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# A Year in Russia: *The Crisis, the War, Baikal, And the Man in the Saddle*

By Elena Agarkova

**"Esteemed Vladimir Vladimirovich, only your direct involvement will guarantee us our main constitutional right, the right to safe existence."**

—Finale of a letter to Putin, signed by 1,629 inhabitants of Sukhoi Log and nearby towns this October, attempting to draw attention to illegal pollution by the local electric power plant.

IRKUTSK—I have been in Russia for more than a year. What follows is a highly opinionated, eclectic overview of my last year. Some of the economic and political events have made more impression on me than others. But as I looked back, one person seemed to loom over every decision and policy in the country.

When I arrived in Moscow last June, the global financial crisis had already started to affect Russia, but the Russian leadership denied any possibility of Russian markets going under. Russian markets had been declining as much as the U.S. and regional ones since May 19th. But the Russian government continued to refer to Russia as an island of stability amidst global woes. Despite these assurances, the Russian markets continued to fall at a rate similar to the U.S. and the world markets until the middle of July.<sup>1</sup>

The rest of the summer was much more painful. On July 18<sup>th</sup>, 2008, Russia's stock market fell by 4.5 percent, as the Dow Jones remained stable. That day the Russian Federal Migration Service granted Robert Dudley, chief executive of the joint TNK-BP oil company operating in Russia, only a temporary ten-day extension of his visa. This dealt a major blow to BP, co-owner of the joint venture headed by Dudley. Russian shareholders, who own half of the company, have clashed with BP over management and strategy (or, as some ana-

lysts said, over ownership of the company) and called for removal of Dudley and other British top managers. The Russian government appeared to take the Russian shareholders' side. Foreign investors noticed. Those who rushed to put their money into Russia earlier began to view it as a high-risk investment.

In the following weeks the Russian stock market continued to drop. On July 24<sup>th</sup>, attending a conference devoted to metals and coal, premier Putin attacked a particular Russian coal company, Mechel. Putin accused Mechel of price fixing, specifically, of establishing higher prices for its coal inside Russia than outside. He also promised to "send a doctor" to Mechel's director, who did not attend the conference because he was in a hospital, "and fix the situation." The company, which planned an August IPO, saw its shares drop by almost 30 percent overnight. The rest of Russia's stock market followed, leading to a loss of almost US\$60 billion in one day.

Many of my friends in Moscow were panicking. They may not have had as much to lose as an average Russian oligarch, but most saw the security of their jobs as tied to the market's performance.

The situation kept worsening. Over a two-month period, from July 17 to September 17,

<sup>1</sup> The Russian market fell more slowly than the emerging markets, which fell by 17.5 percent, providing some support for the "island of stability" statement.



*In "Ivan's War – Life and Death in the Red Army 1939-1945," British historian Catherine Merridale wrote that in the famished pre-WWII years, Stalin's minister of food supply, Anatoly Mikoyan, focused the might of the planned economy on producing irresistible cheap snacks, frankfurters and ice cream. Brightly-colored ice-cream kiosks symbolized a new life of plenty, the life of socialist paradise to come. Ice cream propaganda proved to have staying power. To this day, Russians love to indulge in a cold treat, and many nostalgically reminisce about "having the best ice cream" in their childhood.*

oil prices fell by 38 percent. But the Russian market fell even further, an astonishing 51.8 percent. Even though stock markets in other countries also declined during this period, they fell by much less than in Russia (with the exception of Ukraine, where the "Orange coalition" collapsed along with the country's economy). The U.S. stock market fell by only 8.5 percent, the global market by 12.4 percent, and the developing countries' market by 25.4 percent. The Russian government blamed falling oil prices and the "U.S. factor" for the country's economic woes. But many analysts, from foreign companies to former economic advisers to the Russian government, refuted those claims, attributing at least half of the market's fall to domestic causes.

