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
Bryn Barnard
Carole Beaulieu
Mary Lynne Bird
William F. Foote
Peter Geithner
Pramila Jayapal
Peter Bird Martin
Judith Mayer
Dorothy S. Patterson
Paul A. Rahe
Carol Rose
John Spencer
Edmund Sutton
Dirk J. Vandewalle
Sally Wriggins

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-4
EUROPE/RUSSIA
Gregory Feifer is an Institute Donors' Fellow studying the current political and cultural reshaping of Russia.

Irkutsk's Cold Spring

By Gregory Feiffer

IRKUTSK, Eastern Siberia — Stepping onto the airfield five time zones east of Moscow, I braced myself for the cold. Minus 12 degrees Celsius in April was a rude shock nonetheless. On top of that came snow brought by winds sweeping the vast continental steppe, altering direction to change the weather by bringing blizzards one minute and bright sun the next.

"If only we didn't have to suffer through the winter each year," an Irkutsk native glumly told me later, "then we'd have far fewer problems." Of course, it would be easier to envision our solar system without the sun, so central is winter to life here.

I wasn't thinking about weather patterns initially while rattling across the Irkutsk airfield at five in the morning, however. I was breathing sighs of relief that I was finally out of earshot of an angry and intricately made-up female fellow passenger on whom I'd very recently spilled my one glass of Aeroflot water while getting up to visit the toilet. Good I hadn't opted for red wine.

My sensitivity to the climate picked up again when the old ZIL truck pulling the ancient airfield shuttle stalled while shifting gears in front of the airport's three equally ancient military Tupolev cargo planes. By the time I got inside the main building — accessible only after leaving the airfield and finding one's way intuitively to the front entrance — I was freezing. I assumed that since I'd flown from Moscow, I needed the domestic-flights building. Going in, I found nothing to tell me I was in the right place. Opening a door to a partition inside, I was

A sudden downtown snowstorm disappeared five minutes after it arrived.

greeted by a stern woman demanding to know what I was doing there. I told her.

"God almighty!" she cried at my hopeless ignorance. "You have to go to the international building!"

Inside the building, bleary-eyed passengers anxious to recover their dunnage waited at a set of sooty barred glass doors leading to a baggage room, whose conveyer, a funny-looking contraption below a crude trapdoor from outside, seemed more fitting as a children's playground roundabout.

Half an hour later, a corpulent woman standing on the other side of the doors still refused to open them. Instead, she walked around a corner, picked up a megaphone and announced that the (nonexistent, as far as I could tell) passengers from a flight from Vladivostok could now get their baggage. She came out again. No one came forward. She left. Then: Would the passengers of Flight 167 from Perm come forward? No one showed. Finally, a half-hour after Perm, our bags dropped onto the whirligig.

After getting my baggage some time later came the task of finding a hotel room, impossible from Moscow because the telephone lines never connected, or no one answered, or the person responsible for booking rooms was invariably on a break or had gone home for the day (at four o'clock in one case).

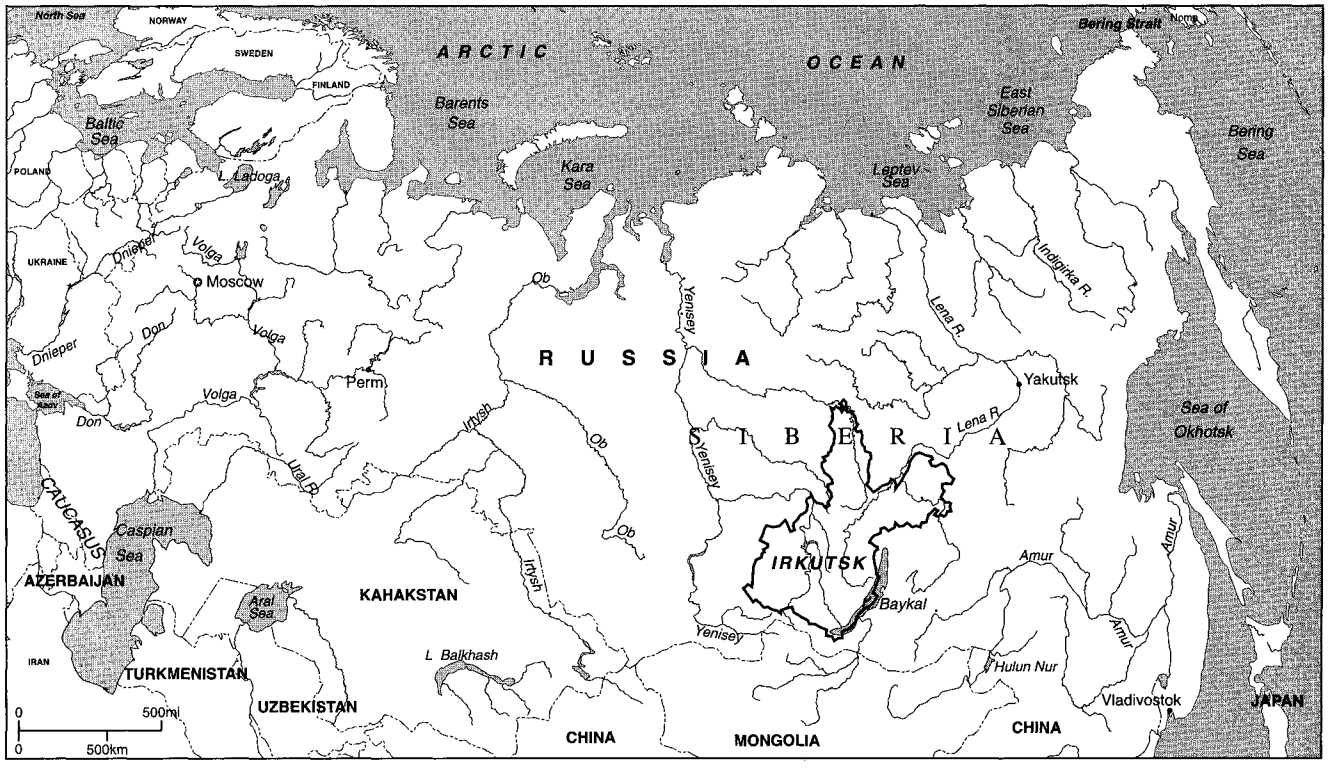
A brief taxi ride ensued in a broken-down Toyota (many of the city's cars are right-hand drive Japanese autos bought second-hand for a few thousand dollars). The driver insisted his drunken friend come along. Both lit foul-smelling, fifth-class-tobacco cigarettes and grumbled when I asked for a window to be rolled down.

