

## INSTITUTE OF CURRENT WORLD AFFAIRS



Elena Agarkova is studying management of natural resources and the relationship between Siberia's natural riches and its people. Previously, Elena was a Legal Fellow at the University of Washington's School of Law, at the Berman Environmental Law Clinic. She has clerked for Honorable Cynthia M. Rufe of the federal district court in Philadelphia, and has practiced commercial litigation at the New York office of Milbank, Tweed, Hadley & McCloy LLP. Elena was born in Moscow, Russia, and has volunteered for environmental non-profits in the Lake Baikal region of Siberia. She graduated from Georgetown University Law Center in 2001, and has received a bachelor's degree in political science from Barnard College.

---

#### Institute of Current World Affairs

The Crane-Rogers Foundation  
4545 42nd St. NW, Ste 311  
Washington, D.C. 20016

Tel: 202-364-4068  
Fax: 202-364-0498  
E-mail: [icwa@icwa.org](mailto:icwa@icwa.org)  
Web: [www.icwa.org](http://www.icwa.org)

---

The Information contained in this publication may not be reprinted or republished without the express written consent of the Institute of Current World Affairs.

# The Pulp Mill That Just Won't Quit

By Elena Agarkova

*"It is obvious that no one will turn around, no one will allow the dumping industrial wastes into Baikal again."*

—Yury Trutnev, the Russian minister of natural resources, October 7, 2008.

**L**AKE BAIKAL—More than a year ago the Baikalsk Pulp and Paper Mill (BPPM), one of the main polluters on Lake Baikal and the only industrial factory located directly on the shore of this magnificent lake, closed. The mill, which dumped industrial waste straight into the world's largest reservoir of water, fell victim to the economic crisis. Lack of demand from the Chinese market and falling prices for cellulose accomplished what vocal public opposition and Russian environmental agencies tried to do for almost 43 years.

When I wrote about the mill's closure at the time, I noted that given the torturous history of unsuccessful government attempts to shut the mill down, the danger that BPPM's toxins may yet spew into Baikal will disappear only when the mill has been completely dismantled and all of its machinery hauled away.

I was not being paranoid. The mill's management has shown remarkable resilience in the face of numerous decrees and legislative acts that tried to stop production of cellulose on Baikal, ignoring them with impunity for decades. BPPM was like one of those traditional Russian dolls called *nevalyashka*, or "one that doesn't fall over." The doll has a crafty center of gravity—no matter how much you tip it to one side, it stands upright again. I didn't understand how it could happen but worried nonetheless that the mill would yet again manage to defy federal laws, economic realities, and common sense.

I did not want to be right, and I certainly did not expect the mill to reopen in the way that it is doing now, with Putin himself not just giving BPPM his blessing, but literally changing the law to allow the mill to dump waste into the

lake. Putin's decision puzzled not only environmentalists, but the mill's former workers, along with everyone who could not comprehend the logic behind reopening a morally and economically outdated enterprise. In the mill's strange history, this certainly became one of the more bizarre twists. The question on people's minds was, and remains, why?

A year ago this seemed impossible. Everything pointed to the mill's final and irrevocable demise. In 2007 the Russian EPA, specifically its environmental watchdog agency Rosprirodnadzor, finally began to enforce existing law, which prohibited cellulose production on Baikal without a closed wastewater cycle. The law existed since 2001, when Mikhail Kasyanov, then Russian prime minister, signed a law called "The List of Activities Banned in the Central Ecological Zone of the Baikal Natural Territory." Two years before, president Boris Yeltsin signed "The Law on Protection of Lake Baikal," a unique document dedicated to protecting one natural object. The Law on Baikal had one major weakness—it was a general, declaratory "framing document" that needed detailed bylaws for successful implementation of its lofty goal. The list of banned activities was one such bylaw. It differed radically from the previous government decrees concerning the Baikalsk pulp mill, because in addition to prohibiting production of pulp and paper without a closed water cycle, it outlawed most forms of industrial activities on the shores of Baikal, with a handful of exceptions for existing settlements.

Technically, from that moment the mill grossly violated Russian federal law by continuing to dump its effluent into the lake. But it took several years until Rosprirodnadzor decided



*The first anti-mill and anti-Putin's decree demonstration in Irkutsk, on February 13 this year, with more than 2,000 people in attendance. The signs say "We need Baikal alive" and "Yes to tourism! No to BPPM!" (Baikalsk Pulp and Paper mill)*

to file a lawsuit against the mill, demanding 419 million rubles in damages for the ongoing violations. Why then, why with such ardor, remains a mystery. Nonetheless the majority of federal and regional officials, including the governor of the Irkutsk region, went along. The consensus seemed to be almost unanimous—there was no place for a polluting factory on Baikal. The mill workers who obviously did not want to lose their jobs and did not see any readily available alternatives to BPPM, were a minority.

