

“Russian oil is predominantly in Siberia, and ultimately Siberia is where Russia’s wealth is. And just like the energy sector, how Siberia itself is developed remains critical” to the future growth of the Russian economy.

Siberia: Russia’s Economic Heartland and Daunting Dilemma

FIONA HILL

Siberia has loomed large in perceptions about Russia’s place in the world. Throughout Russia’s modern history, Siberia’s size—it encompasses more than three-quarters of Russia’s total territory—and its geostrategic position astride the Eurasian landmass have contributed significantly to Russia itself. And the exploration and development of Siberia have helped shape Russian national identity. Siberia has been seen as Russia’s “treasure chest,” the source of new wealth, new territory, and folk traditions that evolved alongside the unique cultures of Siberia’s indigenous peoples. Russian writers have extolled Siberia as the “untamed frontier” and a “New World” savior for the rest of Russia. As late as the 1980s, a statement attributed to Mikhail Lomonosov, the great Russian scholar of the eighteenth century—“Russia’s power will grow with Siberia”—adorned the walls of Russia’s science classrooms.

Siberia, as the primary repository of Russia’s massive natural resource base, has played a vital role in underpinning the Russian economy. Furs from the forestlands across the Ural Mountains and Siberia, along with salt and minerals, bolstered the economy of Muscovy and the early Russian empire from the fifteenth to the eighteenth centuries. Siberia’s mineral resources fueled the industrialization of the Russian empire in the nineteenth century and the development of Soviet industry after the 1917 revolution. West Siberian oil became the mainstay of the late Soviet economy from the 1960s, and it remains the backbone of the Russian economy today.

According to Russian calculations, Siberia holds just under 80 percent of Russia’s oil resources, about

85 percent of its natural gas, 80 percent of its coal, similar amounts of precious metals and diamonds, and a little over 40 percent of the nation’s timber resources. As a result of this rich base, and its exploitation, Siberia is in many respects what geographer David Hooson would call Russia’s “effective national territory,” or its economic heartland—the region that produces a surplus relative to the size of its population and that essentially supports the rest of the country. As a number of recent studies by geographer Michael Bradshaw and economist Peter Westin have demonstrated, with the exception of the city of Moscow and the industrial region of Samara in the Urals, the major contributors to the Russian economy in terms of per capita gross regional product (GRP) are all natural-resource regions, primarily in Siberia and the Russian Far East. The oil-producing region of Tyumen in West Siberia tops the list; then Chukotka, also a major energy producer; Sakha (Yakutia), the site of Russia’s world-class diamond industry; Magadan, a major mining region; Sakhalin, the island repository off the Pacific coast of one of Russia’s richest new finds of oil and gas; and Krasnoyarsk, a vast coal mining, mineral, and precious metal producing region.

Despite these natural riches, the development of Siberia has always posed formidable challenges to the Russian state, and it remains the subject of heated debate at the federal and regional level. Siberia’s large cities and huge industrial enterprises—most of them built up during the Soviet era—are a major drain on the Russian budget. Siberia may be home to abundant energy and mineral resources, but it is also a region of vast distances, forbidding climate, and decaying industry. The Russian government has to find a way to make Siberia economically viable and sustainable without increasing current levels of federal subsidies. This remains, at best, a daunting task.

FIONA HILL is a senior fellow at the Brookings Institution and author, with Clifford G. Gaddy, of *The Siberian Curse: How Communist Planners Left Russia Out in the Cold* (Brookings, 2003).

BUILT ON THE BACK OF THE GULAG

The conquest of Siberia and exploitation of its resources stretched across centuries, and often seemed to encourage extreme methods on the part of the state. During the czarist period, the interior of Siberia beyond the area along the Trans-Siberian railroad (which began construction in 1891) was barely charted or settled. The vast region was simply too remote and too cold in winter for mass settlement. Siberia's swathes of wilderness encouraged the czars to dispatch criminals and political prisoners there, putting them as far away as possible from the centers of power and population. Beginning in 1929, the Soviet Union under Josef Stalin also dispatched prisoners to Siberia, but this time to use their labor in the Gulag (an acronym based on the department within the Soviet police ministry that ran the prison camp system). Forced labor opened up the Siberian coal-fields, oil reservoirs, and gas deposits that provided the means to produce heat and electricity on a large scale. Eventually, the heat and electricity also made mass settlement of Siberia possible. Gulag inmates—some 18 million to 20 million of them over the span of slightly more than two decades—facilitated the exploitation of timber and mineral resources. They laid railroads, constructed roads and dams, dug canals, and developed factories and farms in some of the most harsh and forbidding places on the planet. They also built towns and cities, where many of them lived for the rest of their lives, prohibited by the state from returning home after completing their sentences.