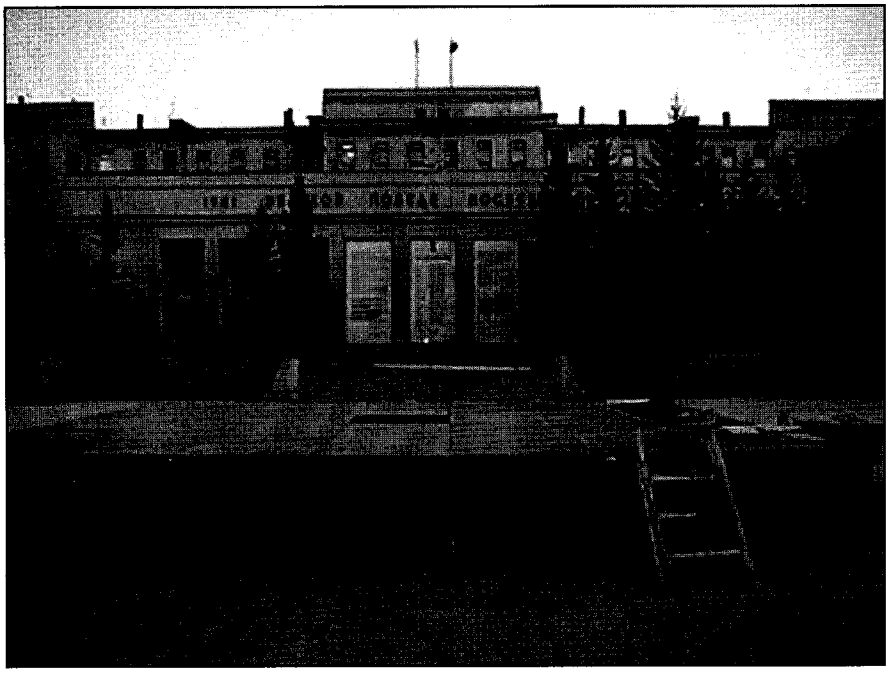
"What are you doing here?" barked the drunken friend. "Business?" (The word still clearly evoked a sense of mystery and the excitement of imagined untold riches, as it did for many Russians before 1991.)

"Something like that," I replied.

Luckily, I found a vacancy in a seedy hotel on Irkutsk's central square, and cheap. At least cheap until I had to hand in my passport. When it became clear I was a foreigner, the rate tripled.

"Do you know that's against the Constitution and other





The "eternal" flame commemorating Second World War dead behind the looming old Party headquarters died with the Soviet Union.

laws?" I asked, already knowing any protest would be futile.

"What difference does that make to me?" the desk-woman predictably replied.

The room turned out to be on a floor taken over six years ago by a Russian-Chinese joint venture, outfitted with broken Chinese fixtures and furniture half-covered in fairly new but already peeling paint. Most tenants left their doors open, and walking down the hallways to what was called breakfast, one had to concentrate to avoid witnessing people undertaking their morning toilet.

The Chinese connection is almost a natural one. Irkutsk is isolated from the West, and looks to China and other Asian countries to sell its resources and in turn buy cheap consumer goods. Cheap Chinese labor also built the city's new market and train station in 1997.

It seemed, however, that this floor had less to do with respectable business types than with the Chinese Mafia, apparent members of which lurked in the hallway. They, as did the other Chinese I saw in Irkutsk, seemed completely uninterested in their surroundings — a natural reaction, perhaps, to Russians' general dislike of foreigners.

Local police say Chinese make up Irkutsk's most powerful organized criminal groups. "No one can recruit people willing to die like the Chinese can," Sergei Predeyin, press secretary to Irkutsk Governor Boris Govorin, told me later.

By the time I got to my room, the sun had risen to reveal a grim central square peppered with blue spruces, the same trees that line Moscow's Kremlin walls. On one end stood the former Communist Party headquarters, a dreary, gray, stone Stalinist building now housing the regional administration. On another side loomed a half-constructed concrete edifice on two-story stilts, the height of misdirected Soviet architectural innovation meant to be the new City Hall before the collapse of the Soviet Union finally dried up local coffers.

I didn't get much sleep that day. Soon after I checked in, a telephone call woke me up. "Do you want to have some fun with a girl?" a bored female voice asked me.

"Uhhh..." This wasn't a rhetorical question, I realized. "No thanks," I replied.

But the voice on the other end of the line proved insistent. "Why not?" it asked.

Two calls later, I yanked the telephone line out of the wall.

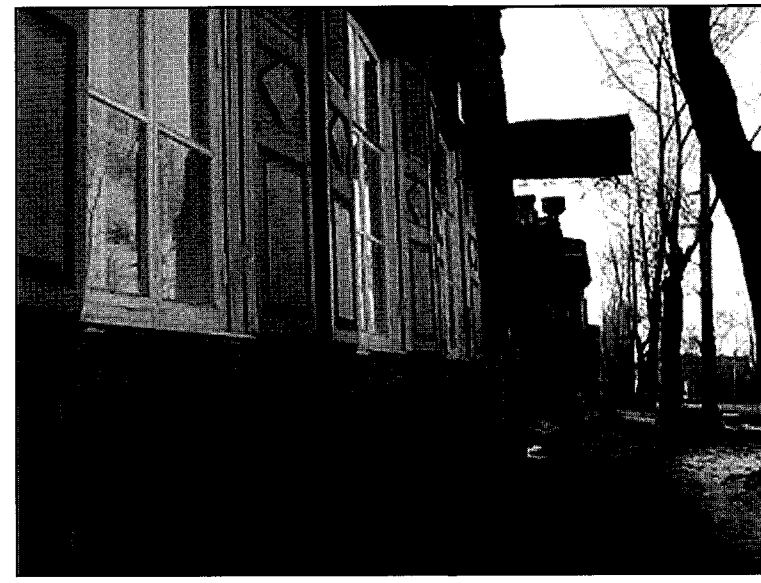
Tired but anxious to explore, I got up to walk around the city. Most people on the streets stood around glumly, many in dark overcoats in groups around the square, smoking, spitting sunflower-seed shells or talking while waiting for buses or one of the 70 Japanese minivans bought by the local government several years ago to serve as "*marshrutky*," cheap taxis driving along bus routes to alleviate the city's public-transportation shortage.

All in all, it was a depressing sight of post-Soviet gloom, certainly not what I had expected. As recently as my flight

A city of 630,000 residents, sleepy Irkutsk feels like it only has a fifth that number.

into the city, my head had been filled with visions culled from years of having read about Irkutsk as a bustling commercial and cultural crossroads along the Trans-Siberian Railway. Tsarist exiles brought its aristocratic heritage from the West, I read, but that was tempered by Asiatic influences from neighboring Mongolia and nearby China. All this amid the beautiful wilds around the gateway of sprawling Lake Baikal, one of the world's largest sources of fresh water.

Had 70 years of Soviet rule and a decade of so-called democracy wiped it all away?



Many blocks in the city center consist of ornate albeit crumbling wooden houses.

The Paris of Siberia

Irkutsk was founded in 1651 as a Cossack garrison to lord it over the indigenous Turkic Buryat population. In the 18th century the town served as the base for explorations to the far north and east. Furs and ivory were sent from all over eastern Siberia to Irkutsk, from where traders would carry them to Mongolia, Tibet and China in return for silk and tea. Monuments, plaques and architecture still recall the memory of explorers such as Grigory Shelekhov, a famed 18th-century trader who crossed the Bering Strait into Alaska and California.