The war with Georgia became one of these causes. On August 8, Georgia's president Mikhail Saakashvili accused Moscow of bombing Georgian civilian areas and said that his country was officially in a "state of war." The Russian market crashed again. In just one week, from August 8 until August 15, between US\$15 and US\$20 billion of foreign capital left Russia, as a result of investors' fears and reaction to the war. Then the Kremlin sent domestic markets into further decline by its unilateral recognition of independence for South Ossetia and Abkhazia, Georgia's breakaway provinces.<sup>2</sup>

When the war began, many Western newspapers described the conflict as initiated by Putin, and some even as "a war that Putin has been preparing for years." The Kremlin opposed this version of events by pointing out, among other things, that when the conflict broke out, Putin was away on a trip to China. Later president Medvedev made an effort to emphasize that he alone made the decision to begin the operation, as Russia's commander-in-chief. But despite Moscow's claims that Russia only retaliated against Georgian aggression against South Ossetia and Abkhazia (a technically true claim, as the much-awaited European Union report on the war states), the media saw nothing but Putin's nefarious plans for restoring

<sup>2</sup> By way of a historical note, in 1923 the Soviet Union split Ossetia into two parts. North Ossetia stayed in Russia; South Ossetia became part of Georgia. Ossetians and Georgians are ethnically different peoples. South Ossetian separatists clamored for independence between 1918 and 1920, but those claims quieted down under Soviet rule. They came back as the Soviet Union was falling apart. In 1991 Georgian troops marched on Tskhinvali, the capital of South Ossetia. Ossetian villages as well as Georgian homes suffered in that conflict. In 1992 then-Russian President Boris Yeltsin and Georgian President Eduard Shevardnadze negotiated a ceasefire and established a Joint Control Commission, a peacekeeping force comprised of Russian, Georgian, and Ossetian troops. At the conclusion of the fighting in 1992, some sources estimated that there were 1,000 wartime casualties, 100 missing persons, and an innumerable amount of damaged or destroyed homes and infrastructure. In 2004 violence began once again when Georgia tried to clamp down on the active black market trade going on between South Ossetia and Russia. Conflict had subsided since then, until the most recent events.

the Soviet empire. They stressed the fact that Putin, not Medvedev, flew to Vladikavkaz, the capital of North Ossetia, to call for an investigation into alleged acts of genocide by Georgia, chat with Russian army generals, and discuss aid to war refugees. Analysts spent a lot of energy guessing how much say president Medvedev had in the conflict (if any). Foreign media described a “personal dislike” between Putin and the Georgian President Mikheil Saakashvili, and seemed to especially relish retelling an alleged threat by Putin to hang Saakashvili “by the balls.” Mild-mannered Medvedev did not get half as much spotlight.

On October 1 of this year the European Union’s fact-finding mission finally published what was supposed to be the definitive answer to the question of blame, a report on the war filling about 1,000 pages. The report blames Georgia for the war but also assigns some responsibility to Russia. Predictably, neither country is satisfied with the results.