After the Gulag system closed in the late 1950s, Siberia became the Soviet Union's boom region. In the 1970s and early 1980s, Soviet development programs focused on Siberia, the Russian Far East, and the Russian "North" (the remotest and coldest regions that encompass 70 percent of Russia's territory, but also extend outside Siberia to cover areas close to the Arctic Circle in western, European Russia). West Siberia, rich in oil and natural gas, became the largest energy-producing region in the Soviet Union. The Soviet leaders launched and planned monumental, long-term industrial and construction projects for the whole of Siberia—including the world's largest aluminum plant, huge dams and power plants, and the world's longest freight railway line. Workers came to Siberia to be

pioneers in this grand endeavor and to earn higher wages and special privileges for their families. The Soviet economic slowdown of the late 1970s eventually put a break on Siberia's massive development, however, and construction projects were postponed indefinitely. In the late 1980s, in spite of the state's continued dependence on Siberia's natural resources and especially its energy supplies, Moscow began to see the giant outlays in Siberia as a mistake.

A CALCULATED CONQUEST

Over all this time, several motivations had pushed the Russian and Soviet states deeper into Siberia. At the most basic level, in the early years of Siberia's conquest, this vast, empty land and its phenomenal natural riches had to be secured and settled to deter others from seizing it. In the modern industrial era, factories had to be moved closer to sources of raw

material to minimize transportation costs; and in the Soviet period, Communist planners wanted to more evenly spread population and economic development

There is general recognition within the Russian government that Siberia's mis-development poses serious problems for the future.

across the country. More specifically, after 1929, when the Soviet Union found itself cut off from a Europe fearful of the contagion of communism, tapping Siberia's resources made the Soviet Union self-sufficient in strategic natural resources and made large-scale industrialization possible. And in the 1940s, Siberia became the Soviet Union's strategic redoubt, a defensible core deep in the interior. Soviet military planners relocated important armaments and other heavy industries beyond the Ural Mountains into West Siberia, away from European territories historically vulnerable to invasions from the West. During the cold war, the Soviet Union continued to build up Siberia as a secure area for settlement and industry. In the 1960s and 1970s, Siberia became an ideological icon for Soviet politicians tasked with engineering and mobilizing society under the slogan of "conquering new lands"—overcoming nature and the wilderness through intensive agriculture and industrialization—to strengthen the Soviet state. Eventually, after border clashes with China along the Amur River in the 1960s, Moscow also sought to build up East Siberia and the Russian Far East militarily, to keep the Chinese at bay. By the 1980s, a significant portion of Soviet ground forces, the air force, the navy, and the infrastructure to support them had been based east of the Urals and on

the Pacific rim. Thus security considerations were a major factor in placing industry and defense-related resources in Siberia.

Although for many Russian analysts the Soviet Union could never have flourished or survived without Siberian resources and territory, developing Siberia as an integrated region was never a goal in itself for the state. The importance of Siberia's natural resources to the Soviet economy meant that the priorities of ministries and economic sectors always came first. Today, the resources located within this territory remain as crucial to Russia as they have in centuries past. In many respects, Russia needs Siberia and West Siberian oil more than ever before, and it will need Siberia and East Siberian oil even more in the future.

THE BLESSINGS OF THE "RESOURCE CURSE"

West Siberian oil has been the essential element in Russia's post-Soviet economic revival. Although the World Bank and other observers cite a number of factors and reforms that stimulated economic growth after Russia's financial crash in 1998, the rapid rise in world crude oil prices since 1999 far outweighs other developments. High world oil prices provided a major infusion of cash to the Russian oil industry, promoting its recovery after a period of severe decline in the 1990s and enabling it to increase production and exports. The growth of Russia's gross domestic product and government budget revenues has been tied to high world oil prices ever since.

As many Russian economists, including Russian Minister for Economics and Trade German Gref, have acknowledged—and as research by the World Bank, the IMF, and Brookings Institution economist Clifford Gaddy has shown—most of the new growth across Russia's manufacturing and service sectors after 1999 can be traced directly to the oil price windfall. There has been a huge "flood down" effect on the rest of the Russian economy from oil. Construction, manufacturing, defense, and transportation all have benefited from orders from the oil and gas sectors. One of the most significant areas of growth has been in machine-building, where the production of railway wagons has increased dramatically to meet demands to transport more oil, from both Russia and neighboring energy-rich Kazakhstan, to Europe and Asia in the absence of new export pipelines. The boom in these sectors in conjunction with the oil price windfall has given the Russian government more budget revenues to apply to new reforms and economic restructuring.