As Rosprirodnadzor persisted in performing its job, the mill's owners kept promising that they would begin operating on a closed wastewater cycle any day. Even though the court eventually awarded the agency only 19 million rubles out of the requested 419 million (and the government has yet to see the mill pay one cent of the environmental fines it amassed over the years), the lawsuit may have had an actual effect. By the summer of 2008 the mill's engineers started testing production of unbleached cellulose without discharging into Baikal. At least that's what the mill's press-releases told the public. The historic moment arrived in September of 2008. The Russian minister of natural resources, Yury Trutnev, appeared for it in person. He came to Baikalsk to cut the ribbon on the mill's

new wastewater system and to witness blocking of the pipes that used to drain pulp chemicals into Baikal. The workers poured cement into the pipes, Trutnev snapped the scissors, but strangely, the only journalists allowed on the territory of the plant were from the official TV channel "number one," and the minister did not look very happy even as he made his congratulatory speech. The minister said that the mill's problems were far from solved, one of the main ones being the issue of accumulated wastes.

We still don't know whether he knew then, as we know now, and as environmentalists suspected all along, that the much-touted closed wastewater system was a sham. I heard this from the mill's engineers and former workers, who said that during test runs the system got clogged up, making real circulation of water impossible, and I mentioned this in my earlier newsletters. The mill simply could not make even unbleached cellulose of required quality. But the mill's management pretended otherwise. They kept blaming the plant's closure on the closed wastewater system, saying BPPM became unprofitable because it could only produce unbleached cellulose, and because the price of unbleached cellulose fell sharply during the summer of 2008. (It's not possible to produce bleached cellulose, which





A local with an SOS poster at the February 13th demonstration in Irkutsk.

requires chlorine, using a closed wastewater cycle.)

Only recently did the mill's management admit that the closed cycle does not work. Now they say they will need another three years to create a closed wastewater system that will function properly. Neither the mill nor the minister of natural resources have bothered to explain what they were celebrating in September 2008. Perhaps the

minister needed to keep face in front of even the most loyal journalists. After all, he sternly warned the mill's management that unless they had the closed wastewater system up and running by August, the ministry would close the plant. "Is it necessary to close the pulp mill? Yes it is. Is it necessary to protect Baikal? Yes it is. But if several thousand people will be left without jobs, that's not good. The government needs to work together with business, it's not alright to close factories without warning," said Trutnev on national TV channel "Russia" in April 2008. "Consider this a public warning to the factory's management. Not one drop of waste products should go into Baikal."

Perhaps the mill's management does not watch the "Russia" channel, but in the months following the mill's abrupt stop in October 2008, the factory laid off the majority of its 2,000-plus workers. Citing

growing tension in the town of Baikalsk, the mill's owners asked the federal government for a temporary exception, to allow production of bleached cellulose by resuming direct discharge of effluent into the lake. The mill's director stated that if the government did not respond by the beginning of November, the mill would have to put equipment in dead storage. The government resisted, calling the mill's request "blackmail." When November came around,



Many posters at the demonstration attacked Deripaska, the main owner of the Baikalsk pulp and paper mill (BPPM). The poster on the left asks Russian oligarchs to give some cash to 'poor Deripaska' so that he would close the BPPM. The poster on the right plays on the Russian word "smell" or "smelly," which without its last letter means "out." It says "Deripaska smells," but with the last letter crossed out the sign becomes "Deripaska - get out!!!"

the mill's management said that unless the mill could resume operations before the winter freeze set in, its settling ponds and the wastewater system would be destroyed. In December the minister of natural resources announced that the mill's owner, Continental Management, suggested that the company would build a new pulp and paper mill in the Irkutsk region in exchange for the ministry allowing BPPM to work without the closed wastewater cycle for two years. According to Trutnev, Continental Management was prepared to build a new mill away from Baikal's shores in those two years, to provide workers with new jobs. The minister remarked that this scenario would be possible only if the company provided not just plans, but real, irrefutable proof that it would indeed begin construction and build a mill in this time frame. As acceptable financial guarantees Trutnev mentioned confirmations from banks that are ready to invest into the project costing more than US\$1 billion.

But the governor of the Irkutsk region preferred a different scenario, discussed around the same time with Trutnev and Continental Management, under which the mill completely stopped production, and its workers received jobs in other places. In the next months, as the mill owners considered bankruptcy and laid off remaining workers, the regional administration sent letters to local businesses, asking them to find vacancies for BPPM's former employees. As part of this plan, the administration reached an agreement with the local branch of the Eastern Siberian Railroad, under which the railroad added an additional "daily commuter" train from Baikalsk to Irkutsk, specifically for those who found jobs in Irkutsk.