Irkutsk is also well known for its exiles, which famously included Decembrist rebels and Polish separatists, who formed a local Siberian aristocracy.

By the end of the 19th century, the city boomed as wealthy traders built brick mansions to replace log cabins. Incredibly, Irkutsk even became known as "the Paris of Siberia."

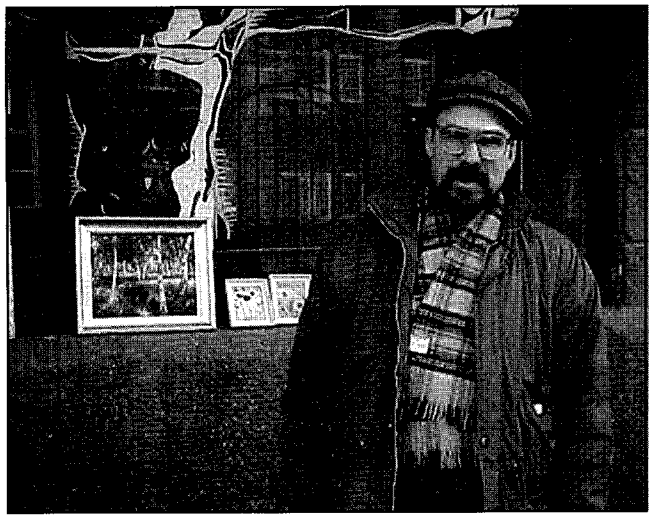
Majestic neoclassical stone buildings and intricately Slavic-themed carved wooden houses lining this provincial capital's streets still speak of its former role as a commercial crossroads in frontier Siberia's resource-rich sprawl.

Sagging foundations, decaying beams and chipped facades, however, now reflect not boom, but bust. Courtyards are a clutter of garbage and mud, and most of the city's basements are almost permanently flooded, a result of a 1950s Soviet project to dam the Angara River, which flows through the city from Lake Baikal to the east. Most of the city's wooden structures also have no plumbing. Outhouses and sidewalk manual-pump wells — for the latter, one per block — serve many Irkutsk residents.

Built in 1897 for a wealthy gold merchant called Vtorov, this mansion housed the Communist youth organization under the Bolsheviks and now remains a "palace of youth."

Despite desolate decrepitude, oozing with the boredom of isolated provincial life, the roughly one-third of the town in which old fairy-tale wooden buildings still stand is charming, even entrancing. It evokes a feeling of rough-hewn frontier town, and resembles a Russian version of a Hollywood Western set.

Despite suspicious stares from most passersby (I saw no other Westerners during my walks), I did meet a few friendly natives. Naively thinking that Irkutsk's main



Vladimir Fokin next to some of his paintings.

Chinese restaurant might offer at least one edible dish — given the visible number of Chinese in the city — I walked into the establishment one night to find a musician playing on an old Casio electronic keyboard to the beat of synthesized drums. In the middle of the floor danced four intoxicated, middle-aged Russian women, evidently the restaurant's only patrons. Before I could make a quick exit, one of them grabbed my arm and dragged me into the melee. Luckily, I was able to rip myself away and outside to safety.

The next day, I met Vladimir Fokin, 45, a local artist selling his pictures on the city's main shopping street — ironically, given its two or three expensive boutiques, still called Karl Marx Street. Fokin brimmed with enthusiasm. Born in Irkutsk, he has spent most of his life here, and attributes Irkutsk's current problems to the country's transition to capitalism. "We're not undergoing a crisis," he said, taking a long gulp of beer. "Just a change to a new life under the sun. I think it's good for us because good people and friendship come out of bad times."

Karl Marx Street leads to an embankment on the Angara River, where I found a few hardy souls ice fishing on a thin strip of cracking ice. Vladimir Timofeyev, 43, showed me a plastic bag full of what looked like minnows he had caught. A train dispatcher, he earns a respectable 10,000 rubles a month (U.S.$350), well above the region's average monthly wage of 3,282 rubles (U.S.$115), itself higher than the average for the entire country, which is 2,282 rubles. "We used to live on ration cards before," Timofeyev said. "Now you can buy what you want. That's the most important thing."

A courtyard in central Irkutsk displaying squalor common to most of the city.

Ice fishers on the Angara River

Eighty percent of the mostly forest-covered Irkutsk region's 2.8 million residents now live in cities. Most, obviously, are worse off than Timofeyev. Some are much better off. The hordes walking purposefully around the city market looking for a bargain stand in sharp contrast to those few who have made it: the leather-clad, shaved-headed thugs driving around in what seemed to be the Mafia car du jour: the Toyota Land Cruiser. Of those, the ones to have *really* made it even have left-hand-drive steering wheels.

Other signs of wealth included settlements of new *khottedgi*, so-called "cottages" or garish brick houses just outside the city built by the newly-rich in a style indistinguishable from those ringing Moscow and other Russian cities.

Aside from that conspicuous display, a person simply walking around the city's muddy streets would be forgiven for not knowing the region's

The house of Prince Sergei Trubetskoy, exiled to Siberia after December 1825, when he took part in the Decembrist uprising of officers and gentry in St. Petersburg. The group, which wanted to prevent the accession of Nicholas I to the throne, consisted of several factions, but generally favored the establishment of a constitutional monarchy under Nicholas's brother Constantine. They were quickly overcome and brutally suppressed by the authoritarian Nicholas, who replaced the one-time reformer Alexander I. Several Decembrists were hanged. Of the others, some settled down in Irkutsk after serving their sentences of hard labor.

shrunken economy seems to have actually turned a corner.

Cash Shortage and Plunder

It's not for nothing that residents of the Irkutsk Region speak constantly of its riches. It is brimming with exportable raw materials. But, as with practically all of the rest of Russia, a large amount of the region's resources are either plundered or need large infusions of cash to exploit.

On my second morning in Irkutsk, still bleary-eyed from jet lag, I went to the tightly guarded former Party headquarters to speak about development to Alexander Sukhodolov, deputy governor of the Irkutsk region in charge of economic affairs. A tall, thin and surprisingly amicable man with an office the size of an airplane hangar, Sukhodolov, who refused to be photographed, was evidently in worse shape than I. His shaking hands and toxic breath indicated he must have been on a bender the night before.

That did not dampen his enthusiasm, however. He immediately pointed out that production in Irkutsk is rising, giving way to a better climate for desperately needed investment in the 768,000-square-kilometer region — 1.5 times the size of France. Indeed, Irkutsk's 72.4-billion ruble economy last year grew around 11 percent over crisis-ridden 1998. Total investment also grew by around 10 percent. "That means Irkutsk's growth in fundamental production last year grew at twice the rate for Russia in general," Sukhodolov said, adding that the most promising sign has been that beginning at the end of last year, regional companies began a brand new trend: investing in their own infrastructure.

At the same time, Sukhodolov indicated that 70 percent of all investment in Russia stays in Moscow. Foreign investors sank only about $100 million, or one percent of all foreign investment in the country, in the Irkutsk region last year. Of that, only 19 percent came in the form of direct investment. That statistic will have to change if Irkutsk is to tap into its vast amounts of timber, gold, oil, gas, coal and metals.