It has even encouraged Moscow to set itself the goal of doubling the nation's GDP in the next decade.

Many analysts in Russia and the West assume that the direct link between Russia's economic growth and oil, gas, and other natural resources represents a classic example of a "resource curse." The prevailing view is that Russia has emphasized the oil and energy sector to the detriment of other industries, and that long-term economic growth is not, and cannot be, sustainable on this basis. This is actually not the case. Natural resources and oil and gas constitute Russia's comparative advantage. Given the huge size of Russia's energy resources, their intensive development in the Soviet period, and the scale of state investment in that area, it is logical that Russia's energy industry should be the dominant factor in its economy. Recent research by Gavin Wright and Jesse Czelusta at Stanford University has underscored the fact that many countries—including the United Kingdom, the United States, Australia, and Norway—have successfully pursued long-term economic growth and technological progress from a natural resource base. The mining and energy sectors have become among the most knowledge-rich and technology-intensive areas of their economies and have, in turn, encouraged the kind of spin-off growth in other industries that Russia has seen in recent years. Russia's extractive industries have been part of its "high-tech" sector and its industrial knowledge base since the 1960s. They have adapted particularly well to the difficulties of operating around the Arctic Circle and in the far reaches of Siberia. Unlike other manufacturing sectors, the oil and gas industries are technology rather than labor intensive. Their low employment figures, from the perspective of operating in some of Russia's harshest climates and most remote regions, are a considerable asset.

SIBERIAN OIL, RUSSIAN WEALTH

However, energy industries typically require increasing levels of investment capital to sustain and grow their high productivity and efficiency levels. In the case of Russia, many of the oil reserves in West Siberia, which were developed during the Soviet period, already have had 80 percent of their producible oil lifted and are on the verge of decline. According to most forecasts, in spite of enhanced recovery methods and new technologies introduced since 1999, current West Siberian oil production will reach its peak around 2010, plateau, and then begin to taper off—if no new fields are developed. There are huge untapped resources in



East Siberia, but accessing these will be difficult. They are more complex geologically and extremely distant from existing Russian oil-producing centers and primary energy markets. Bringing new oil reserves into production in East Siberia will require significant time and investment. There is an imperative to try to accomplish this before production declines begin in West Siberia. As a result, the next decade will see an increasing focus in Moscow on Siberia—on extracting Siberian energy resources, and on resolving issues related to the region's longer-term development.

The Soviet Union faced similar problems of declining oil production and growing demands on energy revenues in the 1970s and 1980s. The 1970s saw the Soviet government unleash a huge industrial and infrastructure construction boom in Siberia and the Russian Far East, on top of its space race with the United States and expansion of a network of client states across the developing world. At the same time, encouraged by a long stretch of high oil prices after the OPEC oil shocks of the 1970s, the Soviet Union began to emphasize raising living standards for its citizens, and in 1985 adopted the goal of doubling industrial output by 2000. The government, however, failed to meet its expectations for continued dynamic growth in the energy sector. Earlier neglect of oil field exploration and investment in the 1960s, equipment shortages, and the increased production and transportation costs from opening up and moving to more

complex and distant fields in West Siberia eventually resulted in a fall in oil production growth rates in the late 1970s. And world oil prices abruptly dropped in 1986, just as Soviet oil output peaked before declining for the next decade. The Soviet government and oil industry had to focus on trying to meet fixed short-term commitments, rather than working toward the oil sector's long-term development.

In light of the Soviet experience, if a similar sudden drop in oil prices coincided with current pressures to meet the Russian government's target of doubling GDP within the next decade, then the long-term development of Russia's oil industry would again be imperiled, and with it the prospects for Russia's sustained economic growth. But the Soviet-era and contemporary Russian parallels also underscore that the energy sector remains the indispensable element in Russia's long-term economic development. Russian oil is predominantly in Siberia, and ultimately Siberia is where Russia's wealth is. And just like the energy sector, how Siberia itself is developed remains critical.