Some even moved away to the northwest part of Russia, to the pulp mill operated in Karelia by one of the former BPPM directors. People often mention that Continental Management, one of the many companies that belong to the Russian oligarch and king of Russian aluminum Oleg Deripaska, got the mill in 2001 in a hostile takeover. "Glazyrin, who was director at the time had to pack his bags literally overnight and leave the next day," I heard from some of the workers. Glazyrin had a reputation as a good manager, and apparently some of the best specialists went to work for him after BPPM halted operations.

But not everyone managed to find a new job, and the commute to Irkutsk is a lengthy 3-hour ride, one way. By June 2009 Continental Management owed 100 million rubles to its former employees. Workers demanded unpaid wages



and unemployment benefits, and even attempted to block a federal road leading to the Baikalsk ski resort. Local police hauled away the president of the workers' trade union, Alexander Shendrik, from the demonstration straight into administrative court, and attempted to try him right there and then. Even though that case failed, the trade union grew more cautious after the police threatened to bring criminal charges against Shendrik. When the mill continued to delay payments, the workers resorted to hunger strikes, in Baikalsk and in front of the regional administration in Irkutsk.

Did the striking workers manage to reach the ultimate authority? Prime minister Putin's visit to Baikal last July marked the beginning of the 'unthinkable' turnaround for the mill. Putin, sporting a special thermal blue diving suit





*Kids at the anti-BPPM demonstration in Irkutsk on March 20 of this year.*

with his last name emblazoned on it, took a dive to the bottom of the world's deepest lake in a mini-submarine called Mir-2, a research vessel that belongs to a financial company Metropol. "We can see the bottom of Lake Baikal, which is very clean and beautiful. The water is pure from an ecological point of view, of course, but it is in fact a kind of plankton soup, as I would call it," the prime minister reported during the four-hour dive. Upon emerging from 4,600 feet below, Putin declared Baikal to be in good condition.

It could have been just one of his macho stunts, which apparently contribute to his popularity among female voters, but unfortunately Putin used this occasion to tell journalists that the pulp mill may be reopened. After the dive, the prime minister attended an environmental protection conference in Listvyanka, a village on the shore of Baikal, where he declared that the mill would start operating again as soon as the owners and the government could agree on the most acceptable compromise. "We will not act thoughtlessly and carelessly, without thinking of nature and Baikal, but we need to act carefully, thinking of people who live here as well," he said.

Ironically, noting that Russia lacks mea-

asures that would urge enterprises to introduce environmentally friendly technology, the prime minister also proposed introducing tougher responsibility for environmental pollution. I have one idea for how that goal will be accomplished. At the same conference, when Putin asked how the pulp mill has harmed Baikal in its 43 years of operation, not one of the present scientists stood up. No one. As a reminder, the Baikalsk pulp and paper mill discharged more than 4 million cubic feet of waste into Baikal every day. Those discharges contained a veritable Mendeleev chart of chemicals, including chlorine, nitrates, mercury, phosphates, and heavy metals, which created a dead zone at least 30 kilometers wide around the mill. Its air discharges have killed wide swaths of pine forests on the nearby mountain ranges, and have contributed to higher-than-average illness rates in the town of Baikalsk. In addition to toxic liquids underneath the mill itself, which are seeping into groundwaters and then into Baikal, the mill also accumulated more than 6.2 million tons of solid waste in open air pits in close proximity to the lake. Just last year the local branch of Rosprirodnadzor issued a report stating urgent action to liquidate these pits, located in a highly seismic zone, was necessary to prevent "catastrophic pollution" of Baikal.

Could it be that the scientists subscribed to the Soviet belief that Baikal's tremendous size and magical self-purification powers will save the lake from any pollution? By now studies have shown that pollution at any level may be detrimental. Baikal's flora and fauna, which developed over millions of years without any human impact, are incredibly sensitive to changes in the chemical composition of water, and even small amounts of toxic substances can disrupt the delicate balance of life in this unique lake. In times of emergency dumps, which happened often at the mill, it released concentrated amounts of toxins into the



*A kid holding up a poster saying "Don't spit into the well," at the March 20th demonstration.*

lake, stunning the fish. “The fish lose their sense of smell, it’s like being hit with dynamite for them—they can’t find food, they can’t orient themselves, they are unable to find spawning grounds,” said Marina Rikhvanova in answer to my question about the mill’s effect on Baikal’s ecosystems. Marina, a biologist and a co-president of a local NGO Baikal Environmental Wave, turned to activism after she realized how the mill was affecting local biota.