It struck me while in Irkutsk that business developments seemed the most interesting aspect in the region because they appear to shed the most light on the its current political dilemma. The fact that companies issue stock, something unheard of before 1991, shows the dramatic influence of Westernization. Battles for control over shares now define business in the region.

Still, despite the fact that companies are acting according to Western modes of behavior, such as issuing equity and holding shareholders' meetings, they are not producing. A grab for a piece of the pie hampers exploitation of Irkutsk's potential — its natural resources — which could help alleviate the region's depressed state. In most cases, it

seems a chief culprit is the center, the federal government, which instead of encouraging practices that would boost profits, obstructs the privatization and reform of companies because it wants to wrest control over them from regional interests and potential foreign investors.

A driving factor is that a number of officials in Moscow represent the interests of politically connected businessmen whom they join to form clans that lobby for their own interests. One such cabinet member is Fuel and Economy Minister Viktor Kalyuzhny, a lobbier for the interests of the notorious tycoon and Kremlin insider Boris Berezovksy. Kalyuzhny has tried on various occasions to rein in the Irkutsk region's control over its energy enterprises.

A Potential Goldmine

Despite its problems, Irkutsk's economy currently rates 13th among Russia's 89 regions. Metals exports are the largest contributor with 27 percent of the pie. Timber follows with 17 percent and electric energy at 14 percent, according to the Irkutsk regional administration. Irkutsk produces around 40 percent of the country's aluminum with two of the largest smelters in the capital and the city of Bratsk, the region's third largest with a population of 286,000.

But it is gold that has regional administrators' hopes up. One of the region's jewels is the Sukhoi Log gold mine in the northern district of Bodaibo, purported to be the world's largest with an estimated 1,110 metric tons of the precious metal. But as with many of Irkutsk's promising projects, potential has been choked by ownership disputes that have delayed production.

Australia's Star Mining Corporation and South Africa's JSI invested $70 million into the project starting in 1992. But in April 1997, a federal arbitration court ruled that Star's partner in the project, Lenzoloto — which is 49 percent government-owned — had been illegally privatized. The decision effectively revoked Star Mining's stake, forcing it to bid in a new tender for 49 percent of the project.

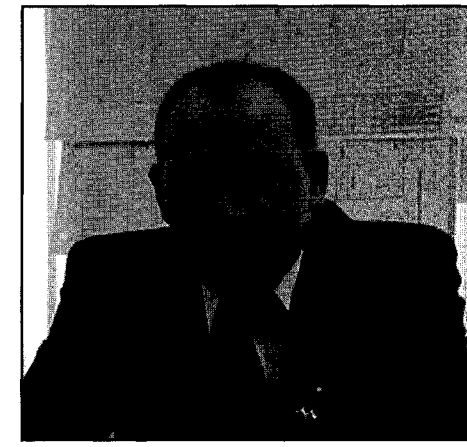
The regional administration has yet to hold the auction, but reports say it is leaning toward Canada's Barrick Gold Corp. "[Irkutsk Governor] Govorin says the bidding should be open, even though others want bidding to be closed," said Govorin's spokesman, Sergei Predeyin.

Although the winning bidder is expected to refund the money already invested in the lode, the complications do not bode well for the region's overall investment climate. Star Mining had expected to keep its license for 25 years, and analysts at the time said the government decided to push for its revocation because it thought the Australian company did not have enough money to develop the mine.

Kovykta

While metals loom large in Irkutsk's development plans, the region's greatest single economic hope is the Kovykta natural gas deposit, a 5,000-square-kilometer natural-gas field 500 kilometers north of Irkutsk near Lake Baikal, expected to produce 30 billion cubic meters of gas a year from its proven 1.4 trillion cubic meters of reserves. The Rusia Petroleum consortium, which holds the only license issued so far to mine the field, hopes to sell the gas to countries in Asia, natural trade partners for Siberian companies. Rusia is currently conducting explorations of the gas field and discussing plans for a possible pipeline to China. A coordinating committee between the Russian and Chinese governments will discuss feasibility at the end of next year. But the consortium faces a problem common to the entire region: it needs large amounts of investment to realize its potential. Again, questions over who will eventually profit from the consortium's project have complicated development.

I went to Rusia's offices, atop a lonely Soviet-era high-rise on a deserted bank of the Angara River, to talk to Enver Ziganshin, first deputy director and general engineer. Ziganshin declined to say how much Rusia expects to profit from gas export. "Our reserves are growing, and the economy is in such a state that it's impossible to say how much it will earn until contracts are drawn up at the end of 2001," he said.



Rusia's Enver Ziganshin

It's clear a lot is at stake. Talks with China began in 1997 and picked up steam in 1998, when worsening economic conditions forced Rusia to change its priorities. "Kovykta was a regional project at first, but it became necessary for us to show the field could support export abroad," Ziganshin said.

The Kovykta project is now billed as one of the world's largest, and the consortium has directed all exploration work toward signing a deal with the Chinese National Petroleum Company. Foreign companies began to show interest in the project in 1994, and bought in during the consortium's first share emissions in 1996, when East Asia Gas Company, a subsidiary of South Korea's Hanbo Group, bought a 27 percent stake.

But it was British Petroleum that became the

consortium's trump card. The company (now BP Amoco) bought shares during a highly publicized purchase in 1997 of a 10-percent stake in the Russian oil-holding company, Sidanko, which controlled a 60-percent stake in Rusia. Last year a fully-owned BP Amoco subsidiary, Burovik East Siberia Holdings, also bought a 25.5 percent stake in an offering open only to previously selected companies.

At the same time, the Irkutsk regional government directly holds a 16.5 percent stake in the consortium, and commands a blocking stake (stock that allows the shareholder to veto decisions by other shareholders) through the Rusia holdings of Irkutskenergo electric company and Angarsk refinery, in which the region also holds shares.

BP Amoco expected the project to become the centerpiece of its Russia operations. At the same time, Rusia saw BP Amoco as a vital partner, with the money and experience to push the venture forward. But Rusia's ownership became problematic when Sidanko declared bankruptcy, and when BP Amoco fought to stop a Siberian powerhouse, up-and-coming Tyumen Oil Co. (TNK) from stripping Sidanko of its most valuable assets.

At the same time, Moscow looked to lessen the role of the Irkutsk administration, which is aligned with Rusia's directors and foreign investors in the consortium. Russian Fuel and Energy Minister Kalyuzhny, opposed to BP Amoco in the struggle, questioned Rusia's right to develop the Kovykta field last November.

Then, when I was in Irkutsk, reports in the usually reliable *Vedomosti* newspaper said that TNK had obtained a six-percent stake in Rusia. Strangely, Ziganshin denied the news. "There's no information about TNK on our registry," Ziganshin said. "Publication of the news is purely a result of manipulation of the media," he added.

Predeyin agreed with Ziganshin's assessment. "Papers don't make mistakes like that all by themselves," he said.

Gubernatorial press secretary Sergei Predeyin says more timber is stolen in one week than officially sold in a year.