THE SIBERIAN DILEMMA

Today, Russia faces what geographer Michael Bradshaw has called "the Siberian dilemma." The country needs the energy resources from West and East Siberia. But to recover these resources Russia also has to deal with the difficulties and infrastructure challenges of locating its energy industry base

in acutely remote regions and in a particularly harsh climatic zone with huge swings in temperature from summer highs to winter lows. This dilemma is all the more daunting because the Soviet-era industrialization and mass settlement of Siberia, particularly after World War II, have already left parts of Siberia both *mis*-developed and in many respects *over*-developed.

Russia has the distinction of having more large cities and energy-intensive heavy industries in cold places than any other country. Notably, none of these large, cold cities was particularly big, or in some cases even existed, before the 1920s. Siberia's largest city, Novosibirsk, with a modern population of about 1.5 million, had only 8,000 people recorded in the czarist census of 1897, the last before the Russian Revolution. It was the Soviet Union's explicit policy to populate and industrialize Siberia on the scale it is today. And since temperatures in Siberia routinely fall below -50°C for prolonged periods in winter, the majority of people and industries in these cities simply cannot survive today (as they could not in Soviet times) without government assistance and access to an abundance of energy at a relatively low cost.

The Russian government has traditionally subsidized domestic energy prices and must also pay for winter fuel deliveries for the coldest regions, at an annual cost of at least \$700 million. Other countries in northern latitudes, such as Canada and the United States, also spend billions of dollars annually on costs related to snow and ice removal on roads, railways and runways, and cold-related maintenance; heating and fuel; crop insurance; building and construction problems caused by the cold; emergency planning and weather services; and cold-related health impacts. In Siberia these "extra" interventions and costs are considered routine, while more extreme interventions are often called for—including sending out the air force to bomb ice dams on Siberian rivers, de-icing frozen buildings with bulldozers, and moving entire towns and villages from spring flood plains once the snow melts. In 1998, the World Bank calculated that the total extra costs incurred by the Russian public finance system to support the population of the most remote and harsh regions amounted to between 2 percent and 3 percent of GDP annually.

THE DISTANCE EFFECT

Not only are Siberian cities beset by cost burdens associated with extreme cold, but they are also particularly distant from the population centers of

European Russia. As a result of the state's pushing people into Siberia and toward the Pacific coast over the course of the twentieth century, Russia's population is now scattered in cities and towns with few physical connections among them. Since most of the cities and industries were built up at the behest of individual ministries and economic sectors, rather than in accordance with an economic development plan for Siberia as an integrated region, Siberia's road, rail, air, and other communication links are today inadequate to meet the demands of a modern market economy. Existing infrastructure connects mines and factories but not cities to one another within Siberia. The paucity of communications hobbles efforts to promote inter-regional trade and to develop markets.

Distance is a major impediment to all forms of economic interaction both across and with countries. Movement of goods, capital, and people declines as distance increases. And the more remote the region, the worse the "distance effect," as a number of studies of trade in Canada have demonstrated. Economists and economic geographers have shown that a doubling of the distance between two trading partners (cities, provinces, or countries) reduces trade between them to one-fourth the otherwise expected volume or less. Moreover, the negative effects of distance relate to far more than just transportation costs. As Canadian economist John Helliwell has suggested, economic transactions ultimately are fueled by "social and knowledge networks," and these networks—the numbers of people interacting with each other socially and professionally—become less dense as distance increases and there are fewer personal and institutional linkages. As Helliwell has noted, commercial as well as social contacts tend to start close to home and only extend when and where there is reliable knowledge of better opportunities further afield.

While Soviet planners spent oil revenues on large-scale industrialization and settlement projects in Siberia irrespective of the costs associated with cold and distance, today's Russian government has focused on trying to overcome the problems of physical distance by improving infrastructure and transportation networks. But this is extremely difficult and expensive. The state over the past century has had to promote and finance construction of the world's longest passenger and freight railways and now the world's longest highway, from St. Petersburg on the Baltic Sea to Vladivostok on the Pacific Ocean, to connect the Russian Far East with European Russia. But many towns and cities beyond these arteries—

including some large cities such as Noril'sk, home to more than 200,000 people and the site of one of Russia's largest metallurgy companies—are accessible only by air, or by river in the summer months. As a consequence, large cities in Siberia depend heavily on central government subsidies for food as well as fuel imports, and rely as well on preferential transportation tariffs. Costs of living in these cities are as much as four times higher than elsewhere in the Russian Federation, and costs of industrial production in some cases are higher still.

