

ICWA LETTERS

Since 1925 the Institute of Current World Affairs (the Crane-Rogers Foundation) has provided long-term fellowships to enable outstanding young professionals to live outside the United States and write about international areas and issues. An exempt operating foundation endowed by the late Charles R. Crane, the Institute is also supported by contributions from like-minded individuals and foundations.

TRUSTEES

Carole Beaulieu
Mary Lynne Bird
Steven Butler
William F. Foote
Pramila Jayapal
Peter Bird Martin
Ann Mische
Dorothy S. Patterson
Paul A. Rahe
Carol Rose
Chandler Rosenberger
John Spencer
Edmund Sutton
Dirk J. Vandewalle
Sally Wiggins

HONORARY TRUSTEES

David Elliot
David Hapgood
Pat M. Holt
Edwin S. Munger
Richard H. Nolte
Albert Ravenholt
Phillips Talbot

Institute of Current World Affairs
The Crane-Rogers Foundation
Four West Wheelock Street
Hanover, New Hampshire 03755 U.S.A.

GF-13
EUROPE/RUSSIA

Gregory Feifer is an Institute Donors' Fellow studying the current political and cultural reshaping of Russia.

In Search of the Positive

(As Presented by the Russian Railways Ministry)

By Gregory Feifer

JANUARY, 2001

On the tracks between St. Petersburg and Moscow—as with many major Russian monopolies not pumping things from under the ground—or digging for things in it—times haven't been going so well for the Russian Railways Ministry in recent years. The concern (formally called the Ministry for Transportation and Communications) is losing money, relying on outdated locomotives, train cars and a rotting infrastructure. Perhaps most threatening from the point of view of the ministry itself, it is also facing a massive reorganization that would see large swaths of its assets nominally privatized.

Railroads are a key sector of Russian economic and social life. When President Eisenhower built networks of concrete to create the first U.S. national highway system (that would double for strategic military purposes), the Soviet Union was laying railroad track for the same reasons. Relatively few Russians owned cars until the 1990s anyway, so developing a train track system was a more democratic and realistic means of creating mass transportation. Today, 30 percent of Russia's population sits inside a train during any given time of day.

Railroads remain crucial today for fulfilling basic transportation needs. There is still only about one car for every ten Russian citizens, compared with two cars for every three Americans. The government is also keen on expanding the volume of its freight cargo and boosting sales abroad for the railroad-construction industry. So when the Railways Ministry decided to put on a publicity road



Crumbling infrastructure and little investment is turning Russia's railroad network into an increasingly difficult industry to maintain.

show for a group of journalists, train engineers and ministry officials, I had to go along. Besides wanting to observe how a modern-day Russian publicity campaign is run, I wanted to see as much as I could of the literal nuts and bolts of the industry. The ministry promised a fairly luxurious trip on brand-new “experimental” train cars boasting showers and an Internet hookup in each compartment—in short, what other countries have already had for several years. In Russia, such passenger-friendly trains would be little short of a revolution. I couldn’t miss it.

Russkii Vagon

I’ve long enjoyed traveling on Russian trains. When I first came to what was still the Soviet Union in 1991, I found it a real joy to get around on the Russian railway system. One didn’t have to spend hours waiting in shoddy national airports to get on rickety, smelly, overheated Aeroflot planes. (One did sometimes have to wait in line to buy tickets, but that could be avoided through useful acquaintances—that is, those with connections in such places as the railways or Intourist, the state tourist monopoly.) A first-class ticket—which provided one with a bed in a two-berth

bearable), the long-haul diesel trains were clean, efficient, on schedule and a comfortable and relaxing means of getting from one place to another. I loved them—and still do, although prices have skyrocketed in the last few years. Even my run-ins with surly conductresses (usually the case) didn’t faze me. When I insisted on opening a window (the rules say to keep them shut) on a scorchingly hot train from Vilnius to St. Petersburg several years ago, for example, a conductress curled up her fist and belted me. Another refused to accept my ticket (a rule had just taken effect—unbeknownst to me—stating that one’s name has to be on it, like an airplane ticket). She finally let me on, but afterward kept banging on my compartment door, calling me a “filthy western pig” bent on “plundering Russian goods and services.”

But the fact that Russian conductresses, in the good old Soviet tradition, run their cars as if they were their own—and treat passengers accordingly—came in very handy on occasion. When Ukraine closed its borders to Russia in 1993—it took a week of hours standing in line at the Ukrainian Embassy to obtain a visa—a small bribe to a conductress would enable her to smuggle one across the border (by giving a cut to the border guards).

The publicity train trip I agreed to join was dubbed *Russkii Vagon* (Russian Wagon, or, more accurately, Russian Train Car). It was organized by a tiny, nascent public-relations company—set up by several former journalists connected to the private Ren-TV television company—at the behest of the Railways Ministry. Its theme was to “seek the positive” in the Russian countryside at a time in which so much of the daily news in Russia is negative. The train was to visit a number of towns and cities north and south of Moscow, with emphasis on regions with railroad industry enterprises.

First Encounters

Doing something like “seeking the positive” isn’t something that comes naturally to journalists, especially Russian ones, whose views about politics and business have become increasingly cynical (in line with there being a lot about which to be cynical). But it certainly seemed at the

Russkii Vagon trip’s onset that the reporters among us were going to give it a good old college try.