Baikal’s legendary powers of self-purification depend on a tiny native shrimp called *epischura* that filters the upper 160 feet of water several times a year. The *epischura*, a central player in Baikal’s life chain, lives only in cold clean water with constant chemical composition. While the tiny shrimp can take on bacteria, it cannot transform industrial poisons into benign substances. As the shrimp becomes polluted with toxins, it passes them on up the food chain, from fish to humans, in an increasing order of magnitude. Scientists already found significant amounts of highly toxic organic substances in Baikal plants, zooplankton, and the fat of Baikal seal, *nerpa*. Dioxins, hormone-disrupting compounds released during industrial processes, have been found in the milk of breastfeeding mothers in Onguren, a remote village in the center of Baikal where people live mainly on a diet of fish and *nerpa*. Some studies posit that the mill’s pollution does not diffuse throughout the lake evenly, but concentrates in “streams” that run along the edges of various water columns. These streams are the most productive areas of Baikal, where most plankton live and where fish come to feed.

And yet, when confronted by their prime minister, the scientists stayed silent. When I discussed this with an acquaintance who has been an anti-mill activist for more than twenty years, he mentioned one of the scientists who has documented some of the devastating effects of the mill’s pollution on Baikal’s complex ecosystems. “Tarasova was not [at this conference]. But even if she were there, she might have been afraid [to speak], to lose her job, afraid for her research.” My acquaintance’s explanation implied a simple fact, that even before Putin asked his seemingly innocent question, conference attendees knew well enough what his ultimate decision on the mill would be, and therefore knew the right answer.

Putin seemed to be on a summer tour of saving Russia’s monotowns, cities that sprung up during the Soviet Union to service one particular plant or factory. As financial crisis spread through Russian markets, such towns became particularly vulnerable to their employers’ misfortunes. In June the prime minister visited a closed cement plant in Pikalyovo, in northwest Russia, where in another



*Old women at the March 20th demonstration, with blue balloons symbolizing pure Baikal.*

crowd-pleasing performance he ordered the owner to pay wage arrears to workers. I wrote about that incident in another newsletter. The video of Putin ordering Deripaska (yes, him again) to return his pen after signing documents allowing the plant to resume production, became a Russian YouTube hit almost instantly.

But who really stands to benefit most from these “popular,” crowd-pleasing measures? The media, from Russian TV to the Wall Street Journal, jumped all over Putin’s “harsh” criticism of Deripaska’s “greed,” describing it as a sign of reigning in the once-favored oligarchs. But let’s be realistic. The workers will get several more months of their small salaries. However, the enterprises at issue have old, worn-out equipment, and most likely will not be able to compete with more efficient companies for much longer. The financial crisis just forced their problems to the foreground. One of the main reasons that these plants have fallen into disrepair is the fact that their common owner, Deripaska’s business holding Basic Element (Basel), as a rule increases profits by cutting down on repair and equipment replacement costs, along with safety expenses. Wouldn’t it be better for the Russian economy in the long run if such businesses did close?

A bit of public humiliation goes a long way under the current regime. Only days after Putin’s visit to Pikalyovo, Deripaska received yet another line of credit from the state-owned Vneshtorgbank. Actually, Deripaska’s businesses received billions of dollars in federal aid since the financial crisis began, whether as a reward for his seeming loyalty to the Kremlin or because the government did not want strategic assets to go to Western banks. Deripaska lost most of his fortune in the crisis because of his willingness to live on credit. Known as a “let’s buy it now, figure out what to do with it later” businessman, he fueled expan-



sion of his empire by taking out enormous loans against existing assets. When natural commodities prices crashed, he got stuck with almost worthless stocks and billions in debt. Some observers thought that this was the end of Russia's once-richest man, but Deripaska did not win the brutal aluminum wars of the '90s playing by everyone's rules. The man has a tight grip. He held on to his main assets, refusing offers to sell his companies at deeply discounted prices, restructuring his debts, and getting state banks to issue him more loans on extremely favorable terms. In January he held public IPOs in Hong Kong and France for UC Rusal, his main aluminum holding. VEB, a Russian state bank where prime minister Putin serves as chairman, guaranteed a US\$700 million investment in Rusal shares, boosting investors' confidence in the offering.

This is a cleverly balanced system. The Pikalyovo incident not just diffused people's anger, but allowed the Kremlin to use it to their advantage, giving people yet more faith in Putin the savior. Despite liberal hopes, mini-Pikalyovos did not alight all over Russia. One example was enough. Local governors took notice of the message from above, to make sure such protests did not happen in their entrusted territories, and the oligarchs understood they had to pay attention to their "social responsibilities" as well.

So several dozens of protesting workers from Baikalsk certainly did not present a huge threat to the regime. One-fifth of Russia lives in such struggling monotowns; the federal government cannot save them all from economic collapse. Again the question, why reopen BPPM?

