Combining 'Vertical of Power' With 'Modernisation Breakthrough': A New Revival for the International Contacts of Russian Regions? (The Cases of Irkutsk Region and Republic of Buryatia)

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Abstract

Active involvement of foreign investors in the innovative development of Russian regions, especially in the Far East and in Siberia, was (and still is) one of the key priorities and resources for the president (prime minister) Medvedev’s “modernization breakthrough” project. This objective generally didn’t run counter to the role that subnational actors was supposed to play in the country’s international relations within “vertical of power”, which was under construction during 2000s. Federal government incentives for international cooperation at the regional level don’t necessarily lead to the subnational entities’ activism in this field. It is the interaction of numerous factors within vertically-structured resource-based economy and vertical power structure that can help us explain success (or lack of it) in international activities of a given region. A recentralization of the last ten years has given regions equal legal status in this field but huge differences evidently persist, for example, in regional power elites’ consolidation or in economic potential. This paper will focus on the cases of two neighboring regions, Irkutsk region and Republic of Buryatia. Surprisingly enough, the letter is proven to be more successful in seeking for international partners and foreign investors in spite of its apparently weak natural resources potential and owing to the regional elite consolidation. Irkutsk regional elites, both political and economic, used to be much more centre-oriented, conflict-prone and suspicious of newcomers at regional resource markets. These are the principal factors that prevent this region from making a breakthrough towards modernization.

Introduction

The article presents some results of a research project “Historical Dynamics of Baikal Siberia regions participating in international cooperation: the cases of Irkutsk region and the Republic of Buryatia”. The authors consider the involvement of foreign investors in the innovative development of neighboring regions in the framework of “power vertical” system relations and federal government’s modernization breakthrough course. Studying regional level of decision-taking in the sphere of making contacts with foreign partners helps to explain the features of Russian federalism and “power vertical” in political and economic realms. The authors also attempt to correlate the impact of internal factors such as the position of regional political and economic elite, resources potential with the process of regional development.
The vertical of power in Russia: political and economic realm

Throughout 1990-s, in the context of chaos to take place in structure and law realms, Russia’s regions were to face a number of challenges. With trade and economic links to be in force under the Soviet regime starting to collapse, the subnational actors – Russian regions – had to take an active part in international cooperation processes. Attempts of regional authorities to declare their regions to be a special development zone were made to intensify investment. This activity was also propped up by expectations to make gains in foreign commerce sector in a short-term prospect. Economic dividends resulted from regional off-shores activity were significant to satisfy the social needs when the state system of social welfare service failed to meet the system crisis.

At the beginning of 1990-s a so-called “parade of sovereignties” resulted in federation asymmetry influencing international links of Russia’s subjects. That asymmetry that is still hard to cope with influenced regional development and resulted in a gap in economic and social welfare of Russian regions. The national republics enjoyed more freedom in economic sphere. Moreover, the regions characterized with weak economic potential but more pronounced national component, for instance the Republic of Buryatia, along with federal budget subsidies were given more rights to develop cooperation at international arena than more economically developed, but less consolidated in ethnic component subjects of the RF as Irkutsk region.

Decentralization of power to take place at the beginning of 1990-s was replaced by a course to strengthen the vertical of power in early 2000. A number of efforts were taken to balance Russian regions’ status. The result of that activity was seen in Constitutions of the national republics to meet the federal law. Direct elections of regional governors were suspended.

The vertical of power principles have influence on economic sphere and business framework in Russia. After a dramatic disintegration of the USSR and its planned economy few Russian regions were ready to make independent economic and political contacts with the regions of other states. Powerful regions – first of all the republics and the subjects rich in natural resources - were able to maintain economic and social development by intensification of interregional and even international links for the period of 1990-s. Russia’s integration into world market was an impetus for such regions development. Authorities of these regions got the idea that social life of the region – employment and standard of living - would depend on the level of foreign economic activity. However, in a range of the regions experience of the past was predominant in economic development. Less developed subjects of the Russian Federation were soon titled as depressive and backward. Low level of development has not been overcome so far:
it has been caused by underdeveloped industry and service sector, and inadequate standard of living.