We met in the middle of Moscow’s Leningrad station (still dubbed the old name despite the fact that the city for which it is named is now, of course, St. Petersburg). We gathered at the base of a giant bust of Lenin in the middle of the station’s main hall. Russian terminals remind me of what I think Western European train stations must have been like after the Second World War—masses of people lugging overweight bags, desperate to get on and off trains. There are also the ubiquitous hordes waiting hours and days for their trains—sometimes panhandling to raise



A suburban elektrichka pulling into one of Moscow's numerous train stations.

sleeper compartment—cost a few paltry dollars. (I remember buying four tickets to Yalta from Moscow, a 17-hour trip, for seven dollars in 1992.) Sure, most Russians couldn’t afford those few dollars and had to spend their hours sitting on uncomfortable seats or beds crammed together in open compartments with no dividing walls. But that didn’t affect my traveling companions or me. (Whenever possible, however, I did steadfastly avoid the ubiquitous suburban electric trains—called *elektrichki*—with their crammed wooden-slatted seats seemingly made especially to make one’s back sore for weeks.)

Except for the bathrooms (the stench used to be un-



It's a pleasant way to travel if you're lucky enough to have a friendly conductress upon boarding. One rarely does.

money for tickets. There is the proletariat—the porters who ram people with their ancient carts unless they get out of the way—which mingles with the loitering thugs and the leather-jacketed Mafia-types running their beats. From time to time, stations also fill up with Interior Ministry police gruffly checking documents—especially those of dark-skinned so-called “visitors” from the Caucasus—whenever the powers-that-be declare the country to be threatened by terrorists.

I had come with a friend of mine, Anya, a journalist for *Izvestiya* newspaper. We quickly befriended two other journalists—Inna and Olya—and I suggested we buy some potato chips and beer or Coca-Cola for our trip to St. Petersburg, where we were scheduled to board the *Russkii Vagon* train.

“Maybe some water,” Inna suggested. “No beer for me.”

“Nor me,” said Olya.

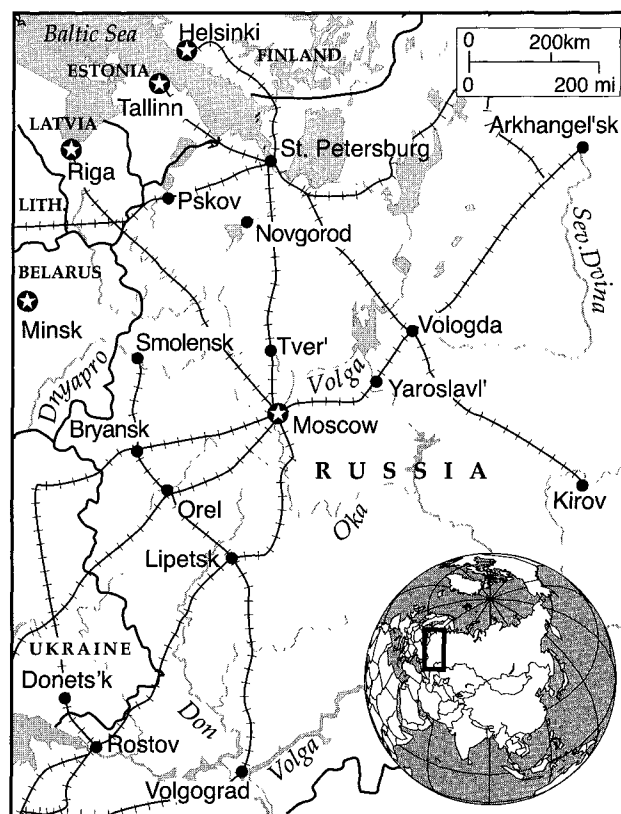
But I wanted beer, and I bought about sixteen cans, thinking others we’d meet would want some, too. The alcohol was gone—drained most quickly by my two new acquaintances—by the time the journey was in its second hour. Journalists as a whole aren’t generally known for leading shiny examples of sober lifestyles, to be sure. But I was in for a real shock, and not only because the women on the trip often consumed more than the men.

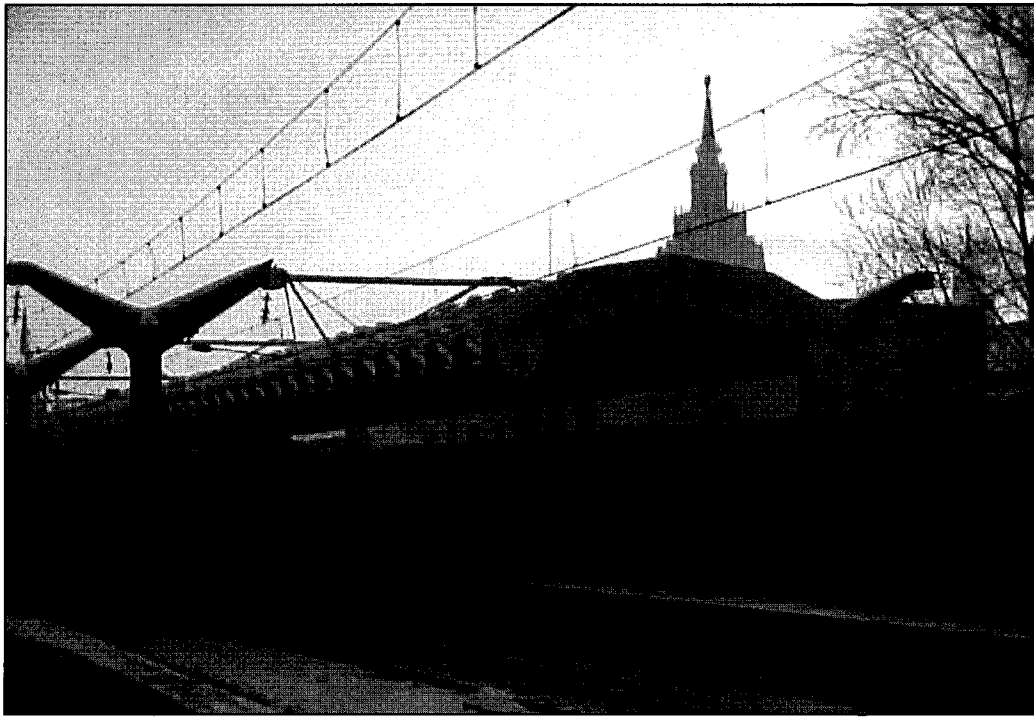
Seeking the Positive

We arrived in St. Petersburg late that night only to have to wait two hours for the *Russkii Vagon* train to show up. That didn’t matter. The St. Petersburg terminal’s waiting rooms had recently been renovated. Besides, Inna and Olya had the munchies by then, so we found a restaurant around the corner to have a bite to eat. Talk naturally centered around the “experimental” train cars and what they’d be like and how exciting our looming train ride sounded. Inna,