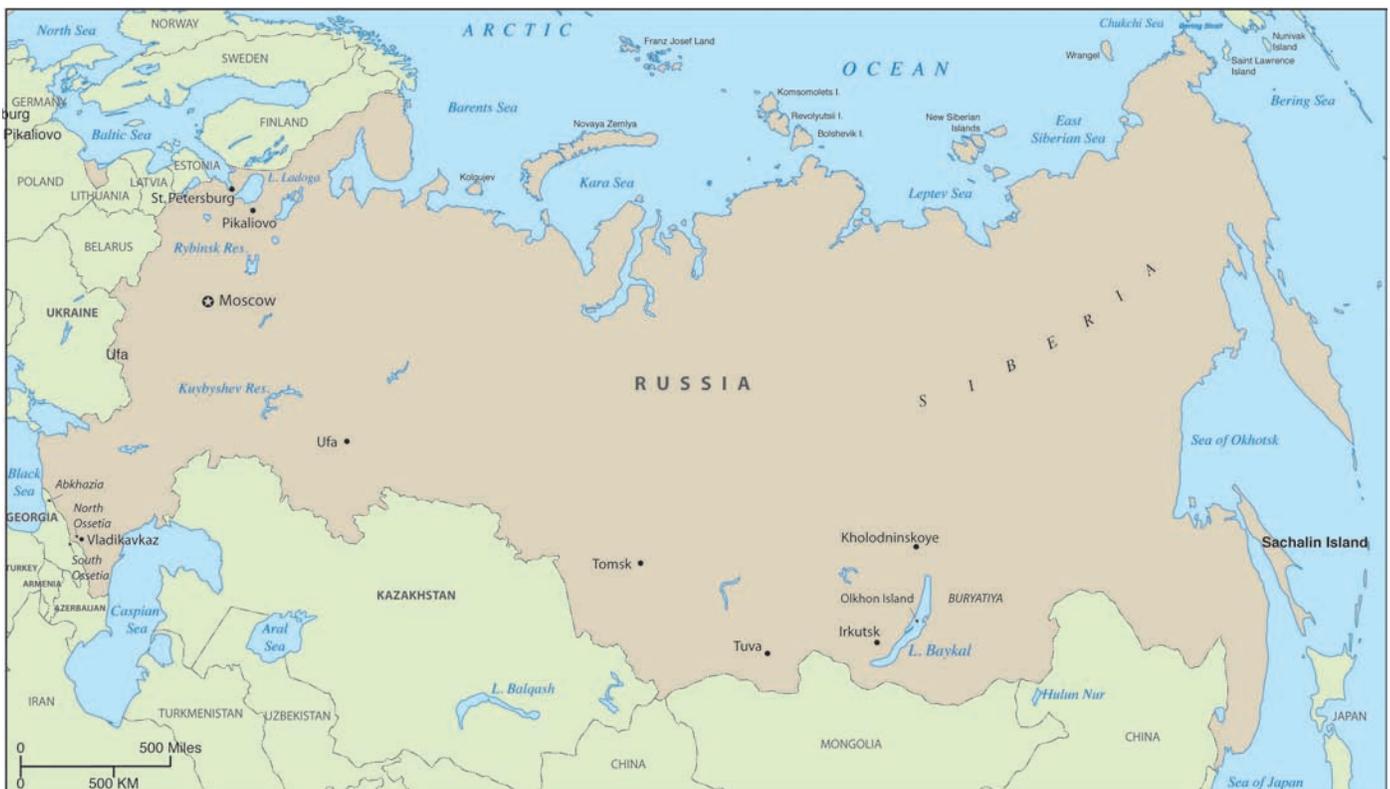
But the war had another unfortunate effect in Russia. If the Kremlin lost the “propaganda war” in the West over the conflict with Georgia, it certainly won the propaganda battle at home. Within hours of the news of the conflict, foreign media declared Russia the aggressor. “Russia launched a major military offensive against Georgia,” wrote the newspapers. Almost every article described Georgia as a “U.S. ally,” “pro-Western” and a NATO aspirant. John McCain, a presidential candidate at the time, called Russia an unrepentant combatant against a “brave little nation” and compared Russian “killing” in the “tiny little democracy” to Soviet aggression during the Cold War era. Not many news sources mentioned that McCain’s top foreign policy adviser was part owner of a lobbying firm that provides strategic advice to the Georgian government in Washing-

ton, or that there have been reports of serious corruption under Saakashvili’s regime since he took office in 2004.

To ordinary Russians all this was proof that Western media does harbor a strong anti-Russian bias — just as Kremlin TV has been telling them. Indeed, until then I tended to dismiss my Russian friends’ and relatives’ complaints about foreign media’s coverage of Russia as paranoid or caused by a sense of inferiority. Reading headlines in the American newspapers that August made me wonder if these friends were right. Perhaps I began associating more with the Russian side after having lived in the country for two months.

But despite this rise in mutual animosity, one singular event last November showed that not all is lost and we are not living through another Cold War. Medvedev may have taken his time to congratulate Obama on his election, but my Russian friends began calling me within minutes of the news coming out. Just like so many other people all over the world, they cared.

Perhaps Medvedev was experiencing popularity envy. He had been president for a month when I arrived in Moscow last June. After Putin appointed Medvedev his successor, the new president took office on May 7, 2008. Ever since then much political analysis of Russian politics has been devoted to the question of who actually holds the reigns of power. Is it rule by tandem? Is it rule by Putin, pulling the strings from his prime minister’s seat? Is Medvedev trying to build up a support base of his own that would allow him to stand independent of his “mentor”? Are there signs of trouble in the relationship? Is Medvedev playing ‘good cop’ to Putin’s ‘bad cop’? The Kremlin



exercises such tight control over information about the power hierarchy behind its walls that commentators often have to resort to Sherlockian deduction, making inferences about different power factions based only on the players' outward behavior. It makes me think of watching multiple chess games being played by invisible players and trying to figure out the players' identity. Russian entrepreneurs came out with an ingenious solution to the power conundrum. For about \$2 you can purchase a holographic fridge magnet that depicts Medvedev and Putin blending into each other, like the faces in Michael Jackson's video "Black or White." Depending on the angle, you can get a Medvedev with Putin's hair, or Putin with Medvedev's eyes. One of my favorite things about the magnet is that one cannot tell whether it criticizes the current power arrangement or dispassionately depicts the existing state of affairs. However, last year shows that Putin has definitely been the one making decisions.