Deripaska owns 51 percent of the pulp mill. The government owns the rest, but has effectively ceded control to Deripaska a long time ago. The mill owes more than 1.3 billion rubles to its creditors. One of such creditors, Alpha Bank, which belongs to another Russian oligarch Michael Friedman, considered initiating bankruptcy proceedings against the mill last July. The bank claimed then that BPPM owed it more than 500 million rubles. However, since Putin's dive into Baikal,

Alpha Bank has been behaving in a most curious manner, dragging its feet in the bankruptcy proceedings (started at the request of another creditor last October), missing court hearings, forcing the court to postpone decisions, but continuing to submit additional documents and increasing its overall claim against the mill. The bank, not known for its charity toward creditors, noted at some point that it was not going to force events because it understood the "social importance" of the mill.

Another explanation exists as well. Vladimir Naumov, president of a local investment fund in Irkutsk and found-



*Some of my local friends at the March 20th demonstration.*



er of a humanitarian foundation called "Baikal-3000," told me: "This is just to give Deripaska a chance to sell the mill to another buyer. I am sure that the mill will never work." A bankrupt mill is a worthless asset, even to its creditors. Allowing it to work might give Deripaska an opportunity to pay back Alpha Bank and others. But we know that the mill could not figure out how to make quality unbleached cellulose on the closed wastewater cycle, and this brings us to the worst surprise of this year.

On January 13th Putin signed a decree amending the list of banned activities on Baikal. With a mere stroke of his pen, the Russian prime minister allowed production of cellulose and carton on Baikal's shores without the requirement of a closed wastewater system. He threw storage and burning of all kinds of wastes in for the bargain. This effectively allows BPPM to resume production of more profitable bleached cellulose, and dump its toxic waste into the "Pearl of Siberia" for an unspecified amount of time. Moreover, Putin's decision may allow the mill to solve the pesky problem of those 6.2 millions of tons of accumulated solid waste. Last year Rosprirodnadzor estimated that costs of proper cleanup, which would have required removal of solid wastes from the mill's open-air pits beyond the Baikal territory, would run between US\$120 and US\$360 million. Simply burning them would certainly cost much less. Burning pulp mill waste would also release dioxins, powerful carcinogenic compounds that have been shown to severely disrupt human and animal immune systems and fertility even in extremely small doses.

Even given Putin's close relationship with Deripaska,

the January decree came as a surprise to many. In 2007 then-president Putin made himself out to be Baikal's savior, declaring Baikal to be a national treasure as he moved a proposed oil pipeline beyond Baikal's watershed territory at the very last moment. In the wake of mass protests across the country, Putin declared: "If there is even the smallest, tiniest chance of polluting Baikal, then we must think of future generations. We must do everything to make sure this danger is not just minimized, but eliminated." And in 2000 Putin himself ordered the federal government to make sure that the BPPM would begin a process of conversion "to end discharge of toxic wastes into Baikal at the earliest possible date."