Back in Moscow, TNK's response was ambiguous. "The report did appear in the press, but TNK has not confirmed whether the deal took place," Andrei Krivorotov, deputy head of TNK's press service, told me in a telephone interview.

The Irkutsk administration also said this month that a working group would be set up to explore the possibility of bringing gas giant Gazprom into the consortium. But if the news of TNK's participation is true, Moscow may be content that there is enough Russian participation in Rusia.

As more investment is needed in the project, however, the Irkutsk administration is likely to be pushed out of its current position in the consortium altogether. "The administration just doesn't have the means to support its stake," said Vladimir Nosov, an oil analyst at Fleming UCB. "But it will still be relevant. By overseeing such things as licensing and ecological issues, it will always be able to look after its own interests."

In the meantime, everything hinges on whether Rusia will make a deal with China. "We're convinced we can compete with countries such as Kazakhstan and Turkmenistan," Ziganshin said. "But we need to convince our investors and consumers first."

Timber Plunder

While Irkutsk only hopes to someday see big profits from the export of gold and gas, other resources, such as timber, are being ripped off at an unbelievable rate. The region boasts 11 percent of the country's timber reserves, but production fell from 304 million cubic meters in 1990 to 85.4 million cubic meters in 1997. The chief reason is botched privatization.

After Soviet-era *lespromkhozy*, or forestry industrial companies, were privatized in the early 1990s, 80 percent became bankrupt because they could not afford to ship their timber out of the isolated region, where transportation can make up 80 percent of production costs. Most of the surviving trade goes to China, which insists on buying raw logs to process and sell at a handsome profit rather than the few finished products the region can make. But timber smuggling hides the real amount of the product exported, also largely to China. "More timber is stolen in one week than is officially exported in one year," gubernatorial press secretary Predeyin said. Corrupt police officials make dealing with the problem almost impossible. "The heads of the regional police, tax police and the border guard service have all been replaced," Predeyin said. "But that doesn't solve the problem. There is police corruption everywhere."

Crisis Effects

Russia's ruinous August 1998 financial meltdown had little effect on companies exporting Irkutsk's natural re-

Severnaya Korona's Oksana Yaverbaum

sources. But the ensuing crisis shut down many small companies that sprang up after the collapse of the Soviet Union.

However, Oksana Yaverbaum, commercial director of Severnaya Korona, a mobile telecom provider 80-percent-owned by joint-venture partner Millicom, a Luxembourg company, said business has bounded back above pre-crisis levels, reflecting the region's improving economy. "We lost 20 percent of our customers in the crisis, mostly small private businesses," Yaverbaum said. "But they are now returning along with new customers."

The boom days of the early 1990s, when companies sprang up at a prolific rate, are over. On top of outright corruption, ineffective management is a major factor contributing to inefficiency. "Under the Soviets, people forgot how to manage enterprises," Deputy Governor Sukhodolov said. "Managers went to Moscow to ask for money. But we're telling them now that money has to be made in the market."

Sukhodolov also cited a lack of political will on local levels as hampering Irkutsk's economy. "There is a general atmosphere that things are bad, that there's a lack of money," he said. "But that's not really the main problem. Money can always be made."

Banking on Govorin

Many Irkutsk residents attribute the city's few changes for the better to Governor Govorin, elected in July 1997. "He's an orderly person who has stopped the thieving of the administration's budget," said Vladimir Saunin, who heads the respected Baikal Institute of Business and International Management, run jointly by Irkutsk State University and the University of Maryland. "At the same time, there has been an increased readiness in the region to work effectively," he added.

The Baikal institute has been turning out graduates since 1996 who, in Saunin's words, "are being sprinkled around the region in the hope of influencing companies from within." A number of graduates have also gone on to work or study in graduate programs abroad or were snapped up by local offices of multinationals such as Procter & Gamble, which has hired six of the institute's former students.

The institute is housed in a modernized wing of the "White House," a mansion built in 1804 for tsarist governors general of eastern Siberia, now the part of Irkutsk State University. The building also briefly served as headquarters for Admiral Alexander Kolchak, one-time head of the anti-Bolshevik White Army, which fought the Red Army for years after the 1917 revolution. (Irkutsk's citizens refused to accept his rule and set up a socialist government instead.)

Saunin is currently among many in Irkutsk praising Govorin for bringing experienced economists such as Sukhodolov, formerly dean of the Irkutsk Economic Institute, into the administration.

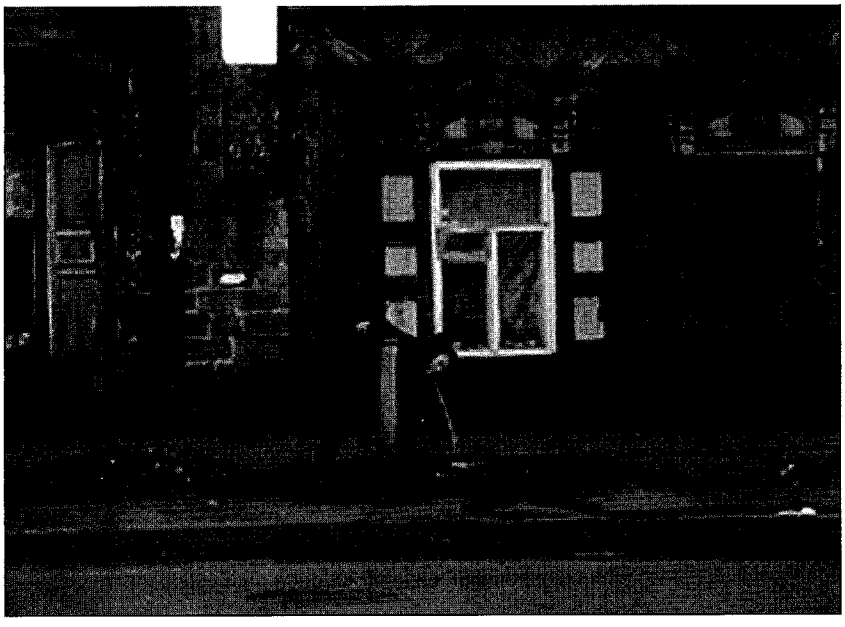
Under Govorin, a number of highly visible buildings have also been rebuilt, including the city's main theater and, perhaps unsurprisingly, the Irkutsk Economic Institute. A sparkling new market in the city center also went up in 1997.

But the fact that the city on the whole remains bleak and crumbling speaks to the perception that Irkutsk has a long way to go to attract real investment.

One of the chief troubles facing the region is wrangling with Moscow over tax money and control over resources — such as the Kovykta gas field. "Irkutsk is a donor region and we understand the Russian Federation has to live somehow," Sukhodolov said. "But we think the center has to be smarter in its regional policies and not squeeze all the juice from the lemon."

Perhaps the most visible battle between Irkutsk and Moscow has been over Irkutskenergo, one of the region's few real profit-makers. The enterprise operates three hydraulic and 13 thermal power plants, three heat supply facilities and five power supply grids, making it one of Russia's largest energy systems.