About the same time I arrived at Baikal, the first week

of last September, the Baikal Economic Forum took place in Irkutsk. At various roundtables federal and local politicians spoke of the need to develop local manufacturing, to escape the fate of being nothing more than a supplier of raw resources. Looking for investors, the local administration and businesses presented lists of potential projects, from wood-processing factories to special economic zones for development of tourism. Everyone seemed to recognize the need to diversify the local economy. It all came down to needing money.

A year passed. In one of his recent speeches President Medvedev outlined a strategic reform agenda to break Russia of its "humiliating dependence" on oil and gas exports and transform an economy incapable of invention and innovation into a world leader in "new technologies." Medvedev often refers to the need for a modernization strategy so that the country will stop relying on raw materials. Then, on October 12 Russian newspapers reported that Russia and China had entered into a deal whereby



*(top, left) Russians may have cheap ice cream in abundance, but many continue to rely on income from produce grown on their small plots of land.*

*(bottom, left) Most small-scale local farmers offer a very basic selection of fruits and vegetables.*

*(above) This little girl was one of the few people at the Irkutsk central market who did not mind posing for me.*

“Eastern Siberia and the Russian Far East will become a resource base” for Chinese enterprises. The partnership agreement, effective until 2018, presupposes joint development of Russian resources. However, almost all processing and manufacturing factories will be built on Chinese territory. Prime Minister Putin signed the deal during his October visit to China.

Russia plans to open up to joint development its deposits of coal, iron ore, precious metals, apatites and molybdenum. China will establish manufacture of furniture, fireproof doors, bricks, copper sheets, various machinery, tin, and lead in its northeastern regions.

A Russian analyst from the Center of Strategic China Studies stated that for the next ten years the Russian-Chinese partnership will function according to the “our resources — your technology” principle. Apparently it’s not the lack of technologies in Russia but the fact that it is much cheaper to utilize them in China than in the Russian Far East, “a poorly developed region that is not convenient for creation of high-tech enterprises.”

A former Russian minister of economics and a present head of the Higher School of Economics, Evgeny Yasin, agreed that development of Eastern Siberia and the Russian Far East can be done only through investments in the energy and raw natural resources sectors. He doesn’t see a point in creating labor-intensive manufacture in those areas, citing labor scarcity.

The Chinese seem willing to compensate for Russia’s lack of workers. China proposed an interesting solution at a recent forum organized by the two respective ruling parties, “United Russia” and China’s Communist Party. The Chinese welcome Russia’s idea of building wood processing factories on its territory, but under the condition that such factories will employ Chinese workers. China suggests creation of special customs corridors for these purposes, as well as making it easier for their workers to receive and extend year-long visas. They propose the same arrangement in the agricultural sector. Russia has an interest in growing grain crops in Eastern Siberia and the Russian Far East, whereas China is interested in Russia’s fertile land.

Some Russian newspapers decried the agreement as evidence of Russia becoming China’s “raw materials appendage.” The agreement is part of a bigger deal signed by Putin and his Chinese counterpart Premier Wen Jiabao during Putin’s visit to China. The two largest deals, each worth \$500 million, involve loans from the China Development Bank and the Agricultural Bank of China to Russia’s national development bank, VEB, and its second-largest bank, VTB. Russia also agreed to supply gas to China via two Gazprom pipelines, from Western Siberia and the Russian Far East, and the offshore Sakhalin fields.

On the eve of Putin’s visit to China, Russia’s deputy prime-minister bemoaned the fact that manufactured goods comprise a tiny percentage of Russian exports to

China (the situation concerning Chinese exports to Russia is exactly the opposite). But it is impossible to talk about equalizing the trade balance now. Just in the second quarter of 2009 China’s GDP grew by 7.9 percent and Russia’s declined by 10.9 percent. China’s expanding economy, along with its impressive stash of foreign currency reserves (US \$2 trillion), drives its demand for new sources of raw materials. Prior to securing rights to Siberian coal and metals, China already invested heavily into hydrocarbons and mineral assets in Africa, South America, Kazakhstan and even Australia.