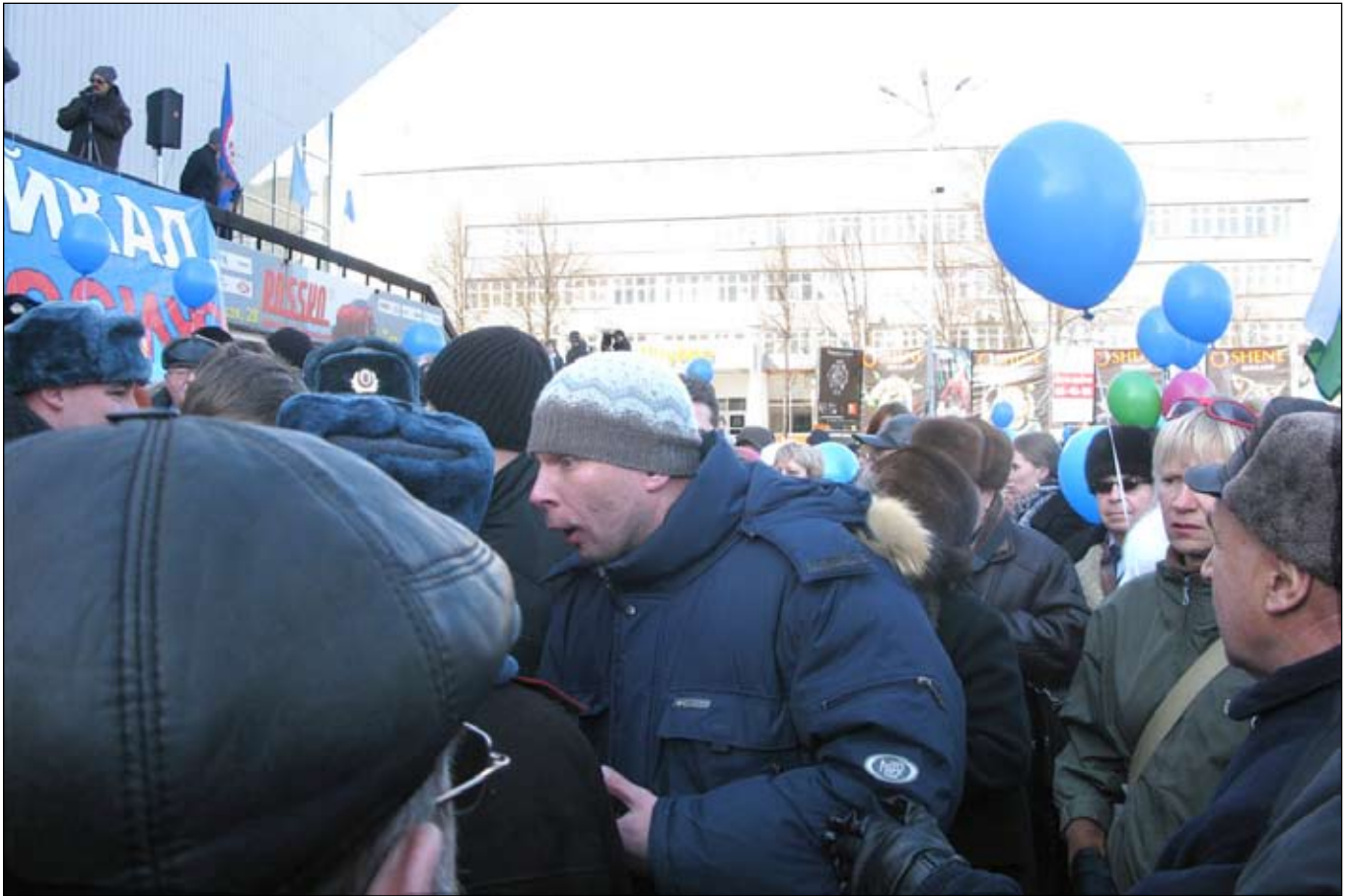
Predictably, environmentalists immediately started a campaign to overturn Putin's January decree, appealing to president Medvedev and planning to challenge it in court. More than 34,000 people have signed the petition to Medvedev on a popular Irkutsk internet news site alone. The same site started an online voting competition for "the biggest enemy of Siberia." Last time I checked, Putin had an overwhelming majority of votes, with Deripaska trailing in second. But things kept getting even stranger.

A couple of weeks into the anti-mill campaign Irkutsk police raided the offices of Baikal Environmental Wave on a "citizen's tip" that the group had pirate software on its computers. No one believed the explanation, tying the raid to the group's active role in organizing public protests. Computer piracy is widespread in Russia, and the most recent Microsoft survey estimated that more than 70 percent of retailers in Siberia sell bootleg programs. But



*Police at the March 20th demonstration in Irkutsk.*





*At the March 20th demonstration several young men began ripping down posters that mentioned Deripaska, and yelled that they were from Baikalsk, asking for a chance to speak. After police hauled them away, it turned out that all of them were not from Baikalsk, but from much more western places, like Moscow and St. Petersburg. My environmentalist friends received information that these men came from various "security services" at Deripaska's factories.*



social activists worry that the government began to use claims of computer piracy to clamp down on opposition. When I talked to Marina Rikhvanova about the incident, she said that two of the four policemen were from the Center for Fighting Extremism. "They had a camera and asked us provocative questions, for example, 'do you participate in anti-government demonstrations?' They took a photograph of our student volunteer's identification card and told her that her career was over."

The Center for Fighting Extremism is a relatively new police unit, created in 2008 on the basis of a former department of the Russian Interior Ministry that dealt with organized crime and terrorism. President Medvedev's reform rolled investigations of organized crime into the work of the existing Main Directorate for Criminal Investigation, under the reasoning that organized crime in Russia has been sufficiently weakened. Now the same men who hounded seasoned criminals deal with environmental activists.

The "citizen's tip" for the raid came from a man who described himself as "unemployed," and no one at the Wave recognized his name. "Curiously, even though the letter was full of simple grammatical mistakes, he correctly spelled the phrase "unlicensed Windows software," said Marina. She also said that right before the raid, her cell phone stopped working. Marina was not in the office at the time, and the only people present in the beginning, a librarian and the student volunteer, managed to reach her only through her home phone. When she came to the Wave's office, police were busy taking all of the group's computers, ripping Windows' stickers off them in the process. "I asked them if they wanted to look at our licenses [for the computer programs], but they said they had no need for them right now." But the first version of the confiscation protocol stated that the Wave refused to provide licensing documents to the police. It was only hours later, and with prosecutors present, that police provided the Wave with a correct protocol. Still, they told Marina that the Wave wouldn't see their computers for at least a month. This certainly threw a wrench into the group's work.

