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Contemporary Structural Changes in Irkutsk as a Siberian Regional Centre

Abstract: Much that has been taking place in today's Irkutsk is quite typical for cities of post-Soviet Russia. Irkutsk is suffering from drastic structural changes: in its macro-geographic position and international links, in the structure of production, in its postindustrial (non-production) functions, in the system of regional development. The total estimation of changes should be positive. But we can see a lot of losses. Some of them seem to be temporary, but there are also losses caused by the market character of the reforms themselves.

Keywords: changes; economic structure; geographic position; investments; Irkutsk; Irkutsk Oblast; links; postindustrial functions; regional development; Russia; "standing" and "lying" enterprises

Received: 21 December 2014

Accepted: 12 July 2015

Suggested citation: Jakobson, A.Ya., Batsun, N.V. (2015). Contemporary Structural Changes in Irkutsk as a Siberian Regional Centre. *Prace Komisji Geografii Przemysłu Polskiego Towarzystwa Geograficznego*, 29(2), 163–170.

INTRODUCTION

This report can be considered a case study, as much that has been taking place in today's Irkutsk is quite typical for cities of post-Soviet Russia.

Two principle approaches exist in Russia today as for evaluation of the recent changes:

1. we had been oppressed by ugly communists, our country had been the Evil Empire, and now we are happy under democratic government and market economy which gives opportunities to everybody;

2. we had been almost happy when ugly democrats came, betrayed us, robbed us and so on.

Certainly, we cannot adopt any of these primitive extreme points of view. History is history, and very seldom can such significant events as those that took place in our country and in the countries of Central Europe be unanimously estimated in the terms of "good" or "bad".

NEW MACRO-GEOGRAPHIC POSITION AND THE CHANGES IN INTERNATIONAL LINKS

Under a planned centralized economy, geographic position of Irkutsk used to be characterized predominantly by remoteness from Moscow. Now it has become “nearer” to Eastern Asia – to China, Japan, Korea, etc.

At the same time, ideological changes have brought closer contacts with Western countries. Among these contacts the specific ones are with Poland, Israel and Germany, as there are rather many inhabitants of Irkutsk having respectively Polish, Jewish or German origin or some other personal links.

Now most intensive trade links exist with China, through both Russian and Chinese citizens bringing goods from that country to Irkutsk markets.

Tourists flows today connect Irkutsk with both Eastern (Thailand, China, Vietnam, etc.) and Western (Italy, Spain, Greece, Israel, Turkey, etc.) countries.

But most of these links are one-way: goods are imported, Russian tourists go abroad. (Tourists from Europe, Japan and USA do visit Irkutsk, but they have done it since 1960s and little has changed in the post-Soviet years in these flows).

There used to be only one consulate in Irkutsk – that of Mongolia. Now there are five, with those of China, Southern Korea, Poland and Lithuania.

Changes can be seen also through analyzing the timetable of passenger flights in Irkutsk airport (www.avia.tutu.ru). The latter has always been a significant centre of air communications in the country but only in our days has it become connected with regular or charter flights with numerous centres including, for example, Barcelona far in the West or several cities in China in the East.

Rather specific are links with Japan. Economic relations between this country and Russia are not very intensive, but there exists an original sphere (again, a one way one) interesting for Russian small business as well as for Russian consumers. That is importing Japanese second-hand cars, reliable and respectively cheap. In Irkutsk, more than half of cars used are right-wheeled, just like in other cities of Siberia and Far East (while traffic is, like in most countries, right side).

However, intensification of external contacts is accompanied by decrease of links with former Soviet republics. If we return to the airport timetable, we shall notice an absolute absence of flights to cities of Ukraine – while there used to be 3 to 5 such flights.

The new phenomenon is rather intensive immigration from some republics of Middle Asia. Migrants tend to work as construction workers and are often preferred in this role to those from China, because of some knowledge of the Russian language (Lamin, Malov, 2005).

THE CHANGES IN THE STRUCTURE OF PRODUCTION

Irkutsk has never been a major industrial centre. Still, by the start of economic reforms, several enterprises had existed here, belonging to such sectors as machinery (including aircraft, mining equipment, radio sets, automobile details), power (hydropower station and several coal ones), clothes and foodstuff.

If we consider the Irkutsk agglomeration, we should also mention major works situated in two adjacent cities: oil refinery and petrochemicals in Angarsk (60 km westwards) and aluminum in Shelekhov (30 km southwards). Both cities may be called outlets of Irkutsk. Both emerged after World War II as the settlements near new founded works, while the works were oriented in their location at Irkutsk.

