

The Siberian Curse
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In the 20th century millions of people, factories, industries, and cities were located in places in Siberia that in every respect are unsuited for human beings. In so doing, the communists left traces that according to a new book will take Russia decades to overcome.

Dateline: Yakutsk

Putting on water to boil for his morning coffee is no trivial task for Dmitry Petrov.

The 31-year old veterinarian has no indoor running water. In fact, the climate in these parts is such that there's no running water outside either. It only exists in frozen form. So Dmitry Petrov gets his drinking water shipped in as large blocks of ice, around a ton and a half of them each season. Resembling a sculpture exhibition in the middle of the Siberian wilderness, the blocks are unloaded down at the pond behind the family's new log cabin at a cost of 50 cents for 200 liters. Dmitry Petrov arms himself with a metal pick when he needs to hack out a chunk for his morning coffee.

He smiles knowingly when we ask how one manages to go to the toilet in the Siberian permafrost without risking frostbite. Dmitry Petrov acknowledges that you don't exactly take along a book or newspaper when you head to the outhouse here. But he assures us that it's not a problem to relieve oneself in the heated wooden shed down in the back yard, even if the temperature drops to minus 40 or 50 degrees Celsius [-40 to -58° F].

"We've gotten used to it," says Dmitry Petrov, who, despite his Russian-sounding name, belongs to the indigenous people, the Yakuts.

This Friday morning the thermometer is at minus 22 degrees. The locals describe this time of year as early autumn, and they tell us that they don't put on their winter clothes until it gets really cold. But the temperatures are already so low that Dmitry Petrov has had to slaughter his hogs and has to get water for his five cows by knocking holes in the frozen surface of the pond. According to Petrov, he can sell the five cows to a slaughterhouse for 11,500 rubles (about \$370) each. Together with the milk from the cows, that represents an important supplement to the family's budget.

Frozen Cities of a Million People

It's no coincidence that we are so obsessed with cold in these parts. Yakutia in northeast Siberia has the coldest towns in the world — Oymyakon and Verkhoyansk, which have recorded temperatures of minus 72 degrees. But the city of Yakutsk isn't exactly warm either. The average January temperature here is minus 43 degrees. Look at a weather map on any given winter day, and Russian cities will top the list of places with the lowest temperatures.

Russia has nine of the world's ten coldest cities with populations of more than one million people. Of course, there are frozen cities in Sweden, Finland, Norway, Greenland, the US, and Canada. But apart from Anchorage, Alaska, none of them has more than 100,000 inhabitants. In Russia, on the other hand, there are 39 million people east of the Ural Mountains, i.e., in Siberia and the cold Far East.

In addition, these people are spread out over an area which is more than four times as large as India, which extends over six time zones, and which in many cases is only linked to the rest of the country by a river that remains frozen nine months of the year and by an air route where a one-way ticket out costs more than the average monthly wage. The cities are often like isolated islands with no links to one another. They are too large, and yet they are difficult to shrink because their infrastructure functions as if they were factories. You cannot turn off the heat in individual apartments because the entire city is on the same central heating system. Yakutsk, for instance, with a population of 200,000, has no rail connection to the outside world, and the roads are more than doubtful. You have to drive for two days to reach the main Siberian highway. The city has all its vital supplies shipped up Lena River during the brief summer.

Economic Nightmare

According to Yakutia's president Yegor Borisov, there are 20 Russian regions that receive fuel and goods from the European part of Russia in this manner.

"We don't manufacture industrial and consumer goods in Yakutia, and so we have to have them brought in from the outside along with fuel. The fact that we only get them once a year means that money works very, very slowly," says Yegor Borisov.

The authors of a groundbreaking new book call this nightmare of a modern economy — huge, inaccessible distances and large cities in places where no one should ever have lived — a curse, the Siberian curse.

Surprisingly, there are no studies that have attempted to calculate the cost of the cold and distance for the Russian economy or the influence of these factors on the transition to an effective market economy. In the Soviet period the cost of living and construction costs in this part of the country were 50 percent higher than in European Russia. According to Fiona Hill, one of the book's authors, the past 10-15 years' debate on Russia's transition to a market economy pales in the light of the problems caused by cold and distance.

The talk of corruption, robber baron capitalism, and lack of banking reform as disastrous for Russia's economic development are all little more than ripples on the surface compared to the catastrophic influence that continues to be exerted by the legacy of the Stalinist camp system from 1929 to 1953 and the Soviet planners' industrialization and urbanization of Siberia from the 1960s to the 1980s.