THE OVERPOPULATED HINTERLAND

In addition to the difficulties and costs associated with winter cold and vast distances, Siberia suffers from a population excess tied to loss-making, labor-intensive industries. Although Siberia is traditionally thought of as sparsely populated, and Siberian regions such as Tyumen and Krasnoyarsk provide high per capita rates of GRP, Siberia in fact is overpopulated in relation to its economic potential. In the Soviet era, Siberia's development was equated with industrialization and mass settlement. The region's population was built up to its current scale to create huge permanent pools of labor for heavy industries that were placed close to sources of raw materials. But with the end of the Soviet era's industrial priorities, more market-oriented development in Siberia demands what geographer Michael Bradshaw terms a "cleaner, leaner" approach, in which technology replaces labor. In other words, fewer not more people will be needed in the future.

The fact that Siberia is essentially Russia's economic heartland—its natural resource and wealth base—does not mean that it should also be Russia's population heartland, a primary locus for settlement. Most Russian and Western economists and geographers who have assessed Siberia's current burdens of cold and distance and analyzed its future economic profile advocate an increased shift from labor-intensive methods to labor-saving technologies, and to industries that can easily shed labor or even employ temporary workers. This assessment also implies a renewed emphasis on the region's extractive and energy industries, the only sectors that can rely on—and pay the high wages to attract—outside workers on short-term tours of duty.

With the collapse of the Soviet Union and the loss of Soviet subsidies, life for many people living in Siberia has become quite grim. After Soviet controls on residency and place of employment were lifted in the early 1990s, it was reasonable to expect that many people would move out of Siberia and into

European Russia of their own accord. As World Bank demographer Timothy Heliak and others have observed, an initial large outmigration did occur from the most remote and marginal regions of Siberia in the early 1990s. Magadan and Chukotka, for example, lost 53 percent and 66 percent of their respective populations, and the total population of remote regions designated in the Russian "North" declined by more than 14 percent between 1989 and 2002. But despite speculation that the harshest parts of Siberia might "empty out," migration tapered off by the end of the 1990s. And, for the most part, those who relocated did not move from the Far East and Siberia to the "sunbelt" of European Russia. Most moved from the permafrost to the frost belt—from isolated villages and small towns to larger cities elsewhere in Siberia and the Urals.

Unfortunately, in spite of many people's desire to move, migration to European Russia and to warmer, more densely populated areas has been constrained by restrictions (like residency permit systems) on settlement in cities such as Moscow—where most people would like to move—and by the absence of new jobs and housing in other towns and cities. Many who live in Siberia do not want to move at all, and leave behind families, friends, and the places where they have grown up and worked. And Moscow remains Russia's only "boom town," the city where the bulk of the country's communications, services, and growth in new technologies and industries, new housing, and foreign investment is concentrated. A huge gap in development persists between Moscow and other Russian cities, including St. Petersburg, and Moscow's municipal government has made repeated efforts to deter migration for fear that migrants will overwhelm the city and its services.

FEARS OF AN EMPTY EAST

Russian government officials are also fearful of the possible "emptying out" of Siberia. Of particular concern are the security implications of a continued population decline in the Far Eastern region on the border with China, where there is now a glaring demographic imbalance with China and recent memories of cross-border conflict. In the 1990s, some Russian analysts claimed that as many as 2.5 million Chinese migrants were living and working in Russia, predominantly in the Russian Far East, and raised the specter of a future land grab by China. Perceptions of the size of Chinese migration tend to outweigh the reality, however, and more conservative estimates put these numbers at

around 200,000. Surveys of Chinese in Russia indicate that most are economic migrants who do not intend to stay in Russia on a permanent basis. Over the past several years the issues of Russia's demographic imbalance with China and Chinese migration have not receded, but the major focus of Russian-Chinese relations in Siberia and the Far East has been the potential for Russian energy exports to fuel continued Chinese economic growth. China's near-insatiable demand for energy is driving new competition between China and Japan over access to regional energy supplies, and over export pipeline routes from Russian oilfields in the eastern expanses of Siberia—again underscoring the importance of Siberian oil to the Russian state and its future.

While migration from China to Siberia may not be as significant as perceived, economic migration from Central Asia to the Urals region and West Siberia has become a major regional phenomenon—with a huge influx of ethnic Kyrgyz, Uzbek, and Tajik traders and workers. There are now so many Kyrgyz citizens working permanently in the Urals and Siberia (as many as 500,000) that, in 2002, the government of Kyrgyzstan received permission to set up a consulate in Yekaterinburg to deal with their needs. Central Asian migrants are

changing the demographic structure of the Urals and West Siberia, raising questions about the future composition of the Russian labor force, altering the political dynamic between Russia and the Central Asian states, and shifting the profile of regional economies. Migrant worker remittances, for example, and trade with Russia are now among the most important features of Kyrgyzstan's economy. And Russia is facing the same challenges of immigration as the Western developed countries. Over 90 percent of its immigrant workers fill niches vacated by Russians, taking jobs that are low in skills and prestige and require heavy manual labor.