The centre tends to consolidate the fiscal resources in order to allocate them among Russian regions in accordance with logics of a centralized state. The fact that the most part of the financial resources flow to the centre can explain the unique role of the centre in declaring modernization and innovation. This is the centre where the key decisions in economics and management are taken. And those decisions projected on Russia’s periphery lead to either development or stagnation. Leonid Vardomsky pointed out that the main characteristic of a periphery is that it lags back the centre in economic development, educational level, and infrastructure potential, thus, a periphery has less opportunity to grasp and employ innovation practices. The periphery is more conservative, that is why any innovations realized within its borders shall be validated in the centre. Moreover, the periphery sees a lack in skilled labour, finance investment and now-how.

The concept of “power vertical” commonly used to refer to Putin’s Russia has been recently accused of being too simplistic to describe extremely complex governance structure in Russia and now is often supplemented or even replaced by other terms such as Vadim Kononenko’s ‘network state’ (based on Manuel Castells’ ‘network society’) or Nikolay Petrov’s “(quasi) federation of corporations” and ‘corporation-state’. Introduction of these terms reflects the necessity to analyze a highly centralized system with power resources concentrated around the figure of the President but at the same time dispersed among a number of overlapping corporations or informal networks of different sorts, departmental, sectoral, territorial or territorized, and with vanished power of state institutions.

Even if this conceptualization is very useful in terms of understanding the nature and development logic of Russian power system but this doesn’t mean that ‘power vertical’ concept has lost its value or explanatory power as far as territorial distribution of competences in centre-periphery, vertical-horizontal or subject-object relations in Russia hasn’t shifted significantly. The only visible step forward in this direction was the re-introduction of regional governors’ elections in 2012, but only a limited number of experts regard it as a sign that the trend towards

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Centralization is being now in reverse. Furthermore, if we just look at the two most reasonable explanations for this norm introduction we’ll see that there are no intentions of and, more surprisingly, claims for decentralization or re-federalization in sight. According to the first explanation governors direct elections re-introduction was a Russian government’s concessions to the ‘white ribbons’ protest movement which was driven by “creative class”, office employees and students predominantly in Moscow and Saint-Petersburg. In this case such a step should be seen as a sign of ‘democratization’ not of decentralization. It is the absence of the “regional agenda” that is usually indicated as the main reason why the level of support for the protest movement and its activists in regions was insignificant. The advocates of the second explanation maintain the idea that by re-introducing direct elections for the regional governors Russian authorities just made an effort to restore one of the main sources of the past “United Russia” electoral success as in the early 2000s party membership and support from the directly elected governors were considered to be the important channel for voters attraction at the regional level.

The primary aim of this action is, obviously, not a re-federalization but a strengthening of the “party of power” and the power center. A good example that illustrates the Russian federal authorities’ reluctance to decentralize the state and fear of regionalization is another law passed in 2012, the law on liberalization of political parties registration procedure. It specifies that to be registered political party should have “42 or more” regional party offices and this clause makes the creation and consolidation of political forces relying on regional identities and regional interests extremely difficult.

The “power vertical”, thus, persists and in some sense even tries to use “anti-Center” sentiment during the current campaign for the regional Legislative Assemblies elections on September 8, 2013. In Irkutsk region, for example, all the parties, or more precisely the regional offices of federal parties, including “United Russia”, put special emphasis on “Siberian character” and “Siberian race”. This doesn’t mean that popular slogan “Stop feeding Moscow!” or program clause on fiscal federalism are in the center of political debates. Instead, parties try to attract voters by the bizarre “what party is the most Siberian one” electoral billboard competition or the extravagant petition campaign to ban transportation of criminals from the European