The company earned 3.1 billion rubles ($109 million)



An outdoor water pump, the source of water for a number of downtown residents.

last year, up from 1.68 billion rubles ($59 million) in 1998.

Unified Energy Systems, the national power-grid operator run by top Kremlin strategist Anatoly Chubais, has been seeking to take over a 40-percent stake in the company, citing improper privatization in the early 1990s, which gave the shares to the Irkutsk regional government rather than Moscow.

In February, Govorin said regional interests should be subordinate to the center's and that Moscow should be given a blocking package of 25 percent of shares plus one share. But the Irkutsk administration intends to continue to vie for control of the 40-percent stake. One reason is that if the energy company changes hands, the region would have to buy its electricity from Moscow, and rates would soar.

Hope for the Future

In the meantime, Irkutsk's politicians are hoping the election of Vladimir Putin as the country's new president will soon boost cooperation with the center. "We hope there will be stricter control in the country, but in the necessary direction," Sukhodolov said. "We're tired of half-measures."

The administration is also planning to attract investment to the region by holding a conference in September, the Baikal Economic Forum, which Putin is expected to attend.

But while the regional administration touts the economic progress made under Govorin, Moscow analysts say last year's turnaround is nothing surprising. "It doesn't mean very much to say the economy grew at twice the size of the country's," said Dmitry Avdeyev, a Moscow oil analyst at United Financial Group. "In any case, Irkutsk has a lot of exports, which naturally grew after the [August 1998 ruble] devaluation. It doesn't signify the administration's success."

That means Irkutsk's turnaround is tied to the same factors functioning for the rest of the economy, chiefly a low ruble and a high price for oil on the world market.

Fleming UCB's Nosov, agreed, saying the level of economic growth would most likely rise slightly this year. "The ratio to the rest of the economy will of course depend on whether the new president and ensuing stabilization pushes indicators up," he said.

In the meantime, the administration hopes the region is undergoing a psychological change. One sign is that the level of output, which traditionally dips in February, continued to grow for the first time this year. "It's like a patient who has only just found his appetite," Sukhodolov said. "That process demands investment."

Potemkin Villages

Many of the Irkutsk residents to whom I spoke seemed to be western-looking professionals with an understanding of how the region should be reformed. Many spoke of the need for investment and pointed to the successes of the past year.

However, many also made offhand remarks about corruption, or told stories of the exploits of local Mafia bosses almost completely contradicting other, more benign things they had said about the region.

Rusia's Ziganshin, for one, exuded pride in his city, and challenged me to name a more attractive provincial capital in Russia. Before I could (tactfully) answer, he said, "I've traveled all over the country, and with perhaps one exception, Irkutsk is cleaner and has better living conditions," waving a hand at the expanse of decaying buildings and muddy streets visible from his window.

Irkutsk was one of the dirtiest cities I'd seen in Russia, but there seemed to be a need to gloss over that fact in the Soviet manner of proclaiming everything Russian the best in the world.

Despite the fact that Irkutsk has modernized and westernized to some degree, rhetoric about the economy's potential and successes so far hides what often pops up in informal conversation — that corruption is endemic.

Gubernatorial press secretary Predeyin, a young former journalist, proved to be a wealth of stories.

"Police are almost powerless against the Mafia," he

said. In addition to the Chinese, groups from in and around the Caucasus region dominate the Irkutsk criminal world. Several days after I left Irkutsk, a group of Chechen gunmen drove up to a central Irkutsk Azerbaijani cultural center and gunned down five Azeris, escalating a several-months-long turf war between gangs composed of the two ethnic groups.

Predeyin said a large number of Chechens made their way to Irkutsk after having been deported from Moscow in the aftermath of several apartment building explosions last year that officials blamed on Chechen terrorists.

Predeyin also overflowed with stories of local managers who made it big in the early 1990s by exploiting the resources under their control. "When the newspaper I worked for began taking advertisements, I would walk into the offices of companies to sell ads," he said. "Often, a boss would agree to place an advertisement, not caring how it would look or how much it would cost. One such would kick a big cardboard box out from under his desk. It was filled with large ruble bills. 'Take what you want,' he'd say."

The 1998 economic crisis put an end to much of that kind of conspicuous display. "All our businesses used to be run by thugs and criminals," Predeyin said. "But slowly, secretaries and boys in white shirts have begun to replace the thugs in the front offices."

Nevertheless, Predeyin's official line that Irkutsk's state of affairs aren't really that bad smacked somewhat of what was called *"pokazhuka"* (show) during the Soviet era. The truth, however — as the hangover hanging over Deputy Governor Sukhodolov's enthusiasm — seeped out nonetheless.

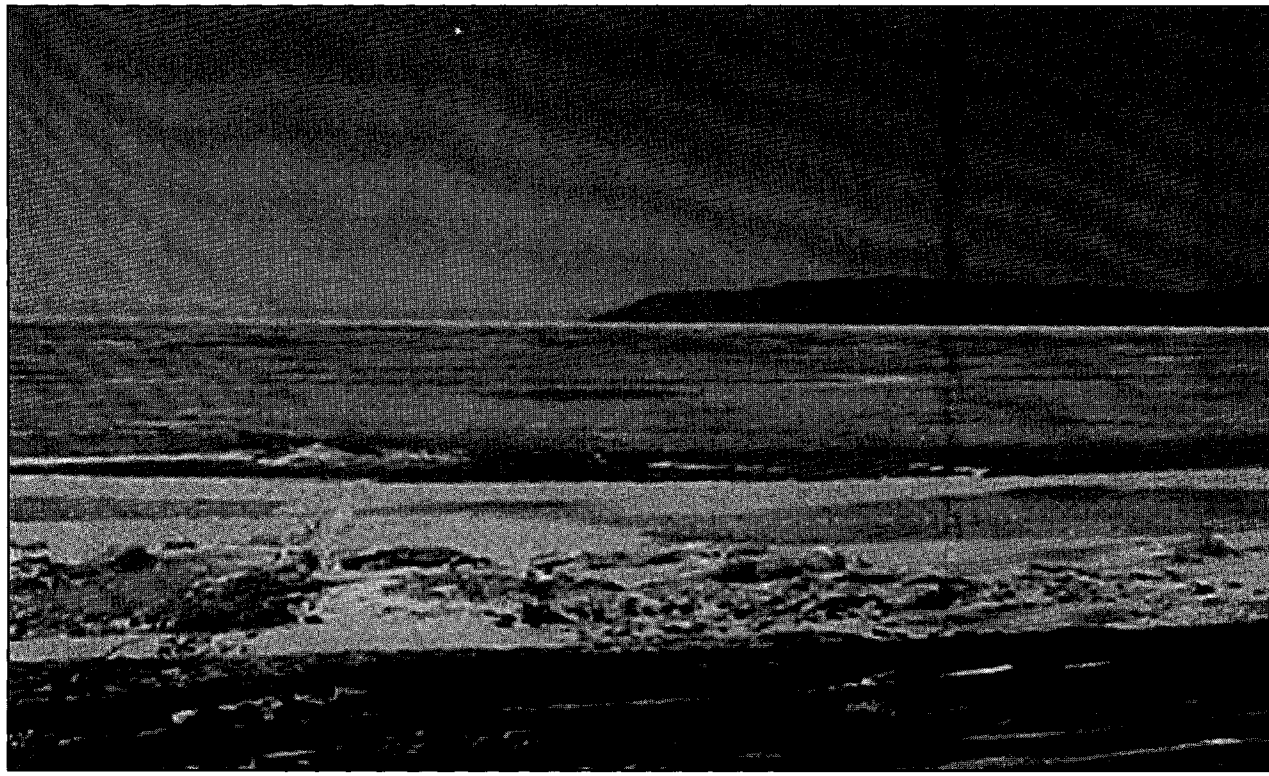
Russia has provided a more universally known term for "cover-up" — "Potemkin village" — after Field Marshal Grigory Potemkin, alleged to have ordered the building of sham villages to impress his one-time lover, Catherine the Great, during a tour in 1787 of Crimea after his successful conquest there.