Nonetheless, on February 13, exactly one month after Putin signed his now infamous decree, more than 1,500 people braved Siberian winter temperatures to come out on the streets of Irkutsk in protest. Most state-controlled TV and newspapers did not cover the demonstration, and the ones that did underestimated attendance by two-thirds. The mill counteracted with a demonstration of its own, bussing people in from Baikalsk and other nearby factories that belong to Deripaska, one hour before the environmental protest. Some attendees said they got paid to come, while a state employee confessed that his supervisors told everyone to show up as if it was work. Everyone received free pancakes and coffee. Meanwhile demonstrators at the anti-mill gathering waved handmade signs saying "Baikal. People. Victory," and "Our bodies are 70 percent Baikal water." In response to my question about her reason for being there, a feisty 60-year old woman said,

"Baikal is our treasure. How come our government does not understand that?"

The demonstrators asked each other if they had seen two armored vehicles carrying rooftop-mounted gun machines, stationed around the corner from the protest. Some of the speakers tried to make light of it, but people's general reaction was that of shock. Some asked in disbelief, "Are they planning to fire on innocent people and children?" In a curious turn of events, after several Russian internet sites published photographs of the vehicles, sent in by readers, the Russian Ministry of Interior issued a press-release denouncing these photographs as a "provocation." Despite hundreds of witnesses, the Moscow office stated that "no armored vehicles were used or planned to be used at the demonstration." Russian bloggers wondered, tongue in cheek, whether the people of Irkutsk have been experiencing mass hallucinations.

As citizens prepared to protest dumping of waste into Baikal, Continental Management, the mill's present owner, issued a press release stating that Oleg Deripaska planned to swap half of his BPPM stock with his long-term business partner, Nikolai Makarov, and give away the other half to the city of Baikalsk. The consequences of this are not entirely clear. Has the mill become a nuisance in Deripaska's portfolio, or is this a diversion? The Russian financial media has described the stock swap as a "mere technicality," given the interlocking nature of Deripaska and Makarov's business interests. The caveat behind giving Baikalsk a 25 percent share in the mill is that, according to Deripaska, it will happen only once the mill becomes profitable again. Will that actually happen? Right now the mill is hiring workers and attempting to do test runs of different types of cellulose. But many of its most valued specialists have left town and the mill lacks all required permits for full production.

"I am sure that the mill will never work. Otherwise they can write off Siberia and Baikal entirely, because no one lives here, and no one cares," said Vladimir Naumov at a press conference that took place immediately after the demonstration against the mill. Other reasons exist to suspect that the mill may not function long. Former workers report that because the owner did not invest any moneys into maintenance and repair, the mill's equipment is dangerously worn out. Even a pro-mill representative of the Baikalsk Duma, who came to a press conference, described the mill as "a house that needs to be torn down that someone just decided to put siding on." Further suspicions arise from reports that the mill is not signing work contracts for longer than seven months with newly retained workers.

If the mill shuts down after several months of work, its workers will be back on the street, asking the government to bail them out yet again. Except this time they might end up in an even worse position than before, having missed out on potential opportunities that existed last summer.

A prominent local businessman with strong ties to the



Irkutsk administration told me that right before Putin's visit to Baikal, the federal government actually developed a thorough program for the town of Baikalsk. The program supposed multi-million dollar investments by major Russian businesses into the local economy, including a world-class diving center and other tourist attractions. That program has been scrapped in the aftermath of Putin's dive to the bottom of the lake.

Same goes for the town's inclusion in the federally sponsored "special economic zone," a proposal submitted by the regional government with the aim of developing tourism in Baikalsk. The town already has a decent ski resort, and many residents make money by renting apartments to skiers. At the anti-mill protest, people I interviewed pointed out that the smell of rotten eggs from the mill would certainly stand in the way of developing a successful tourism industry.

Baikal Environmental Wave became one of the forces pushing the government to create new businesses in Baikalsk and come up with a viable program for cleanup of accumulated waste. Marina Rikhvanova even invested the money she received in 2008 as a recipient of the Goldman Environmental Prize into small-business initiatives in Baikalsk. "People connect their future with tourism," she said at one of the conferences devoted to Baikalsk's economic problems. But no sane investor would pour money into a tourism industry downwind from a functioning pulp mill.