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regions of Russia to Siberia (a claim typical to “oblastnichestvo”, a mid-19th – early 20th
centuries Siberian regionalist movement) organized by tycoon Mikhail Prohorov’s “Civic
platform” party. Even if there is the number of different possible interpretations for this
situation, it is evident that it manifests both the centre-periphery tensions existence and the lack
of federal and regional actors who would be ready to deal with a problem. The former has no
interest in changes, the latter depends on rules imposed by the Kremlin and has no incentives for
horizontal collaboration. That is why Russian “power vertical” is so persistent. The economic
modernization challenge and “modernization breakthrough” promised by President Dmitry
Medvedev seemed to give a chance for decentralization supporters as “modernization” and
“decentralization” are often considered to be two sides of the coin but this is very questionable if
“power vertical” persistence and “Russian-style” modernization are really incompatible.

Russian “modernization breakthrough” and new “great” projects

The article by the former Russian President Dmitry Medvedev published in September
2009 renewed the discussion of weak points in Russian economic and political system and ways
to overcome the difficulties. In his article Mr. Medvedev referred to chronic corruption, raw
material-dependent economy, and a well-known habit to rely on state’s help – a kind of Russian
paternalism – as main problems to cope with. The author assumes that one of the methods to deal
successfully with the mentioned problems is to develop innovative economy. Mr. Medvedev
determines five strategic vectors of economic modernization: power efficiency and resource-
saving, nuclear technologies, computer and program technologies, space technologies and
telecommunications, and medicine technology and pharmaceutics.

In November 2009 a new projects to modernize economy and encourage science was
declared. Under the project the Skolkovo Innovation Center is “to concentrate international
intellectual capital, thereby stimulating the development of break-through projects and
technologies” in five clusters: IT cluster, Energy efficiency cluster, Biomed cluster, Space cluster
and Nuclear technology cluster.

The next step toward implementing modernization policy was taken by Mr Putin. He
signed the Executive Order “On the Council for Economic Modernization and Innovative
Development under the President of the Russian Federation”. The Council replaced the
Presidential Commission for Economic Modernization and Technological Development formed

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8 About the Skolkovo Innovative Center. Available on http://community.sk.ru/foundation/about_fund/
under Mr. Medvedev. According to the order, “The Council has been established to facilitate economic modernization and innovative development in Russia and improve state management in this area."

Thus, modernization in Russia is seen as modernization from above with the emphasis on clusters that can mostly serve the interests of the state itself. Modernization through implementing “great” projects resembles the approach of the Soviet authorities: the cost of the project is neglected if the result is to enhance country’s prestige.

Modernization from above in Russia is to be implemented through state corporations and special councils entitled with wide powers to explore resources, determine the priorities and methods of state regulation in areas under innovative development, coordinate the activities of all the parties concerned – “coordinating the activities of federal executive bodies, executive bodies of subjects of the Russian Federation, local self-government, the business community and expert in the field of economic modernization and innovative development of Russia.” From the one hand, such corporations are entitle with state functions: “the goal of RUSNANO is to implement state policy on nano-industry development, being a co-investor in nano-technology projects of significant economic or social potential.” From the other hand, the mentioned structures shall work to achieve commercialization of the results. The activity of state corporations having sufficient resources and federal government support does not produce the competitiveness framework for projects and initiatives that is quite significant in innovation technologies sphere.

Thus, Russian modernization is implemented under the logic of “vertical of power” principles, with economic system being incorporated into political one. Some Russian oligarchs are invited to participate in councils or to head state corporations. For instance, Viktor Vekselberg is a head of the Skolkovo Innovation Complex and a member of the Council for Economic Modernization and Innovative Development.

Modernization from above has a rather negative impact on Russian federalism. State corporations are to be a new agent in relations “center-region” and “region-region” that is not supposed to lead to strengthening the contacts among subnational actors.