"That debate is like rearranging the deck chairs on the Titanic," says Fiona Hill.

Earlier, conventional wisdom held that Stalin's GULAG had been created to spread terror and to isolate political enemies in the totalitarian regime. Archival evidence shows, however, that

the GULAG was set up as an instrument for the communists' ambition to colonize and develop Siberia's vast resources of oil, metals, gold, coal, timber, and the like. The tsar, too, sent political opponents to Siberia. But the tsarist regime operated fundamentally on market conditions. Hence, no one thought of building cities of a million people in the permafrost.

"There were of course large numbers of political prisoners in Stalin's Soviet Union. But there were also millions of ordinary people who could better be described as economic prisoners. Many were arrested for political reasons. But the motivation was to create a labor force to develop areas which no one would voluntarily move to," Fiona Hill points out.

The Fatal Dream

The GULAG system was phased out after dictator Josef Stalin's death in 1953. But the Soviet leaders clung to their fatal dream of colonizing Siberia. They now lured people with high wages, social benefits, and subsidies of such proportions that resources for the improvement of the infrastructure in European Russia were limited.

"The human costs of Stalin's industrialization and establishment of the GULAG were staggering. But the economic costs of Siberian development in the 1960s and 1970s were perhaps even greater for the Russian economy," says Fiona Hill.

In the nineteenth century a country's power was equated with its size. And most people agreed that Russia, with its vast territory of more than 16 million square kilometers, had a promising future. In the twenty-first century, however, it is no longer geographic, but economic, weight that determines a nation's influence and status in the world. Technological development and the emergence of a global economy have made a country's size and thus large distances a barrier to economic growth. Modern economies are based on trade and exchange of services and other payments. The easier it is for the members of a society to take part in trade and economic exchange, the greater is the possibility for specialization and thus increased productivity. The more complex economic exchange is, the more developed and advanced is economic development.

Thanks to the influence of market forces, large countries such as the United States, Canada, and Australia have structured themselves such that most of the population lives along the coasts or in regions with the most attractive climates. In Canada, only 100,000 people live in the northern regions, while the rest live within 300 kilometers of the US border, areas where the climate is warmer and which are closer to dynamic markets. The population density in the Asian Russia — that is, the territory east of the Urals — is the same as in Canada and Australia: three persons per square kilometer. The problem is that in Russia, thanks to a socialist planned economy with a repressive state apparatus, the population lives in the wrong places. According to Fiona Hill, Russia's distorted economic geography costs the country billions of dollars or several percent of the country's gross national product each year.

The Communists' Choice

Andrey Parshev, the author of a Russian best-seller entitled “Why Russia Is Not America,” is of the opinion that Russia should remain outside the global economy because of its cold and distance, which put the country at a competitive disadvantage. Fiona Hill and her co-author Clifford Gaddy, however, stress that Russia’s economic geography is by no means the product of fate. It is a consequence of human choices made under communism. And these disastrous choices, they argue, can be corrected if Russians, by virtue of free choice, a mobile labor force, and migration move to the European part of the country, where it is warmer, and where the distances are shorter, both internally and in relation to international markets in Europe and the Middle East. The past decade has already shown that, when given the possibility to choose, people prefer the western part of Russia.

“You can’t turn back history. What has happened, has happened. It is important that development is based on market principles and citizens’ free choices. But it is clear that there is a need for government programs that can help people get settled in other locations,” says Fiona Hill

The World Bank has implemented a program that has helped 15,000 people to move from Norilsk, a city north of the Arctic Circle that Stalin set up as a labor camp for mining nickel. The plant itself has contributed \$100 million to move another 23,500 people. Since 1989, the population of the Russian Far East and Siberia have declined by 15.9 percent and 4.8 percent, respectively, while the population in the southern part of Russia has grown by 11.6 percent in the same period. Nevertheless, a Russian cabinet minister recently advocated continued colonization of Siberia. Encouraging young people to remain in Siberia, he called the region the heart of the Russian economy. According to Fiona Hill, this is exactly the kind of thinking that poses a serious obstacle to the development of a competitive economy.

“They have to abandon the idea of finding ways to move millions of people to Siberia. Instead, they have to start calculating what it actually costs Russia, and get serious about stimulating migration. Russia should view Siberia in the same way that Canada sees its northern territories,” concludes Fiona Hill.

Fiona Hill & Clifford Gaddy: *The Siberian Curse - How Communist Planners Left Russia Out in the Cold*. Brookings Institution Press, Washington D.C. 18.95 dollars.