a swarthy, gruff reporter of Georgian descent who writes for the respected *Expert* magazine, wore a fur overcoat that looked like it had been skinned from a hardy bear. With only a few deftly delivered precision verbal strikes, she rhetorically took out most of the others on the trip, a motley collection of print and television journalists. Praise was reserved only for one political *Moskovskii Novosti* (Moscow News) correspondent, a long-haired reed of a man who boasts an almost cult following; and a distinguished-looking, bearded veteran Russian Television news reporter. Olya, whose main preoccupation seemed to be looking into her compact mirror to make sure she had on enough rouge, spoke mainly of her several boyfriends and her desperate attempt to establish which was the most worthy. I was lulled into near-sleep by the several vodka shots the girls insisted we drink.

When it finally came time to board the train, we were shown into an old Soviet-style—albeit first-class—wood and wood-veneer train car. Sure, it was nice that there were only two beds to a compartment. But where were the sparkling “experimental” rooms? More important, where were the showers? There were none, we were told—although that was a disservice to the Russian train industry. Indeed, there *were* several brand-spanking-new cars hooked up to the train, complete with sparkling white interiors, large cabins, and, yes, showers. We found out later (a train is kind of like an island—sooner or later, everyone knows everything about everyone) that these were reserved for the ranking, leather-jacketed Railways Ministry officials accompanying us on our trip to boost the industry. More important, I also found out which conductor to bribe so that I could sneak





The spire of a Stalinist "skyscraper" rising over Moscow's city's Leningrad train station.

in to use one of the showers. There was neither much water pressure nor room to move around, but one could coax a rinse-down out of the showerhead, a closely guarded secret I circulated among only the closest of my traveling companions.

Kolomenskoye

For a reason I haven't been able to discern, our train left St. Petersburg only to head back toward Moscow. The next morning, we arrived in the medieval town of Kolomna—now a factory town—nestled on the banks of the Moscow, Oka, and Kolomna rivers 115 kilometers from Moscow. Breakfast was in the dining car. It consisted of beer, but was supplemented by cognac. Gritty sugar-water—passing for coffee—was the non-alcoholic alternative, which I alone sheepishly ordered. Nourishment consisted of stale white bread with greasy strips of ham. The Russian Television reporter—sitting at his one table with a group of his camera- and sound-men—raised a glass and the whole car drank to seeking the positive.

Then it was off to the Kolomenskoye Locomotive Factory, which sprawls in the town's vicinity. Overnight, the temperature had dropped to minus 20 degrees Celsius, a slight shock after the sweaty, overheated train car. We stood around outside by the provincial train station (several sets of track and a dilapidated pre-Revolutionary building) for only half an hour while frost-covered vans rumbled over to pick us up.

Past the factory gates, steady streams of workers shuffled over ice and through snow-laden tree groves between the enterprise's hulking shops and warehouses. Inside the factory's plant, the scene was little different from

other Soviet-era giants: hopelessly outdated machinery, grimy walls, bad lighting. There were no computers or robots here. We had to shout to be heard above the constant din of hammering.

Many of the plant's giant conveyers and machine tools stood unmanned. In a corner of one warehouse belonging to Russia's largest producer of locomotives—amid rows of diesel train engines and under a Soviet-era sign extolling workers to toil harder—an old Ford car had been jacked up by a welder who had rented the space for his free-lance repair business. It was almost as cold inside as out.

Like so many other Soviet enterprises, the Kolomenskoye factory produces most of the materials it needs for manufacturing locomotives. It's a vertically integrated operation that boasts most of its own facilities: housing, an infirmary, even—or especially—a museum extolling the exemplary work of Kolomenskoye's expired Stakhanovites.

However, unlike stereotypical formerly state-owned factories, Kolomenskoye is held hostage less to its own inefficient management and output of shoddy goods. The enterprise builds machinery that can in fact compete with western products, if only because of their significantly cheaper price. The chief problem is external: the factory can't function properly under the conditions of Russia's crumbling economic infrastructure. Nevertheless, Vyacheslav Berezhkov, Kolomenskoye's general director, was adamant. "We can't allow what happened to the automobile industry to happen to us!"

The Railways Ministry once ordered most of

Kolomenskoye Factory's engines, but now takes only 35 percent of the plant's production. "We're a monopoly, but a monopoly's position isn't enviable if its customers are crippled," Berezhkov said. Nevertheless, the factory, which employs 10,000, says it is taking part in an industry-wide effort to catch up to the West by producing a new generation of machinery. The plant is developing new electric, gas, and diesel locomotives as well as new engines and generators. Managers are quick to point out that the newest Kolomenskoye TEP80 diesel locomotive has reached speeds of up to 271 kilometers an hour.

(Berezhkov wasn't entirely correct in lambasting the automobile industry. Although it still produces vehicles no one in his right mind would want to drive, minuscule price tags keep production rolling. The automobile and train-building industries also engage in similar survival tactics: during and after Russia's ruinous 1998 economic crisis, for example, both were kept alive thanks partly to barter. But that is only a stopgap, and ultimately ruinous, measure.)