On the banks of Lake Baikal, I found something reminiscent of the real thing. It was a mock village museum consisting of houses and cabins transported to the site from all over Siberia. Most Russians peasants are well known to have led a squalid, subsistence-level existence, but these peasant huts were clean and well furnished and looked a picture of rural bliss. A whitewashed schoolroom even brought groans from Predeyin, with whom I had traveled there. "If only our schools today really looked like this!" he said before he could check himself.

Baikal

Predeyin took a day off to accompany me in his car to Lake Baikal. Once out of Irkutsk city and its surrounding decaying industrial clutter, the road on which we traveled opened onto beautiful views of hilly snow-laden fir forests. They stretched all the way to the lake, which came into view gradually as the Angara grew wider.

The conversation along the way was pleasant and Predeyin and I got to know each other better. Nonetheless,



Southern Lake Baikal under one meter of ice

A preserved wooden Buryat yurt *(tent), part of a museum on the shores of Lake Baikal.*

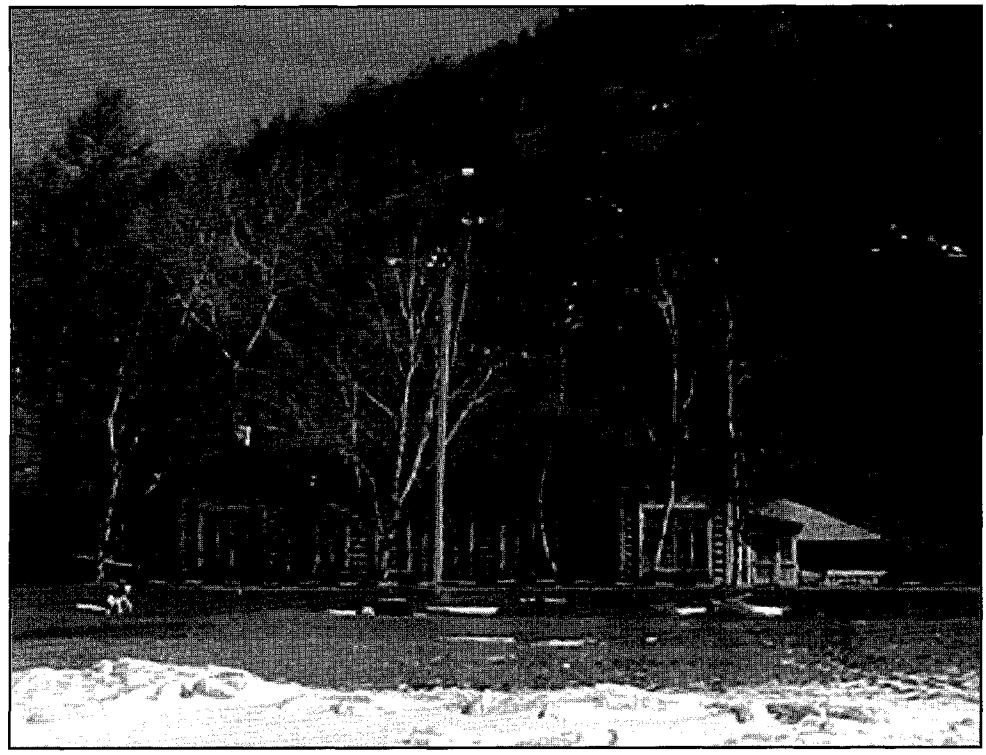
the gap between our world views sometimes became all too evident, such as when Predeyin opined that all drug addicts should be rounded up and shot.

It wasn't the conversation that had me enthralled, however. As we finally neared the banks of the lake, the spectacular scene seemed to make up for the squalor of Irkutsk life.

Fifty kilometers of water (the short width of the 636-kilometer-long slash of a lake) spread before us with barely visible snow-covered mountains looming through the shimmering, sun-filled air. One-meter-thick ice covered the mile-deep water, which is said to be pure enough to drink in most areas. Here was one-fifth of the world's fresh water, where swimmers brave enough to face the icy waters, even on the warmest of summer days, can see 40 meters down — enough, it's said, to cause vertigo.

We stopped amid a tiny log-house settlement and walked onto the shiny ice reflecting the sun's glare. We weren't the only ones there. Cars often drive between the northern and southern ends. (During the Russo-Japanese War, the Russian army even laid a railway track across the ice.)

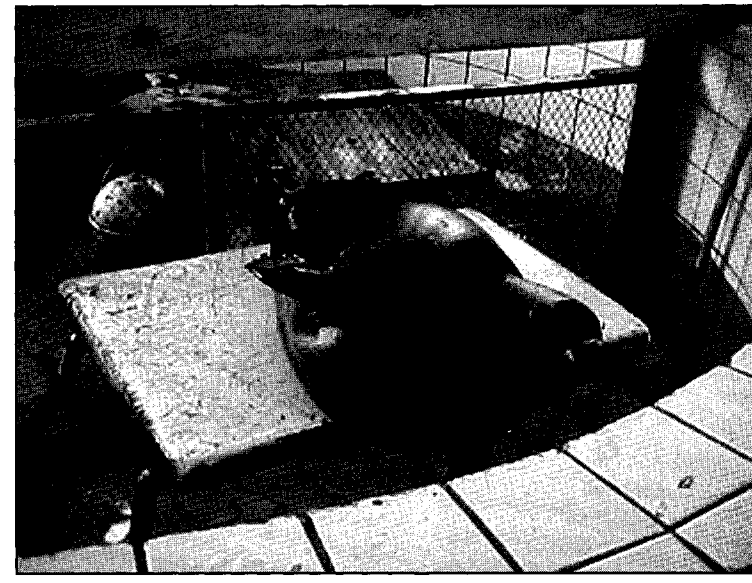
The lake, by far the world's most ancient, is over 25 million years old, and contains flora and fauna unique to



A log cabin near the village of Listvyanka on the southwestern shore.

the area. Seventy to eighty percent of the over 2,000 recorded plant and animal species are found only here, including the estimated 100,000 *nerpa*, freshwater seals (hunted for their skin) whose presence is still a mystery.