As the Russian government talks about building up the country’s manufacturing, the Russian people keep buying Chinese goods, in stores and street markets. On the Moscow metro young men and women sell Chinese knickknacks, walking from car to car. Last week, three different sellers passed through my subway car in less than 10 minutes. An attractive young blonde waived a clear magnifying strip for reading small fonts, for 50 rubles (US\$1.80). The older woman to my left and a middle-aged man across the aisle each bought one. A young man followed. Blushing, he gave a long speech about his product, a pen with several screw-type attachments in different sizes, for fixing one’s cell phone, laptop, radio, TV, “or any one of the many audio appliances in your home.” At 100 rubles, no one in the busy car bought the pen. The young man, frustrated, moved through the people and went into the next car. The woman who came in next offered umbrellas. It was a sunny autumn day and no one seemed worried about rain.

The crisis has hit Russia more than other developing economies, but the worst predictions (mass social unrest, people taking to the streets, a drastic rise in crime) have not come true. Is it that the crisis has not affected Russians too much, that the official propaganda on TV keeps the people’s faith in their leadership, or that years of totalitarian rule have bred out their rebelliousness? People have certainly tightened up their belts. The Russian minister of economics has just announced that the recession in Russia is over. But polling services report that Russian consumers, who just recently enjoyed lavishing money on luxury purchases, have switched from eating caviar to pasta, from buying DVDs to downloading movies for free from the internet, and to spending vacations at *dachas*, their summer homes, instead of going to the Mediterranean.

This spring President Medvedev pledged to maintain a “worthy” standard of life for Russia’s population of 142 million. “At the very least, we should prevent the living standards in our country from returning to the levels of the 1990s when a significant part of our nation was extremely poor,” said Medvedev. But prices keep rising, despite the government’s promises to the contrary. According to some official statistics, in the Irkutsk region food prices rose, on average, by at least 18 percent in the past year. At the same time whole industries, such as construction, have been going bankrupt. In the second half of last year production in Russia fell by almost 20 percent. Workers who were lucky

to retain their jobs saw their salaries cut or not paid for months. In June of this year the World Bank predicted that the number of people below the poverty level would grow by 7.5 million to 24.6 million, or 17 percent of the population. The World Bank lists another 30 million people, with incomes less than 50 percent above the poverty line, as “vulnerable.”

A disproportionate number of suffering workers live in “monotowns,” or “town-forming enterprises.” Since Stalin began implementing his industrialization plan for Russia, the Soviet government has been creating these unique urban settlements around a single factory or plant. The enterprise not only employed most people in town, but also supplied heat, electricity, water, and health care. The Baikalsk Pulp and Paper Mill is an example of such a “town-forming” enterprise. More than 400 monotowns exist in Russia to this day, and a quarter of Russia’s urban population, or 25 million people, live in them. One of these towns became famous this summer.

On June 2, several hundred of Pikaliovo inhabitants, after their appeals to the local mayor, regional administration, and president Medvedev failed to bring relief, blocked a major federal highway. Six months earlier Pikaliovo’s “town-forming” cement plant shut down. This led to a closure of the two other factories in town since the three plants formed one supply chain. The cement plant owed its employees 40 million rubles in wages unpaid since January. Since May 15<sup>th</sup> the town lived without heat and hot water. On June 4, Prime Minister Putin arrived to Pikaliovo by helicopter, bringing with him the owners of all three town factories. The cement plant belongs to Oleg Deripaska, the same oligarch who owns half of the Baikalsk Pulp and Paper Mill, and prior to the crisis, the richest man in Russia.<sup>3</sup>

In a widely televised conference Putin took control of the situation. With a parental look on his face, he scolded the businessmen in attendance for “holding local people hostage” of their “unprofessionalism, ambitiousness, and maybe simple greed.” He chastised the local administration too, for not doing enough to prevent the crisis. “Why is it that only when I was about to come here that you began running around like cockroaches,” asked (perhaps rhetorically) the prime minister. Putin let it be known that everything had been already solved on June 1, at a meeting by same parties in St. Petersburg, but he wanted to bring them to Pikaliovo in person so they could see the results of their failures. He then asked the three owners whether they have signed the contract for supplying the plants with the raw materials in question. When he did not find Deripaska’s signature on the document, Putin waived the oligarch over, gave him a pen and instructed to sign. Deripaska actually took some time to read the several pages in front of him. After taking the signed papers,

Putin asked the oligarch to return the pen.