Forming state corporations to promote modernization does not encourage establishing independent associations of professionals that flourish in some European countries and the USA

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11 About RUSNANO. Available on http://www.rusnano.com/about
and support small business’ now-how and accredit the specialists. In Russia the state monopolizes the “right” to technologies and modernization that can result in the higher cost for innovations and making now-how to meet the needs of a state sector alone.

The Soviet economic system was characterized by implementation of great projects. Only the centralized economy could allow constructing the biggest hydropower plants. Nowadays the centre again is interested in intensive exploration of Siberia and Far East vast territories. Deeper integration of these regions into the world system is declared. The territory and resources are the basis for securing social and economic progress of Russia, at the same time they influence its domestic and foreign policy. But when democratic institutions are not active, the centre resorts to the economic model under which all the resources are controlled by state economic “giants” - state corporations. As a rule, the leaders of these corporations are loyal to federal government, and the state is a stakeholder. The state corporations are entitled with a scope of privileges, that makes other market participants, including foreign companies, be out of the running.

The proposal of implementing the great project in Siberia and Far East are made not only by the government. For example, a Russian tycoon, the owner of financial and industrial group “Basic Element” and En+ Group established in 2002 to implement the projects in the sphere of energy, nonferrous metallurgy, mining and related industries, Oleg Deripaska is known to have offered the Eastern Strategy plan to create “the regime of development” for Eastern Siberia and Far East. However, Oleg Deripaska’s initiative to conduct the project “Eastern Strategy” may be taken over by the Russia’s government. For a period of 2011 – 2012 there was establishment of specialized departments to manage the development of Eastern Siberia and Far East remote regions. At the beginning of 2012 Sergey Shoigu, the defense minister of the RF, suggested the Prime Minister and presidential candidate Mr. Putin a project of creating the state corporation aimed at developing Eastern Siberia and Far East. After this project being discussed in the government, this idea was given up. The Finance Ministry headed by A.Siluanov vetoed this project. Siluanov was afraid of establishing the corporation that would be beyond the control of the government, but given substantial budget money. Finally in the middle of 2012 there was taken a decision to form a new body within the RF Government structure – the Ministry of Far East Development, its functioning was strongly criticized by Russia’s President Putin at the State Council meeting in November 2012. The president assigned a task to work out the issue of forming an independent company to develop the vast region of the Russian Federation. By

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February 25th 2013 the RF Government is to suggest new corporation system. At the beginning of February 2013 the Ministry of Economic development of the RF sent a draft project to the Prime Minister Medvedev. In the text it is said about necessity to form a state company having special status to act within eastern territories of Russia. The project contains a draft law “Development of Siberia and Far East”. According to this draft on the territory of 12 eastern subjects (including Irkutsk region and the Republic of Buryatia) there is to be a non-profit organization "State Company for Development of Siberia and the Far East". Headquarters of the company is to be placed in Vladivostok obtained a status of “Eastern Gate of Russia” after the APEC summit in September 2012. The company general manager and committee of directors are considered to be under the direct presidential leadership, while the government having no leverage to control the company. But the general manager is able to address the government and suggest initiatives to be put into practice.

The purpose of this structure is participating in state and mixed projects, it is to play a role of a customer presenting state’s interests and assist Russian exporters in preparation, financing and project and foreign-trade treaties implementation. The state company is supposed to have the right to exercise all the fields in Eastern Siberia and Far East with no competition procedure. The list of higher-priority investment projects is to be worked out for the stated territories.

"State Company for Development of Siberia and the Far East" is to set up branches and offices in Russia and abroad, and its employees are to work as staff of diplomatic representation and consulate abroad. It is proposed to liquidate this structure 25 years later and return its assets to the Russian budget.