Overfishing and construction of the Angara River dam in the 1950s threatened the lake's delicate ecology. Pollution, however, is the largest menace. The Selenga River, which flows into the lake from Mongolia to the south brings industrial waste. The worst offender is the Baikalsk cellulose plant, built in the 1960s on the lake's banks. Only Russia's post-Soviet economic decline has assuaged the situation; the plant doesn't have enough business to pollute as much as it once did.



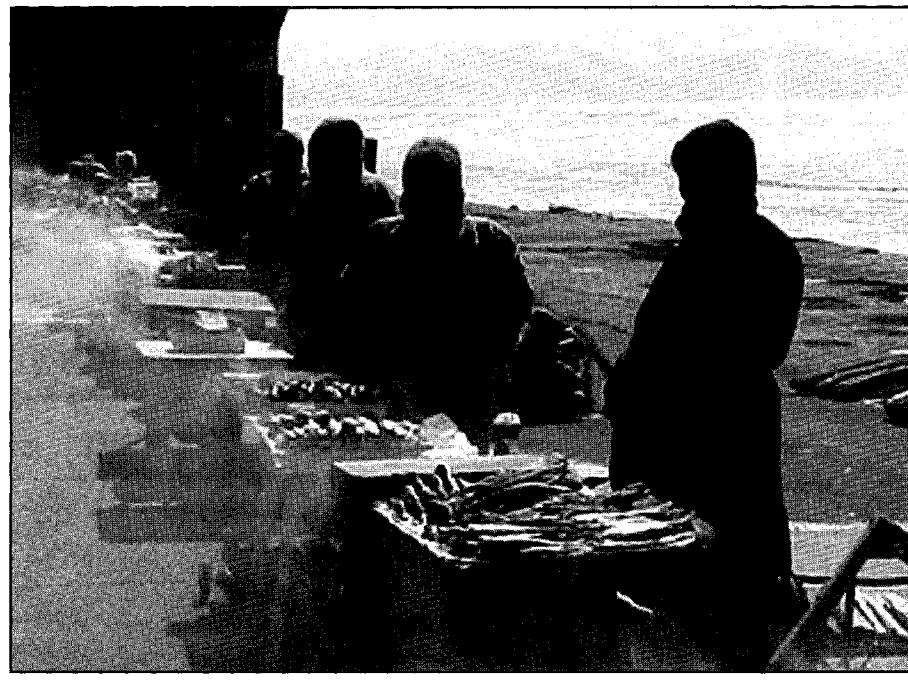
Misha, a trained nerpa rescued from a hunter three years ago. Fifty percent of the freshwater seal's bodyweight is fat, and he is most comfortable swimming in temperatures of 3 degrees Celsius (37 degrees Fahrenheit).

In the tiny village of Listvyanka on the lake's banks, we stopped again to buy some freshly smoked *omul* (another Baikal native, a relative of the salmon and trout) from a cluster of men and women selling the fish by the ice. The fish was delicious, moist and not overly salty. Although there were a number of vendors, we were the only visitors. When we went back for more, the woman from whom we first bought fish asked us to buy from her neighbor. "We all have to make a living," she said. All within earshot smiled easily. We bought some cabbage-filled piroshki (pastry pies) from another woman who thanked us heartily.

We stood around and chatted. The good cheer on the freezing day, with wind whipping off the lake, surprised me. These people were some of Russia's worst-off — barely able to eke out an existence — but they were cheerful and friendly.

Perhaps Fokin, the artist I'd met in Irkutsk city, was right. Perhaps these bad times had brought people together in good humor, if only for a day. But then they have only known bad times. They and their ancestors have suffered through centuries of oppression and poverty, under tsarism, communism, and now so-called democracy.

Perhaps this is Russia's greatest asset, I thought: the ability of people like those on the banks of Baikal, by the tragic beauty of the village's decaying old houses, to suffer but continue living as they'd always done. If Russia has a soul, I thought, then perhaps I'd come as close as I ever might to finding it. ❑



Sellers of smoked omul and other fish by the shores of Lake Baikal.

FELLOWS AND THEIR ACTIVITIES

Institute of Current World Affairs

EUROPE/RUSSIA

Adam Smith Albion—Uzbekistan

A former research associate at the Institute for EastWest Studies at Prague in the Czech Republic, Adam is studying and writing about the republics of Central Asia, and their importance as actors within and without the former Soviet bloc. A Harvard graduate (1988; History), Adam has completed the first year of a two-year M. Litt. Degree in Russian/East European history and languages at Oxford University.

Gregory Feifer—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.

Whitney Mason—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—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."

SOUTH ASIA

Shelly Renae Browning—Australia

A surgeon specializing in ears and hearing, Dr. Browning is studying the approaches of traditional healers among the Aborigines of Australia and the indigenous peoples of Vanuatu 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.

sub-SAHARA

Marc Michaelson— Ethiopia

A program manager for Save the Children in The Gambia, Marc has moved across Africa to the Horn, there to assess nation-building in Eritrea and Ethiopia, and (conditions permitting) availing and unavailing humanitarian efforts in northern Somalia and southern Sudan. With a B.A. in political science from Tufts, a year of non-degree study at the London School of Economics and a Master's in International Peace Studies from Notre Dame, he describes his postgraduate years as "seven years' experience in international development programming and peace research."

THE AMERICAS

Wendy Call—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.

Paige Evans—Cuba

A playwright and former Literary Manager of the Manhattan Theatre Club in New York City, Paige is looking at Cuba through the lens of its performing arts. With a History/Literature B.A. from Harvard, she has served as counselor at the Buckhorn Children's Center in Buckhorn, Kentucky (1983-84), as Arts Editor of the International Courier in Rome, Italy (1985-86), and as an adjunct professor teaching a course in Contemporary American Playwrights at New York University. She joined the Manhattan Theatre Club in 1990.

Peter Keller—Chile

Public affairs officer at Redwood National Park and a park planner atYosemite 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.

Susan Sterner—Brazil

A staff photographer for the Associated Press in Los Angeles, Susan received her B.A. in International Studies and Cultural Anthropology at Emory University and a Master's in Latin American Studies at Vanderbilt. AP gave her a wide-ranging beat, with assignments in Haiti, Mexico and along the U.S.-Mexican border. Her fellowship topic: the lives and status of Brazilian women

Tyrone Turner—Brazil

A photojournalist (Black Star) whose work has appeared in many U.S. newspapers and magazines, Tyrone holds a Master's degree in Government and Latin American politics from Georgetown University and has produced photo-essays on youth violence in New Orleans, genocide in Rwanda and mining in Indonesia. As an Institute Fellow he is photographing and writing about Brazilian youth from São Paulo in the industrial South to Recife and Salvador in the Northeast.

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 Administrator: Gary L. Hansen
Publications Manager: Ellen Kozak

©2000 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.

Institute of Current World Affairs

THE CRANE-ROGERS FOUNDATION
Four West Wheelock Street
Hanover, New Hampshire 03755 USA