Many of the Central Asians coming to work in Russia may pose another "Siberian dilemma" for the future. Although willing to travel to Siberia to escape unemployment and poverty at home and to work for lower wages than ethnic Russians, they are nevertheless toiling in unproductive industries in cities that were over-developed in the Soviet period. In many respects, their cheap labor is now being used to keep factories afloat. If migrant workers eventually gain long-term work permits and ultimately Russian residency and citizenship, they may find themselves unemployed and stranded in Siberia when factories go bankrupt in the decades ahead.

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TOO HIGH A PRICE

In spite of the fears of depopulating Siberia and the Russian Far East, there is general recognition within the Russian government that Siberia's misdevelopment poses serious problems for the future. In a recent series of speeches and policy pronouncements on Siberia and the "North," Russian President Vladimir Putin and other senior officials have called for a more optimal, rational, and "effective" approach to the development of the region and its resources. Moscow also has encouraged and supported a World Bank initiative to relocate people from some of the most hard-pressed areas of the Russian "North" to other locations in the Russian Federation, including European Russia. Even so, improving communications and infrastructure in Siberia and shifting from natural resource extraction to more manufacturing industries are often the major themes of Putin's and other officials' speeches on regional development.

Launching new infrastructure projects to improve road, rail, air, and other communications among cities, and developing new industries are not long-term solutions to Siberia's problems. Most of Siberia's and the Russian Far East's cities cannot be considered economically self-sufficient, and the labor-intensive manufacturing, mining, and other industries that were built up in Siberia during the Soviet period are no longer economically sustainable. With the collapse of the Soviet Union, they are now distant from markets for their products in the rest of Russia, as well as from global markets, and they will shrink and go out of business on their own without government intervention. Old industrial enterprises outside the energy sector cannot generate sufficient revenues to pay high wages to attract new labor or to keep their existing labor force, and new industries would face the same dilemma.

People who want to leave Siberia (and there are many who want to stay) are kept in place by inertia and government subsidies, and by myriad barriers to relocating elsewhere. New migrants are attracted from regions in China and Central Asia with far worse economic conditions and even lower wages and standards of living. And, ironically, those in the Russian government who argue for diversification away from energy and natural resource extraction to promote Siberia's economic revival could make things worse for the future. They will hamstring the energy sector if it is deprived of investment resources, and they will divert and waste resources by trying to breathe new life into

moribund manufacturing sectors that require increasing levels of government subsidization to remain in operation.

Siberia's wealth is Russia's wealth, but its resources are being exploited at too high a price. And Siberia now poses a different challenge to Russia at the beginning of the twenty-first century from what it did at the beginning of the twentieth century. This time the challenge is not how to open up Siberia and conquer it, but how to develop it on a new, sustainable basis for the future and wrest Russia free of Siberia's past misdevelopment. This may be a greater challenge even than the one Russia faced a hundred years ago. Then Siberia was relatively undeveloped—a diamond in the rough. Now Siberia has been hewn by so many different forces along so many different facets for so long that it is not clear whether the government can reasonably or expeditiously reshape its economic, population, and industrial profile.

But unless this issue is addressed in some fashion—by facilitating, for example, more labor migration out of Siberia to other parts of Russia—Siberia will remain a long-term burden on the Russian state and its economy. It may even, in spite of its rich resource base, ultimately become a break on Russia's future development, especially if oil prices and Russian oil production fall together. Lomonosov's grand prediction will then be turned on its head and Russia's power will fade rather than grow because of Siberia. ■

A Current History Snapshot . . .



"Surely no great national upheaval, not even the French Revolution, was ever so misunderstood and misrepresented by its contemporaries. . . . A Bolshevik revolution in Russia was and is an anomaly, and one is not far wrong in suggesting that the measure of Soviet Russia's success is in direct ratio to its divergence from the original strict principles of Marxian Communism."

"Ten Years' Struggle to Convert Russia to Communism"
Current History, November 1927
 Walter Duranty,
 Moscow Correspondent, *The New York Times*