For Far East regions the Council of Federation of the Russian Federal Assembly has worked out a number of tax benefits, under these measures all enterprises of manufacturing activity are not to pay a federal component of profit tax. Mineral extraction and a range of other activities are to be exempt from tax. Companies planning to set up their business in the regions of Far East will be given substantial benefits for the period of construction and launching production facilities. Thus, an economic zone intended for intensive exploitation of raw materials base is formed. The negative aspect of establishing such a state company, in accordance with some Russian liberals, is actual privatization of gigantic parts of Russian territory that are not to be controlled by the government and public agencies. They tend to think a new state company will play a role similar to that of British East Indian company, which had an absolute right to use the resources of India – “Pearl of English crown".
However, there are opponents to proposed by the tycoon and Russian government projects having some things in common. Above all, they are the representatives of the left-wing opposition. The Communist party of the Russian Federation (CPRF) headed by Mr. G. Zyuganov is against further privatization of the USSR’s heritage and has a strong opinion about ideas of exploiting national property – natural resources of Siberia and Far East – under the proposed monopoly of a gigantic state company and private business with foreign investment. The Communist party does not take the attempts of Mr. Putin and Russian big business to develop Siberia and Far East as a panacea to solve all the problems Russian border territories face. Some Russian scholars, for instance G. Novikov, think that “a prospect of turning Asian Russia to a part of a “global world” through advancing economic partnership with China and intensification of Chinese immigrants flow poses a threat to Russia’s national security”.

Russian liberal opposition, having obvious lack in agreement, also does not advocate for realizing the plans similar to “Eastern Strategy”. They state that all the profits from selling natural resources that are limited will come to a few numerous financial and industrial groups like “BAZEL” and En+ Group belonging to O. Deripaska, while Russian and foreign investors are proposed less favourable conditions to act on the territory of Eastern Siberia and Far East.

The cases of Irkutsk region and of the Republic of Buryatia

It should be noted that at present the Russian Federation is an example of the “virtual” or “asymmetric” federation. It means that its subjects do not enjoy the equal resources, finance and opportunities. Moreover, they usually compete for power or resources as, for example, Irkutsk region and Republic of Buryatia compete for the use of the Lake Baikal brand as a source for the tourist and recreation business development.

The two neighboring regions, Irkutsk region and the Republic of Buryatia, are the cases to consider the participation/nonparticipation of Siberian regions in modernization projects declared by the Russian government. Both regions are located on the territory of Eastern Siberia and the parts of the Siberian Federal district. Apparently they have some common features. They have a high mineral resource development potential and share some common risks for investment and international cooperation development.

According to the annual Russian regions investment potential ratings which are worked out by the “Expert RA” rating agency, social problems are the gravest risks for potential
investors in Buryatia economy. Depopulation, human capital outflow and the lack of adequate infrastructure are the key problems not only for the Republic of Buryatia, but also for Irkutsk region. An extremely limited Siberian regional markets capacity is the main reason why international retail companies are not disposed to enter any of them, even “Gazprom” corporation indicates it as the main reason for the reluctance to the realization of “gasification” (gas suppliers’ networks development) projects in Irkutsk region.

Ecological issues are considered to be another very important investment risks. First of all, this can be explained by the fact that all the most important mineral deposits are located within protected areas or natural parks, including the Lake Baikal coastal protection zone. This means that companies intending to develop these deposits should be ready to face the resistance from the environmentalists and to enter into the protracted bargaining process with federal and regional environmental protection departments. The case of the Russian State Duma deputy Mikhail Slipenchuk’s IFK “Metropol” and its subsidiary “MBC Corporation” (Metals of Eastern Siberia Corporation) is the most well known one. Ecological risk was the reason why the “MBC Corporation” license for extraction of polymetallic ore at Kholodninskoye lead and zink deposit has been suspended until 2015 and one of the most probable reasons why Swedish-Canadian “Lundin Mining Corporation” decided to sell its 49 percent share in Ozernoye polymetallic deposit only three years after having concluded a purchase agreement with IFK “Metropol.” Slipenchuk is still seeking for the investors for the deposit development as well as for the ore processing plant construction, but long negotiations with “Metallurgical Corp. of China” and “China Nonferrous Metal Industry’s Foreign Engineering and Construction Co.” during 2010-2012 didn’t yielded any result.

