup>62)</sup> This statement had a direct connection to the program for raising workers' and peasants' material and cultural status as part of the second five-year plan adopted at the XVII Congress of the Communist Party of the Soviet Union in 1934 since a considerable number of Sakhalin concession employees were Soviet citizens.

The deterioration of USSR–Japan relations in the second half of the 1930s, owing to the Anti-Comintern Pact signing in 1936, and intensified Soviet–Japanese border conflicts largely contributed to Soviet authorities' increasing pressure on the concessioner.<sup>63)</sup> Despite the higher number of disputes between the concessioner and Soviet organizations, the GTU's position regarding Sakhalin's concession operations seemed unchanged. The priority for the institution was its control over the legitimacy of concession operations and the preservation of the Soviet customs institution's prestige in the eyes of the foreign enterprise and other Soviet organizations. For the sake of the latter, the GTU was willing to dismiss minor or not-so-minor violations.

In 1937, Okha customs discovered the illegal sale of rotten potatoes by the oil concession to

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61) RGIA DV f. P-2443, op. 1, d. 405, l. 55.

62) Ibid, l. 53.

63) Mariasova and Stephan both connect the termination of the Sakhalin Trust oil sales to the concessioner in 1937, as well as the rapid shutdown of the Due coalmines at the end of the 1930s and growing pressure on the Sakhalin concessioners with the increase in hostility between the two countries from the middle of the 1930s (Mariasova 2000: 118–119; Stephan, Sakhalin 1971: 135–137).

Sakhalin Trust workers. Based on DVO GTU instructions, customs opened a smuggling case built on this fact, but the collected materials were incomplete and lacked information regarding the number of sold goods, among others.<sup>64)</sup> Accordingly, the correct sum of fines was impossible to determine, so the GTU advised Okha customs to limit its actions by only issuing a warning to the concessioner about the inadmissibility of the recurrence of such cases in the future. Another case by Okha customs was related to the Sakhalin Trust's purchase of technical oil and gas pipes from the concession. Customs' central claim was that the transaction took place before the actual permission for it was granted. However, the GTU pointed out that such permission was issued by Okha customs, which violated NKVT order #360 of 1933 stipulating that only the GTU or its departments could grant permissions for the trade of duty-free concession goods. The GTU decided that the smuggling case could not be opened because of customs' incorrect actions, and to save the institution's face, the central customs officials chose to enforce the Okha customs permission.<sup>65)</sup>

Whether it was unprofessionalism of the local customs officials making technical mistakes, the decisive intention of the central customs authorities to avoid conflicts with the concessioner, which could escalate to the international level, or both, after smuggling case #47 was shelved, the GTU limited customs actions to warning the foreign enterprises against repetition of the unlawful acts.

## 5. Conclusion

From the start of concession activities in North Sakhalin, the local customs had not been completely independent in its relations with the concessioner. The geographical remoteness of customs obstructed regular communications with higher customs authorities, forcing customs to rely on the expertise of local organizations in some cases. The direct instructions to customs from the Special Commission and other local organizations illustrate this situation. Local interagency meetings were an effective way to coordinate the oversight of foreign concessions. However, the local officials' lack of experience and low qualifications led to a series of conflicts and helped weaken relations with Japanese concessions.

Statistics on the smuggling of goods in North Sakhalin reflected a poor supply problem for the region's population and the Soviet organizations, as illegally purchased concession goods were vital for people's survival or for the local industry's effective economic development. The Soviet state's inability to eliminate the root causes of smuggling on the island created a challenging task for customs. The local institution's actions during its attempts to fight smuggling in the region, which relied on Soviet legislation, often caused conflicts with the concessioner, which managed to masterfully use ambiguities in existing laws in their favor; with local organizations, who often had no alternatives other than concession goods to support their production; and with higher customs authorities, which criticized "the reckless approach" and "the hasty actions" of Sakhalin customs officials.

Despite fluctuations in Japanese-Soviet relations in the 1920s and 1930s, the course of central

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64) RGIA DV f. P-2443, op. 1, d. 406, l. 40.

65) RGIA DV f. P-2443, op. 1, d. 435, ll. 1, 5.

customs authorities regarding its relations with the oil and coal concessions did not waver. Due to lack of experience and insufficient qualifications, Sakhalin customs officials had trouble fully understanding the policies of higher customs authorities, which prioritized the positive image of Soviet institutions in the eyes of the foreign enterprise and the foreign country that stood behind it. In some cases this meant turning a blind eye to violations of Soviet legislation and even to the state's financial losses.

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