Technical complexity and streamlining of production in the West has led to greater specialization and "outsourcing." In Russia, survival may hinge on the opposite. To reduce dependence on other unreliable enterprises, the Kolomenskoye Factory has made a massive effort to forge and assemble all locomotive parts itself. It even boasts a metallurgical plant that pours, rolls and stamps steel. (Again, that's also true for automobile plants such as the awesomely massive AvtoVAZ plant in the Volga River region of Togliatti, where kilometer-long plants also chiefly rely on hammers to pound vehicles into existence.)

The Kolomenskoye factory mainly builds locomotives and diesel engines and generators. Sixty to seventy-five percent of output consists of diesel engines, some of which go to the Russian navy for its submarines. Kolomenskoye also has seven daughter companies, including servicing and rebuilding enterprises. Many of the factory's engines go into old locomotives slotted for "modernization," a process involving the overhaul of almost every mechanical part, and which makes up a significant amount of the plant's output. According to Evgeny Nikitin, chief engineer of diesel engine construction, modernization gives a locomotive 20 added years of life and costs less than 50 percent of the price of a new locomotive. The factory modernizes 150 engines a year.

Despite their grand plans and high praise for their workers' abilities, Kolomenskoye managers could not but admit that the Russian economy's condition almost completely stifles any desire to produce. The state will not be able to afford ordering the locomotives as it once did for a long time. And many Kolomenskoye Factory customers have yet to pay for equipment they're already using. Directors spend more time hunting for money owed them than attending to the running of their enterprise. They've learned to make deals only with those proffering ready cash, a rarity these days. Billions of prospective rubles in orders that the company has received for next year will

amount to no more than half what they total on paper.

Anatoly Podoprosvetov, chief engineer for locomotive building, maintains that financing from the Railways Ministry is the vital element for the company's future success. But that kind of help is now nowhere in sight. Furthermore, he says, "the investment process doesn't exist in Russia and until it does, nothing good will happen."

During the factory tour, I managed to sneak out of the sight of the managers herding us through the plants to talk to some workers. As in other factories I've visited, the employees weren't overly eager to give me any scoops. A number of people I asked said they were happy enough, but of

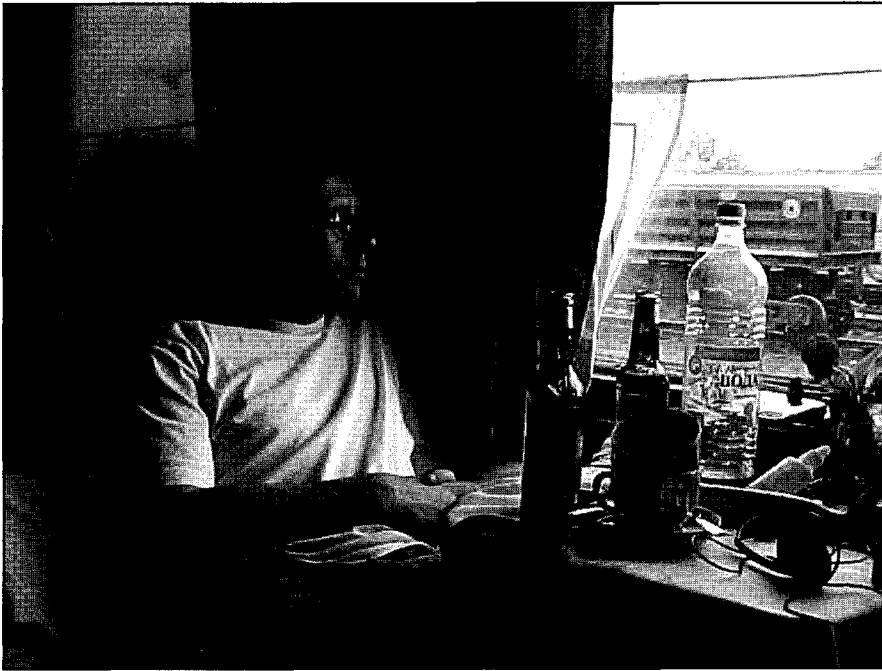


Inna, Olya and Anya (from left to right)

course would like to be paid more. The median salary is 1,000 to 2,000 rubles a month (about \$40), some of which is paid with sausages from the factory's pig farm.

Alexander Ivanov, an electrical-parts assembler who has worked at Kolomenskoye since 1946—and has yet to retire—was more forthcoming about his feelings. "Where am I going to go?" he asks. "The democrats sold everything and now my pension is worth nothing." So what keeps managers and workers coming to work each day as their factory's abysmal financial situation drags on and there seems to be no end in sight? One would expect only utter dejection in a plant whose turnover plummeted to 450 million rubles (\$25 million) in 1997 from double that the year before. Perhaps it is pride in past successes, a sentiment reinforced by the factory's tiny museum (which still boasts of the plant's contribution to Soviet glory and victory in World War II); and the emphasis that the plant and its town are inseparable and therefore vital to each other. Yesteryear's achievements seem to be the only hope for future survival.

As I've mentioned, one factor contributing to Kolomenskoye's continued existence is barter. Only 22 percent of what it takes in comes in the form of cash. Sixteen percent alone of gross turnover goes toward payment of wages. "Without barter, the factory would close," Berezhkov



The author enjoying a brief moment of peace inside his comfortable train compartment.

says. As a result, however, he estimates that the factory loses 15 to 20 percent of its products' "value." Another leaky life raft is sale abroad. Kolomenskoye's 1-26DGM diesel engine recently won a bid to modernize German locomotives inherited from East Germany's days under Soviet rule. Big bidders that lost to the enterprise included American Caterpillar. Trains modernized by Kolomenskoye also run on tracks in Cuba, Syria, Iran, and Egypt.