Even if Irkutsk region and Buryatia have many features in common, there are some specific ones that can be useful in explaining divergent patterns of their economic and political

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development. Irkutsk region is an industrial subject, and its economic development is based on chemical, petrochemical and aluminium industries, a legacy of the previous, Soviet modernization/industrialization wave. The economy of the Republic of Buryatia is much more dependent on agricultural sector, food processing industry and mining and, thus, is more vulnerable than its neighbor’s one.

Regional politics within Irkutsk region and the Republic of Buryatia has local features. Above all, it refers to change of regional managers. Buryatia has seen only two governors. Leonid Potapov is the first President of the Republic, he was elected in 1994, and then re-elected in 1998 and 2002. The second Head of the Republic is Vyacheslav Nagovitsyn appointed by President Putin in 2007. In 1990-s national republics adopted Republic’s Constitutions and regional leaders had the status of the Presidents. In 2000-s, with the process of “vertical of power” strengthening and a movement to give equal rights status to all the Russian subjects, the position of the President of the Republic was renamed as the Head of the Republic.

New President (the Head of the Republic) appointment and re-appointment in May, 2012 (in such a way that a possibility of direct election was excluded) caused very contradictory consequences for Republic’s political and economic spheres. On the one hand, Vyacheslav Nagovitsyn, former deputy governor of one of Russia’s most innovative regions, Tomsk region, is one of the major promoters of activities aiming at enhancing Buryatia’s investment potential. The Republic has long been considered as a region with an “investor-friendly” legislation. In addition to these acts Nagovitsyn has signed “Buryatia investment declaration” in May 2013 and personally appealed to US companies via the “Voice of America” inviting them to invest in Republic’s economy. Media visibility of regional government international cooperation and foreign investment projects including special economic zones creation projects have increased dramatically during last two years. It is important to stress that today Buryatia authorities stake on foreign investments rather than federal budget investments as they used to do in the past.

On the other hand, the appointment of the so-called “varyag” (alien) President has resulted in increasing tensions between Russian (local “Buryat” Russians and Russian newcomers) and Buryat elite groups. Buryatia’s politics is based on a complex system of inter-clan relations and arrangements. It is that system that made political situation in Buryatia very stable during 1990-s and early 2000s. Personal ties and personal loyalty to a recognized leader are the basic elements of the system. Any kind of open opposition or protest actions under these

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conditions is excluded and, at the same time, clans tend to unite against a common enemy. When Leonid Potapov, the Russian, but born in Buryatia, President, left his office in 2007 Vladimir Putin was expected to chose somebody from the Buryat ethnic elite groups as a compensation for Potapov’s 16-years presidential tenure. Putin’s option for Nagovitsyn disturbed the balance. As a result celebrations of the 350th anniversary of Buryatia’s accession to the Russian state in 2011 were accompanied by the fierce discussion of the term “voluntary accession” both in academic and in public spheres. At the level of politics a clash of elite groups became apparent when Buryat political leaders (e.g. the former Ulan-Ude mayor Gennady Aldaev) and elite groups withdrew their support of the “United Russia” during the Narodny Khural (Legislative Assembly) election campaign in 2013. Potentially it may cause problems for the Republic political system governability.