This episode is instructive even though obviously staged, as all such televised conferences and appearances by the prime minister. Putin continues to play the role of Russia’s *savoir*, swooping in and solving difficult social and economic situations “single-handedly.” These incidents get a lot of play time on official TV channels, as, for example, the conference in Tomsk in 2006, when Putin at the very last moment ordered the East Siberia-Pacific Ocean oil pipeline to be moved more than 40 kilometers away from Lake Baikal. Russian history has a tradition of common people appealing to the tsar, a father figure and the last instance where one can seek true justice. By playing the savior Putin taps into the long-ingrained subservient aspects of the national psyche, demonstrating to the population again and again that he remains the ultimate authority. And right now we have no way of knowing whether he is preparing ground for another presidential run or simply asserting the existing state of affairs.

A Moscow group took a 1978 hit by a Czech comic group Banjo Band, called “Jožin z bažin,” or “Jozin from the Swamp,” and made it into a song about Putin’s visit to Pikaliovo. Keep in mind, as you read the lyrics, that in the original Jozin was a monster creature that ate people, preferring citizens of Prague. Some commentators wondered whether the parody refers to the fact that Putin comes from St. Petersburg, a city that Peter the First built on a swamp. Here is the text of the parody:

There was a town-forming plant in Pikaliovo  
Its workers were a peaceful, non-demonstrating kind  
But when they closed the plant, that’s when troubles  
started  
Who’ll give the plant back to pacify them?

Putin, Putin is going to Pikaliovo  
Putin, Putin is going to make it *kliovo* (cool)  
Putin, Putin is fast with a decision  
Putin, Putin, our prime minister!

Everyone who closes plants during crisis  
Will receive from Putin an “ai-ai-iai.”

Prices rise in stores day after day  
Hitting people with the ruble, it’s simply impossible  
In a week the meat became twice as expensive  
What is there to do with it, who is going to help us?

Putin, Putin is rushing to the supermarket  
Putin, Putin, something is going to happen  
Putin, Putin is fast with a decision  
Putin, Putin, our prime minister!

Everyone who raises prices during crisis

<sup>3</sup> As I wrote in an earlier newsletter, Deripaska, an ambitious oligarch who made his fortune in aluminum, went on an asset-buying spree right before the global financial crisis hit Russia. Because he used his companies’ stock as collateral for expansion of his empire, he lost more than other oligarchs in the crisis. By some estimates, he lost more than US\$28 billion, or more than 80 percent of his fortune.

Will receive from Putin an “ai-ai-iai.”

So what if he’s not the top leader, that is only  
temporary

Soon we both will have to attend elections  
And the choice is obvious by the third stanza  
The result is clear, and of course it’s...

Jozin z bazin, are there any doubts?  
Jozin z bazin, symbol of a generation!  
Jozin z bazin, the people’s choice!  
Jozin z bazin, it’ll be more fun to live!

Knows the oligarch, the miner and the cop-  
Jozin z bazin will be our new president!

By some estimations, more than 3 million viewers saw the video on various Internet sites by July 24<sup>th</sup>, 2009.

After some time you get used to the daily theater on national TV. But once in a while the multifaceted promotion can still leave you speechless.

This August Putin made international headlines with his cowboy photo shoot in Tuva, an undeveloped region in south-eastern Siberia, on the border with Mongolia. The remote republic, about the size of Florida, has no rail links. Just three roads link Tuva to neighboring regions. Tuva has spectacular nature, big game hunting, world-class fishing, and, apparently, lawless natives. I’ve been told that a female should not travel through Tuva alone. Since the 1990s the region has experienced a huge surge in crime. Once the majority of factories and state farms had gone bankrupt, Tuvians resorted not only to their traditional ways of cattle herding, but also to stealing cattle from their neighbors. The situation has gotten so bad that Mongolian border guards began shooting cattle stealers from the Tuva side, killing dozens of people every year.