The company was privatized in 1994 under the government's mass privatization program, when 25 percent of shares went to workers, five percent to the administration, and 50 to the government (to be sold later). None of the government's stake has been touched, and Berezhkov says there's no hurry to do it. Asked whether the uncertainty of future ownership or government control hampers management's ability to act, he says the current situation renders any actual owner practically helpless. Like so many in Russia, the factory continues to squeak by on its reduced number of orders while withholding months of wages when needed, hoping for the day the government becomes more solvent and cranks up the number of its orders.

In the meantime, Ignatov, the electrical parts assembler, still comes to work and still holds on to his share of Kolomenskoye stock, though mainly from inertia rather than future hopes. "What am I going to get for [my shares] if I sell them?" he spits out disgustedly. "Two kilos of sausages and so what?"

Railroad Restructuring

Old habits die hard. With no other relief in sight, Kolomenskoye still looks to the Railways Ministry as its

potential savior. The ministry is a gigantic structure, comprising all the country's railways and trains with 1.2 million workers and its own communications, medical systems and schools. It has also been fighting severe financial problems of its own. Ministry executives complain they are forced to lose money on passenger trains because of insufficient state subsidies. Passenger prices are still kept so low that some train tickets cost 10 times less than a plane ticket to the same destination. According to Railways Minister Nikolai Aksyonenko, 600 billion rubles (around \$21 billion) is needed over the next five years to modernize the system and replace aging equipment.

In a bid to change its fortunes, the industry plans to undergo major restructuring. Aksyonenko announced in late January that he would lay off around 500,000 ministry workers over

the next several years, representing about 40 percent of the ministry's employees. That kind of radical change is rare. So there was something fishy about the fact that his statement—which might have been expected to cause major shock and protest in a country in which many still see the state as at least nominally responsible for providing jobs and services—elicited not even the slightest of ripples. Indeed, no one, not even the Railways Ministry workers themselves, seemed to care about Aksyonenko's remarks. There wasn't even any sign of panic in the Railway Workers Trade Union. Surely something was amiss.

It was. For starters, Aksyonenko's reputation. A consummate Yeltsin-era crony, Aksyonenko managed to parlay his loyalty into major-if-ephemeral political influence in the former president's last incoherent months in power. Aksyonenko was first railways minister until mid-1999, after Yeltsin sacked the opposition prime minister, Yevgeny Primakov, who was appointed in the aftermath of the country's 1998 economic collapse with the hearty backing of the temporarily empowered Communist Party. With Primakov's ouster, Aksyonenko's fortunes rose. From his railways post, he ascended to the exalted position of First Deputy Prime Minister under Premier Sergei Stepashin, a former tough-guy Interior Minister who was expected to make sure the government once again toed the Kremlin line.

The promotion, observers said at the time, must have gone to Aksyonenko's head. In May 1999, he infamously answered a question about the scope of his portfolio by saying, "Everything." Indeed, it may have seemed that way to him; he'd been vaguely given control over the country's entire so-called "real," or industrial, sector. By September, Aksyonenko had managed to draw criticism and scorn from

all quarters by trying to expand his reach and grab control of the government's oil-transport, telephone and other monopolies along with their cash flows.

In perhaps the most notorious example of his discretionary use of power, he engineered the sacking of Dmitry Savelyev, head of Russia's oil-pipeline monopoly, Transneft. The political neophyte Vladimir Putin had by then just been appointed Prime Minister after Stepashin's sacking, and Aksyonenko signed the order firing Savelyev without Putin's knowledge (during one of the prime minister's trips away from Moscow). When Savelyev refused to vacate his office, riot police showed up to cut his door down with chain saws. Savelyev was speedily replaced with Semyon Vainshtok, a former executive at LUKoil, the country's top oil producer. It seemed clear that Aksyonenko was about to make an alliance of convenience with LUKoil, which would then be able to exert influence over the country's crucial oil-transport network.

The State Duma (lower house of parliament) briefly considered drafting a resolution that would have urged the government to reconsider the Transneft case, pointing out that a board vote was needed to legally sack the company's president. "This is the start of a gangster redistribution of wealth that belongs to the government," *The Moscow Times* quoted deputy Pavel Bunich, head of the Duma property committee, as saying.

Similar moves in other sectors prompted observers to identify Aksyonenko as the chief political representative of "the Family," a group of Kremlin insiders including Yeltsin's daughter, Tatyana Dyachenko, his chief of staff, Alexander Voloshin, and tycoons Boris Berezovsky and Roman Abramovich. The Family was said to control the ailing Yeltsin's every move.

At the state utility company, Unified Energy Systems, Aksyonenko fell short of his mission to remove its CEO and former privatization supremo Anatoly Chubais. But he did manage to have Voloshin appointed chairman. (Voloshin had earlier lobbied for Aksyonenko when Stepashin's government was being formed.) Meanwhile, as presidential and parliamentary elections approached at the end of 1999, the same Kremlin insiders effectively short-circuited the campaigns of opposition candidates by using state-controlled media to air their own propaganda. The chief result was the appointment and subsequent election of Putin as president.

Much has changed since then. Putin has shown himself to be an insensitive leader with an authoritarian bent trying to resurrect Russia's superpower status by appealing to society's base tendencies toward nationalism. The new president has even turned on some of the Family's members, most notably Berezovsky. Aksyonenko is once again merely railways minister. But the accumulation of assets in state hands—boosted tremendously under Aksyonenko's tenure as Family man—continues apace. It contributes immeasurably to Putin's overriding goal

of ensuring his political dominance.

So when Aksyonenko announced radical restructuring plans for the Railways Ministry, few in the industry were perturbed by the possibility that things might indeed be shaken up. Union officials said they were certain most of the dismissed workers would simply be rehired by new companies that would emerge from Aksyonenko's restructuring. Aksyonenko himself essentially concurred in January of this year, saying the layoffs would "essentially be just rotations within the same branch," Interfax news agency reported. The "dismissals" are to take effect in 2002, when the ministry plans to begin formally laying off around 100,000 people a year for the next few years.