Irkutsk region has seen more turbulent political rotation of regional managers – its governors. The first governor of the region was Yury Nozhikov, in 1997 Boris Govorin was elected, the third governor was Alexander Tishanin, in 2008 Igor Yesipovsky was appointed by the Russian President, in 2009 Irkutsk region saw a new appointed governor Dmitry Mezentsev, and the current Irkutsk region governor since 2012 is Sergey Yeroshenko. Irkutsk region became a unique region in the Siberian Federal district: while regions of Western Siberia started intensive development, initiated new projects of development, Irkutsk region faced the turnover of governors, who needed time to put a team together and start new projects. And this turnover is supposed to be one of the factors paralyzing large-scale investment projects realization: frequent rotation of Irkutsk region leadership in the second half of 2000-s along with strain in relations between executive and legislative branches of regional system, resulted in inability to work out a balanced approach to see a breakthrough in regional development. The strengthening of “vertical of power” and an appointing governors system have lead to the situation when region’s elite attempts to adjust Moscow’s reaction first. There is also no advantage for economic elite comprising of vertically integrated holding companies (e.g., corporation “Ilim-Pulp Enterprise”) if there are active foreign competitors in a segmented resource market of Irkutsk region. Regional economic elite is interested in getting foreign investment to implement own projects, that could be profitable only for elite’s corporations.


Every new-comer to the position of Irkutsk region governor rejected to follow the course of his forerunner trying to find a new area to develop in regional policy. It has resulted in change of priorities and instruments to secure efficient economic development of the region.

The first governor of Irkutsk region had to act in the situation of decentralization and relative freedom given to regions before a number of laws setting out the framework for interregional relations, “center-region” relations and powers regulations was adopted in the second half of 1990-s. Personal involvement of the governor into all the negotiations was a feature of 1990-s. But the role of the first governor was not only to find investment and partners, but to secure the independence of regional companies for them not to be taken up by giant corporations. In the case of Irkutsk it was “Irkutsk Energy” company that provided the region with cheap power energy and influenced economic and social stability of the region.

The course for “vertical of power” strengthening and realization of great projects brought changes into regional policy and region’s approaches to finding investment. A trend for great projects meant that federal government would subsidize large-scale economic projects. Given this fact the concept of Irkutsk agglomeration called “The Great Irkutsk”, a key project of Irkutsk region governor Alexander Tishanin, became a well-timed plan to intensify federal and foreign investment. A special structure “Irkutsk region development foundation” was formed to work out the project that was declared to result in active territory marketing and promoting regional products, city environment modernization, territorial planning and developing new industries and facilities for investment to come. The goal of this project was to place large-scale investment projects within agglomeration area in order to sufficiently employ regional labor force. The agglomeration concept is still on paper and hardly to be put into practice.

Mr. Mezentsev followed another approach to stimulate the flow of investment to the region. This approach could be called “forum diplomacy”. He made a special emphasis on public events, forums and open consultations. Since 2000 Irkutsk region has held Baikal Economic Forum for representatives of federal and regional governments, Russian and foreign business groups and investors to discuss issues concerning Russian industrial development, investment and economic policy. “According to the organizers’ plans, it should have been an ideological continuation of the “SIC Countries Economic Forum, St. Petersburg”, being held in the northern capital since 1996, that plays an important role in establishing economic and political relationships between the participating countries”25. This forum was a model to resort to in searching for potential partners.

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The current Irkutsk region governor’s approach to economic development of the region is influenced by his personal experience in economic activity (Mr Yeroshenko heads one of biggest regional companies groups “Istland”), and partner contacts with Russian tycoons (e.g., Mr.Prokhorov). Mr. Yeroshenko is inclined to see Irkutsk region and its companies participate in federal investment programs. Sergey Yeroshenko emphasizes a “new industrialization” project as the main goal he will try to achieve during his tenure but he hardly ever talks about foreign investments. According to governor’s point, it is participation in federal target programs that can contribute to social and economic projects development.

Conclusion

The analysis of Irkutsk region and the Republic of Buryatia international activities shows that modernization does not contribute to decentralization. On the contrary, it leads to strengthening centre-oriented approach in regional policy as it is the center that allocates all the resources. The regions tend to be developed under the decisions taken at the federal level, with regions’ interests being neglected. Soviet Union practices to develop great projects instead are reproduced in contemporary Russia, particularly in the sphere of innovation and modernization.

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