Putin already vacationed in Tuva in 2007, bringing Prince Albert of Monaco along for the ride. Back then the Kremlin website posted photos of bare-chested Putin wading through a mountainous Tuva river in camouflage pants. The press quickly picked them up, causing a lively debate over the meaning of the photos — did this display of muscle indicate that Putin had no intentions of giving up power? This year’s vacation photos gave us even more variety and food for thought. We got a bare-chested Putin in black sunglasses, riding a horse. He steered a motorboat. He did a butterfly stroke in yet another mountainous river. My favorite, however (the Kremlin-friendly newspaper *Izvestia* apparently agreed with me since it put this photo on its front page), showed the prime minister sitting in a tree, wearing khaki pants (clad in a t-shirt this time) and a canvas bush hat. Foreign press drew comparisons to Nightingale the Robber, describing it as “a character from a popular Russian folk epic who lives in a nest and has mystical powers.” I doubt that Putin’s PR team had that kind of comparison in mind, since Nightingale the Robber was a forest monster who attacked passerbys and killed

living things with his demonic whistling. He was defeated by Ilya Muromets, a mythical hero of Slavic epic poems, one of the three fairy tale knights who protected ancient Rus and defended its people from outside aggressors.

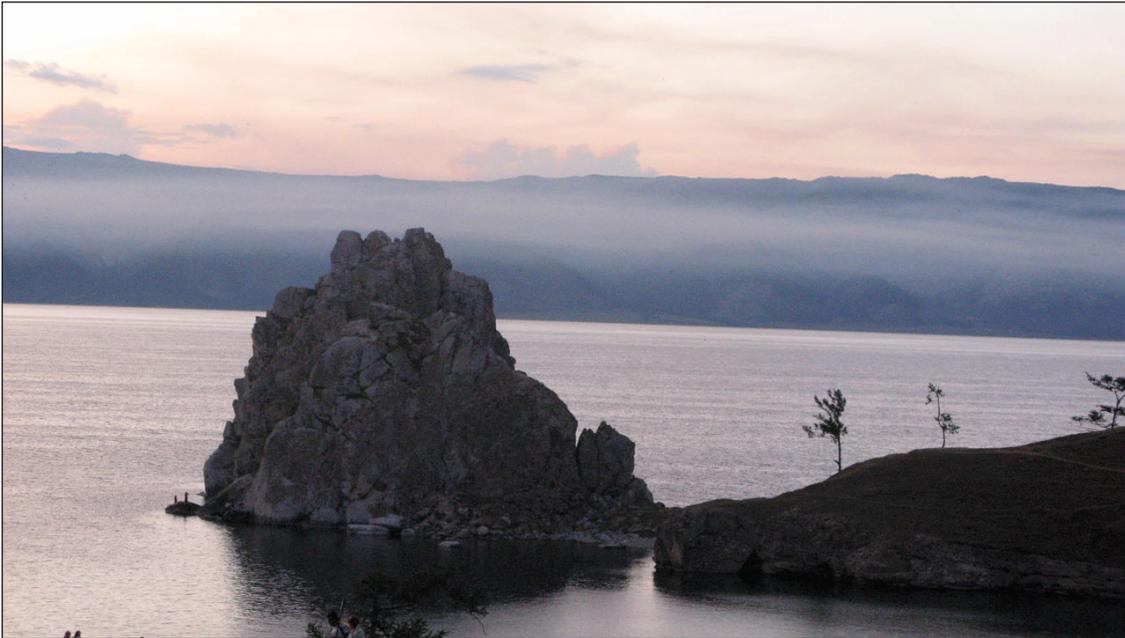
Putin, a black belt in judo, has long cultivated a rugged image. His toughness in Pikaliovo had a different angle. Here we witnessed (again) the degree of control the prime minister has over the country’s financial elite. Putin brought Deripaska, a man who still has billions despite his losses, along on the trip as one would a delinquent employee, and made him act the unfortunate role of the villain. Regardless of that role’s relationship to reality (Deripaska made his initial fortune in the aluminum wars of the 1990s, notorious for their violence), one imagines that financial tycoons do not enjoy playing evil parts in populist dramas. They must have good reasons for doing so.