Talk of restructuring the mammoth Railways Ministry was first floated several years ago, but flared up anew when Putin came to power. The new president made a final decision to restructure last November, when he gave the ministry until April 1 of this year to come up with a detailed plan. The Economic Development and Trade Ministry headed by German Gref, a liberal economic adviser to the president, helped develop a concept for a restructuring program last summer. The plan envisages moving the ministry's economic functions to a 100-percent state-owned stock company called Russian Railways, comprised of many small operator companies in charge of cargo and passengers operations. The company would include all existing trains, rails and train stations as well as the 17 state-owned regional railway companies now in existence. Aksyonenko has repeatedly insisted that the new Russian Railways company would remain 100-percent state-owned, with no shares ever to be sold to private owners, local or foreign.

In January, Aksyonenko—whose influence diminished further when he was recently forced to share control over the railways industry with Gref—announced those 17 companies would also be restructured and their number reduced to eight. Splitting off all the hardware would leave behind only a "small" ministry, which would exit the shipping business and retain a purely regulatory role, according to the ministry's press service. The small operator companies, meanwhile, are expected to re-hire hundreds of thousands of laid-off ministry workers. The Railway Workers Trade Union says it's convinced most of the people now working for the ministry will get jobs in the new companies.

Transportation-sector analysts suggested most of the layoffs would be simple job transfers from the start, if only because paying severance packages to half a million people would be financially unfeasible. Workers are entitled to severance pay of three to four times their monthly wages, making the massive layoffs announced by the Railways Ministry simply unrealistic. That seems, of course, to indicate nothing will really change in the industry. Nominal restructuring will take place to answer the demands of the International Monetary Fund, which wants the government to relinquish its hold on the railway mo-

nopoly and “become a regulator, not a player.” But like so much reform in Russia, it will most likely chiefly create a veneer that will reinforce the status quo by making the old way of doing things more difficult to discern. Poor Kolomenskoye Factory.

There’s another factor influencing Aksyonenko’s tug-of-war with reform-minded government officials: fiber-optic cable. The Railways Ministry is already laying cable along its tracks, ostensibly to upgrade its internal communications network. But it’s no secret that the cable will form part of a new telecommunications network. So far, the government’s railway restructuring plan involves forming several “private” railroads, which will be owned by a single “private” holding company, which in turn will be wholly owned by the government. The Anti-Monopoly Ministry, which has waged a public-relations war against Aksyonenko, also wrested from him the right to regulate prices. However, it’s unclear whether the ministry will retain control over its forthcoming multi-billion-dollar fiber-optic network linking Japan and Europe and forming the largest modern communications system in the country—in short, yet another monopoly.

Pipe Dreams

While the rail industry continues to flounder amid ministry infighting, the government periodically toys with Soviet-style grand schemes to revive bureaucratic dignity. One recently floated, a \$50 billion idea, proposed the building of a tunnel under the Bering Strait to link the Far Eastern region of Chukotka with Alaska. The fantasy’s chief proponent is Viktor Razbegin, director of the government’s Center for Regional Transport Projects. As a permafrost specialist, Razbegin studied the tundra and headed various transportation projects in far-northern regions during the Soviet era. He’s also behind a \$20 billion scheme to build a 40-kilometer bridge between Japan and the Russian mainland via Sakhalin Island. The Railways Ministry appears to back the project, although it is less committal about the Bering tunnel if only because the U.S. government hasn’t given its approval.

However, The *Moscow Times* reported ministry spokeswoman Yelena Kulakova as saying it would be “very prof-



Outside the Leningrad train station in Moscow. The station is one of three in the same vicinity, providing a major transportation hub.

itable for the Russian railway industry because it would allow us to compete with a sea-based transportation system.”

The tunnel idea was originally conceived by Russian merchants at the end of the 19th century, shortly after Russia sold Alaska to the United States. The current project’s critics argue that even if the utopian idea were to be executed, the tunnel would link two of the world’s most remote, desolate and economically undeveloped areas, where the most common modes of transportation are snowmobiles and dogsleds. A spokesman for Alaska Governor Tony Knowles said the main problem with digging the tunnel is that “there is nothing on either end,” The *Wall Street Journal* reported.

The project smacks of the industrial utopianism that led to the building of the Brezhnev-era BAM, the Baikal-Amur Mainline Railroad—an offshoot of the Trans-Siberian Railroad that was high on the list of the Soviet Union’s useless-though-costly projects meant to inspire the populace during complacent peacetime. Meanwhile, Interfax recently quoted Aksyonenko as saying that by the end of next year, his ministry “really will start construction of the tunnel under the Tatarsky Strait, which will connect the [Russian] mainland with Sakhalin.”

(At the same time, some railway projects do indeed have a use. Last December, the ministry launched a high-speed train connection, called VSM, between Moscow and Petersburg. Trains complete the 650-kilometer journey in

four-and-a-half hours and reach speeds of up to 200 kilometers per hour. The much-traveled route previously took from five-and-a-half to eight-and-a-half hours.)

Escape

It's unclear how the Railways Ministry's restructuring will help the Kolomenskoye Factory's business. Top ministry officials are still bent on dividing the spoils and battling for control over a rotting infrastructure. But what the industry needs most of all is investment and rebuilding. Bona fide demonopolization would constitute a first step toward encouraging truly private companies to take part in the sector. But so far, reform has taken only the shape of rhetoric while past restructuring has only papered over maintenance of the status quo.

So far, the most promising form of change I've seen in Russian factories has been direct involvement by foreign companies. Last year, for example, I visited the Akrikhin pharmaceutical plant just outside Moscow. The company is one of the country's leading pharmaceutical manufacturers, accounting for seven percent of domestic production. "We used to make ineffective and unneeded products, and we were proud of it," Akrikhin general director Ivan Tulyayev told reporters during a news conference. But the company has scrapped many of its old products to produce new lines of generic products using Western raw materials and equipment.