Environmentalists also say the mill should not be allowed to resume operations without an independent investigation of the existing conditions. They point to the fact that two years ago the mill was at the epicenter of a strong earthquake, a 6.3 on the Richter scale. The mill's management denied any damage to the plant's infrastructure at the time, but after years of hearing lies, the Wave and its sup-

porters do not trust the mill's pronouncements anymore.

Yet another, perhaps the greatest danger of all, exists. Even if the dilapidated mill shuts down soon enough, I wonder whether Putin's January decision sets a terrible precedent. Could his amendment of the banned activities be just the beginning of an industrial assault on the lake? Has the federal government grown tired of Baikal's special status and (at least theoretical) untouchability?

Russian companies and their champions in local governments have been lobbying the Kremlin to open up Baikal to industrial activities for several years, citing a need to compromise between commercial development and nature protection. Baikal hides many natural riches. Russian gas monopoly Gasprom has been studying gas hydrates, a concentrated form of natural gas hailed as a potential source of enormous amounts of energy, at the bottom of Baikal. Gasprom partners with Metropol, a Russian investment company that holds a license to a lead and zinc mine upstream from Baikal. Metropol, unable to develop or sell the mine because of the Law on Baikal, has asked the federal ministry of natural resources for an exception. So far the ministry has denied its requests. For the past two years Metropol has sponsored deep-water dives on Baikal, including Putin's descent into the depths.

One of the last times I saw Marina she said that the police, using personal information stored on the computers they confiscated from the Wave, began harassing the group's former employees and their relatives. "The police contact them at all times of day and night, ask them personal questions, tell them what a bad organization we are, ask them if they know that we receive money from abroad..." As I write this, the Wave, together with a coalition of Russian environmental groups, is planning another anti-mill demonstration, for March 20th. Perhaps the real fight for Baikal is just beginning. □

# Current Fellows

## **Elena Agarkova • RUSSIA**

May 2008 - 2010

Elena is living in Siberia, studying management of natural resources and the relationship between Siberia's natural riches and its people. Previously, Elena was a Legal Fellow at the University of Washington's School of Law, at the Berman Environmental Law Clinic. She has clerked for Honorable Cynthia M. Rufe of the federal district court in Philadelphia, and has practiced commercial litigation at the New York office of Milbank, Tweed, Hadley & McCloy LLP. Elena was born in Moscow, Russia, and has volunteered for environmental non-profits in the Lake Baikal region of Siberia. She graduated from Georgetown University Law Center in 2001, and has received a bachelor's degree in political science from Barnard College.

## **Pooja Bhatia • HAITI**

September 2008 - 2010

Pooja attended Harvard as an undergraduate, and then worked for the *Wall Street Journal* for a few years. She graduated from Harvard Law School. She was appointed Harvard Law School Satter Human Rights Fellow in 2007 and worked as an attorney with the Bureau des Avocats Internationaux, which advocates and litigates on behalf of Haiti's poor.

## **Eve Fairbanks • SOUTH AFRICA**

May 2009 - 2011

Eve is a *New Republic* staff writer interested in character and in how individuals fit themselves into new or changing societies. Through that lens, she will be writing about medicine and politics in the new South Africa. At the *New Republic*, she covered the first Democratic Congress since 1992 and the 2008 presidential race; her book reviews have also appeared the *New York Times*. She graduated with a degree in political science from Yale, where she also studied music.

## **Derek Mitchell • INDIA**

September 2007 - March 2009

As a Phillips Talbot Fellow, Derek will explore the impact of global trade and economic growth on Indians living in poverty. He has served for the past year as a volunteer for Swaraj Peeth, an institute in New Delhi dedicated to nonviolent conflict resolution and Mahatma Gandhi's thought. Previously he was a Fulbright scholar in India at the Gandhi Peace Foundation. He has coordinated foreign policy research at George Washington University's Institute for Communitarian Policy Studies and worked as a political organizer in New Hampshire. Derek graduated with a degree in religion from Columbia University.

*Since 1925 the Institute of Current World Affairs (the Crane-Rogers Foundation) has provided long-term fellowships to enable outstanding young women and men 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.*

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 4545 42nd Street NW, Suite 311, Washington, D.C. 20016. The letters are provided free of charge to members of ICWA and are available to libraries and professional researchers on our web site.

### **CONTACT:**

Phone: (202) 364-4068  
Fax: (202) 364-0498  
E-mail: [icwa@icwa.org](mailto:icwa@icwa.org)  
Website: [www.icwa.org](http://www.icwa.org)

### **STAFF:**

Executive Director:  
Steven Butler

Program Assistant/  
Publications Manager:  
Ellen Kozak

Administrative Assistant/  
Bookkeeper: Meera Eaton

©2010 Institute of  
Current World Affairs, The  
Crane-Rogers Foundation