Some analysts worried that Putin’s visit to Pikaliovo would set a bad precedent, encouraging other struggling mono-towns to go on strike. However, before he left Pikaliovo, Putin made it clear to the local governor that this should not happen again. Governors elsewhere, who get appointed by the Kremlin ever since Putin eliminated direct elections, surely took notice. As for those who thought that the prime minister’s visit happened in response to the workers’ boycott, Putin offered a curious observation. During the televised conference he wondered whether the demonstrators were trying to prevent him from coming to Pikaliovo. “Maybe they were even paid money [to stage a strike].”

Putin’s globetrotting brought him to Baikal on August 1 of this year. The prime minister dived to the bottom of the Lake in Mir-2, a mini-submersible, on a four-and-a-half hour mission to inspect crystals containing natural gas. The possibly unfortunate news for Baikal is that its largely unexplored floor has large deposits of clathrate hydrate, crystals packed with natural gas. Scientists estimated that Baikal hydrates contain over 1 trillion cubic meters of natural gas, “an amount comparable with the world’s largest discovered gas fields.” The lake remains relatively safe from development for the time being. The law on Baikal currently prohibits mineral extraction on the lake, and extraction of natural gas from hydrates is economically prohibitive.

Putin’s descent led to a surprising turn of events. The Director of the Oceanology Institute told the prime minister that industrial enterprises have not seriously harmed Baikal. “The lake has the capacity to cleanse itself,” Nigmatulin assured Putin. In response to Putin’s question about the Baikalsk Pulp and Paper Mill, the scientist said that it “does have a limited impact, of course, but overall the lake’s ecology does not suffer as a result.”

“I see the bed of Lake Baikal and it is clean,” Putin told reporters through a hydrophone from the submersible, 1,400 meters deep into the lake. Upon emerging from the depths, Putin gave an interview in which he acknowl-



*Shaman-rock at the island of Olkhon, one of the sacred spots on Lake Baikal.*

edged that environmentalists' warnings may be timely and reasonable, but "we should not forget the people living and working here. We will have to balance environmental protection while meeting the needs of the local population." The Russian prime minister declared the lake to be in very good condition. "There are almost no traces of pollution. The lake's biological ecosystem remains unchanged. We can see much plankton and many other native life forms in it. As far as I understand, and the researchers can back this up, no negative changes have occurred in the lake."

When one reporter asked whether this means that the Baikalsk Pulp and Paper Mill (brought to a standstill last October) will begin production again, Putin responded that he would not rule out that happening. As I wrote earlier, Deripaska owns 51 percent of the Baikalsk Mill and the federal government owns the rest. Reiterating that they are "not going to be careless about the environment or Lake Baikal," Putin said that "we must create jobs before we reconfigure or shut down production facilities."

And so, in a quick turnaround, the same local officials who for the past few months vouched, repeatedly, not to allow the mill to reopen and discharge its wastes into Baikal (the mill's new director has officially admitted that the purported closed-cycle system does not work, and the mill has no way of operating other than by direct discharge), have nodded in agreement with the prime minister and said they will look into the possibility of reopening the mill.

Mir-1 and Mir-2, the mini-submarines exploring Baikal's bottom, belong to the Fund for Protection of Lake Baikal. The Fund, in turn, belongs to a company called Metropol, which holds the rights to develop the Kholodninskoye field, the world's third largest lead and zinc deposit. Kholodninskoye sits in a watershed that flows straight into Baikal at the northern tip of the lake. The Russian Ministry of Natural Resources proposed a ban on developing half of the Kholodninskoye deposit in July of last year, citing environmental damage concerns. Metropol has been unable to sell its stake in the field, and cannot develop it at the moment because of environmental prohibitions on mining within Baikal's "central ecological zone." Stuck with an unprofitable investment, the company began lobbying local officials for an exception to the mining prohibition. In July 2008 the president of Buryatia, Nagovitsyn, served as a crew member on a highly publicized but ultimately unsuccessful Mir dive aimed at reaching the bottom of Baikal. Nagovitsyn favors opening Kholodninskoye to development, as well as relaxing environmental protections for Baikal overall. He sees them as the greatest impediment to the economic development of his region. So far the federal government has resisted Metropol and Buryatia's lobbying attempts, but that was before Putin's descent into the clean waters of Lake Baikal. One can only hope that it will take more than one dive to decide the fate of the lake because, in the words of my grandmother, "whatever the president says, that's what's going to happen." I don't think she had Medvedev in mind. □

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