How? In 1992, Bristol Meyers Squibb built a \$5 million plant on Akrikhin's 120-hectare plot to produce Capoten, a cardiovascular medicine that strictly complies with good manufacturing practices and an internationally recognized code exceeding the requirements of government health agencies. Raw materials are imported from the West, then mixed and packaged at Akrikhin under a cooperation agreement. The drugs are then sold under the Bristol Myers Squibb name. But Akrikhin is now looking to expand sales under its own generic brand name, Akri, in order to compete with top multinational brands. As with its Bristol Myers Squibb medicine, Akri drugs are mixed and packaged using gleaming Western equipment in strictly controlled conditions in newly built facilities that provide a sharp contrast to the company's Soviet-era factory shops. The company, which has conducted extensive market research, is also savvy about market competition, and uses western-style television and Metro advertisements to boost sales.

That is in sharp contrast to the Kolomenskoye Factory, where it quickly became clear to me that the crumbling administration building—lined with snowdrifts—houses the factory's nerve center: the cafeteria. After a tour of the factory's plants and a sleep-inducing, optimistic news conference with the factory's directors, it was time for lunch. Inna and Olya's spirits, which had flagged ever since we debarked from our train, began to pick up.

The meal consisted of a greasy borscht, some kind of

tough meat with egg on top (at other factories, I've heard one can get a meal without the egg), and, of course, vodka—several bottles per table. Public relations—at least in the railroad industry, it seems—hasn't changed with the tide of market reform. If the group of journalists hadn't had enough to drink at breakfast, they made sure to fill up now. And since it was lunch, I could hardly use the excuse not to drink—"But it's only breakfast"—I'd used earlier. It was clear I wasn't going to get much work done. But by that point, I wasn't complaining. Freezing despite my thermal underwear and parka, I felt a little isolated and overly dependent on my colleagues and the PR organizer—a friendly former Ren-TV producer—for all my needs. Perhaps a little vodka would bring us all a little closer.

But any improvement in my mood was immediately deflated by a crushingly boring mandatory tour of the museum—one I'd been hoping to avoid. That was followed by dinner and more vodka. Rationalizing the bad news, I told myself that since my head was already throbbing, more vodka would be the best remedy. This time, a vigilant St. Petersburg-based reporter for the Itar-Tass news agency did

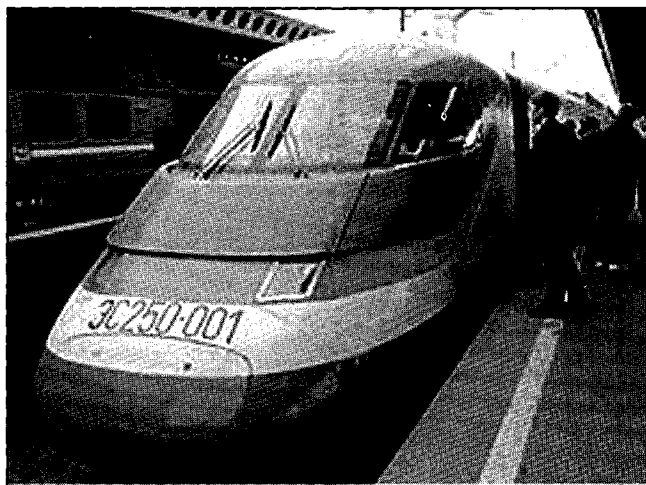


Photo by ITAR-TASS

The much-delayed high-speed train between Moscow and St. Petersburg ran for about two months until problems shut it down indefinitely.

the pouring at my table. No shotglass was allowed to stand empty for more than about 30 seconds. Numerous toasts were given, most of which—still—had something to do with seeking the positive (which I came to take meant "more vodka"). After dinner, we were shuttled back to our train, which stood at the station on its own remote track. The evening's activities included more drinking in the restaurant car and then in our sleeping compartments. I tried several times of beg off by saying I'd slept badly the night before and needed a nap. But my new friends waved aside that affront to their comradeship by saying I was a foreigner, unused to Russian-style protocol.

Another problem soon loomed. The lack of drinking water seemed to bother no one but me, and I had no recourse but to set off alone, jumping into the frigid night air from the train door (there was no platform beside it) and



Waiting passengers loaded down with massive bags are ubiquitous in Russia's train stations. Last decade, hordes of chelnoki (shuttle traders) rode the rails with cheap goods imported from such places as China and Turkey. But the state has done what it can to make sure such business is shut down.

crossing the tracks to hail a broken-down Lada into town. The dark, wind-swept streets were empty save for an occasional car rumbling by and a huddled pedestrian quickly making for shelter indoors. After canvassing almost all the open kiosks I could find, I came across some bottles of heavily-salted Soviet-era water, and bought as many as I could carry.

Despite my colleagues' camel-like ability to go without water, they quickly set about consuming my spoils as

soon as I'd returned. I managed a few swigs of the noxious stuff and made the mistake of putting down the bottle and letting my eye wander for a few minutes. Soon there was no more to be had. I then decided that I had to make my escape in order to avoid death by alcohol-induced dehydration. Saying I was going out for a walk, I grabbed my rucksack, jumped off the train, stumbled into the snow along the tracks until I came to the station, and sat down to wait for the next *elektrichka*—the kind I detested—to make the two-and-a-half hour ride back to Moscow. □

INSTITUTE OF CURRENT WORLD AFFAIRS

FELLOWS AND THEIR ACTIVITIES

Shelly Renae Browning (March 2001- 2003) • **AUSTRALIA**

A surgeon specializing in ears and hearing, Dr. Browning is studying the approaches of traditional healers among the Aborigines of Australia to hearing loss and ear problems. She won her B.S. in Chemistry at the University of the South, studied physician/patient relationships in China and Australia on a Thomas J. Watson Fellowship and won her M.D. at Emory University in Atlanta. Before her ICWA fellowship, she was a Fellow in Skull-Base Surgery in Montreal at McGill University's Department of Otolaryngology.

Wendy Call (May 2000 - 2002) • **MEXICO**

A "Healthy Societies" Fellow, Wendy is spending two years in Mexico's Isthmus of Tehuantepec, immersed in contradictory trends: an attempt to industrialize and "develop" land along a proposed Caribbean-to-Pacific containerized railway, and the desire of indigenous peoples to preserve their way of life and some of Mexico's last remaining old-growth forests. With a B.A. in Biology from Oberlin, Wendy has worked as a communications coordinator for Grassroots International and national campaign director for Infact, a corporate accountability organization.

Martha Farmelo (April 2001- 2003) • **ARGENTINA**

A Georgetown graduate (major: psychology; minor, Spanish) with a Master's in Public Affairs from the Woodrow Wilson School at Princeton, Martha is the Institute's Suzanne Eckel McColl Fellow studying gender issues in Argentina. Married to an Argentine doctoral candidate and mother of a small son, she will be focusing on both genders, which is immensely important in a land of *Italo/Latino machismo*. Martha has been involved with Latin America all her professional life, having worked with Catholic Relief Services and the Inter-American Development Bank in Costa Rica, with Human Rights Watch in Ecuador and the Inter-American Foundation in El Salvador, Uruguay and at the UN World Conference on Women in Beijing.

Gregory Feifer (January 2000 - 2002) • **RUSSIA**

With fluent Russian and a Master's from Harvard, Gregory worked in Moscow as political editor for *Agence France-Presse* and the weekly *Russia Journal* in 1998-9. Greg sees Russia's latest failures at economic and political reform as a continuation of failed attempts at Westernization that began with Peter the Great — failures that a long succession of behind-the-scenes elites have used to run Russia behind a mythic facade of "strong rulers" for centuries. He plans to assess the continuation of these cultural underpinnings of Russian governance in the wake of the Gorbachev/Yeltsin succession.

Curt Gabrielson (December 2000 - 2002) • **EAST TIMOR**

With a Missouri farm background and an MIT degree in physics, Curt is spending two years in East Timor, watching the new nation create an education system of its own out of the ashes of the Indonesian system. Since finishing M.I.T. in 1993, Curt has focused on delivering inexpensive and culturally relevant hands-on science education to minority and low-income students. Based at the Teacher Institute of the Exploratorium in San Francisco, he has worked with youth and teachers in Beijing, Tibet, and the Mexican agricultural town of Watsonville, California.

Peter Keller (March 2000 - 2002) • **CHILE**

Public affairs officer at Redwood National Park and a park planner at Yosemite National Park before his fellowship, Peter holds a B.S. in Recreation Resource Management from the University of Montana and a Masters in Environmental Law from the Vermont Law School. As a John Miller Musser Memorial Forest & Society Fellow, he is spending two years in Chile and Argentina comparing the operations of parks and forest reserves controlled by the Chilean and Argentine governments to those controlled by private persons and non-governmental organizations.

Leena Khan (April 2001-2003) • **PAKISTAN**

A lawyer dealing with immigration and international-business law with a firm in the Washington, DC area, Leena will study the status of women under the "islamization" of Pakistani law that began in the 1980s and continues to this day. Born in Pakistan and immersed in Persian and Urdu literature by her grandfather, she is a Muslim herself and holds a B.A. from North Carolina State University and a J.D. from the University of San Diego.

Whitney Mason (January 1999-2001) • **TURKEY**

A freelance print and television journalist, Whit began his career by founding a newspaper called *The Siberian Review* in Novosibirsk in 1991, then worked as an editor of the *Vladivostok News* and wrote for *Asiaweek* magazine in Hong Kong. In 1995 he switched to radio- and video-journalism, working in Bosnia and Korea for CBS. As an ICWA Fellow, he is studying and writing about Turkey's role as nexus between East and West, and between traditional and secular Islam.

Jean Benoît Nadeau (December 1999-2000) • **FRANCE**

A French-Canadian journalist and playwright, Jean Benoît studied drama at the National Theater School in Montreal, then received a B.A. from McGill University in Political Science and History. The holder of several Canadian magazine and investigative-journalism awards, he is spending his ICWA-fellowship years in France studying "the resistance of the French to the trend of economic and cultural globalization."

ICWA Letters (ISSN 1083-4273) are published by the Institute of Current World Affairs Inc., a 501(c)(3) exempt operating foundation incorporated in New York State with offices located at 4 West Wheelock Street, Hanover, NH 03755. The letters are provided free of charge to members of ICWA and are available to libraries and professional researchers by subscription.

Phone: (603) 643-5548 E-Mail: ICWA@valley.net
Fax: (603) 643-9599 Web Site: www.icwa.org

Executive Director: Peter Bird Martin
Program Assistant: Brent Jacobson
Publications Manager: Ellen Kozak

© 2001 Institute of Current World Affairs, The Crane-Rogers Foundation.

The information contained in this publication may not be reproduced without the writer's permission.

Author: Feifer, Gregory
Title: ICWA Letters -
Europe/Russia
ISSN: 1083-4273
Imprint: Institute of Current World
Affairs, Hanover, NH
Material Type: Serial
Language: English
Frequency: Monthly
Other Regions: East Asia; South Asia;
Mideast/North Africa; The
Americas; Sub-Saharan Africa

Institute Fellows are chosen on the basis of character, previous experience and promise. They are young professionals funded to spend a minimum of two years carrying out self-designed programs of study and writing outside the United States. The Fellows are required to report their findings and experiences from the field once a month. They can write on any subject, as formally or informally as they wish. The result is a unique form of reporting, analysis and periodic assessment of international events and issues.