Now the industry in Irkutsk, as well as in the whole Russia, can be divided into two groups: “standing” and “lying” enterprises. In contemporary slang it means that the former have managed to survive and are respectively successful, while the latter either had to be closed or do formally exist but predominantly due to renting their buildings and territory for offices or marketplaces.

The group of “standing” enterprises includes, firstly, power sector and, in the agglomeration, raw materials processing plants; secondly, military production sector, starting with aircraft production; thirdly, foodstuff industry, as Russian consumers, after experiments in the 1990s, have strictly given their preference to traditional domestic food (Vinokurov, Sukhodolov, 2008).

More interesting is the second group. It is quite clear that it includes enterprises of light industry as well as many subsectors of machinery that have shown their non-competitiveness in the conditions of open borders.

However, in some cases we can see different backgrounds of certain enterprises failure. Take Irkutsk Heavy Machinery Works. Producing equipment for gold mining, this plant was quite competitive and could have been successful in the market economy conditions. If today it has shortened and almost stopped industrial production, it can be perhaps explained by ineffective management and marketing.

The third reason of failures seems to be vulgar raidership. In 1990s, very popular in Irkutsk was the production of “Kedr” (Cedar) vodka factory. But in mid-2000s its director died, the enterprise was acquired by a group of businessmen from Moscow whose aim was just to get rid of competitors. The only thing they did with the new belonging was stopping the production process. Another enterprise, tea-weighing factory, which had existed in Irkutsk for more than a century, was simply closed by the new owners.

We can then see three principal variants of industry downfall, all three connected with market reforms, while only the first of them can be evaluated positively. (Of course, closing a non-competitive plant is always somehow socially painful, but it leads to general recovery of the economy).

What cannot be seen in the case of Irkutsk, is new industrial enterprises emerging (while in some Russian cities they did emerge). Maybe it is an individual characteristic of this city, which, as it was said, has never been an industrial centre? Maybe its strategic way of development should be different from that traditional for Soviet times thinking?

POSTINDUSTRIAL (NON-PRODUCTION) FUNCTIONS: TRADITIONS AND CHANGES

Traditions of what is now called postindustrial functions in Irkutsk have played a very important role in its history. Soon after its foundation in the 17th century, it became

a significant knot distributing goods brought from European part of Russia, promoting education and organizing geographic research deeper and deeper in several directions in Siberia – and at the same time collecting various goods from these directions (among them fur, tea) for exporting westward.

After Irkutsk University was founded in 1918, the city became a major centre of higher education and scientific research, something like an educational and scientific metropolis for a vast territory including not only Eastern Siberia but also Mongolia. This function has been conserved by now, although losing much in the years of reforms.

The most significant losses, in the authors' individual opinion, can be explained by the fact that the importance of this sphere was underestimated by Russian reformers from the very beginning and in the nationwide scale. They adopted models of ultraliberal economy approved by the experience of some Latin American countries and did not want to notice a principle difference between these countries and Russia. Respectively high level of education and research sphere was the most important characteristic of this country. Perhaps this very sphere could serve as a pole of national development. But it would demand some state regulation and aid which contradicted to the reformers' ideology.

1990s were the years of stagnation in both education and research. It was characterized by low salaries together with the impossibility to undertake researches at the proper level because of lack of state financing while young private capital was not even psychologically ready to invest even in applied science, not to say fundamental research (and it seems to be not ready by now). It caused an outflow of research personnel, mass emigration, falling popularity of these spheres among school and university graduates.

The system of higher education was first to find the way out of the crisis – through introduction of paid education and, less important, emerging non-state universities. The crisis was most painful for applied research institutes belonging not to Academy of Sciences but to sectoral ministries. The ministries were dismissed, enterprises having become private were not ready to order applied researches and pay for them. In these conditions the institutes faced the problem of survival. Sometimes, proper management and marketing, mentioned above with regards to industrial production, managed to help somehow but many of such institutes disappeared. In Irkutsk, among them were research institutes of automobile transport and material supply (in modern terms, logistics).

Having mentioned these two institutes, we must say more about broader understanding of traditional non-production functions of Irkutsk. It has always been a centre of organizational activity, while trade and distribution functions can be considered just a part of it. The same can be said about higher education and science.

To better understand the role of Irkutsk as a regional organizational centre, we should first say more about the very region. Geographically, when we speak about the sphere of influence of Irkutsk, we mean, at the first turn, the traditional (since the 19th century) administrative unit, now called Irkutsk Oblast (*Strategiya...*).

IRKUTSK OBLAST: TODAY'S STATE OF ECONOMY

Russian economy has been always focused on resource specialization (i.e. based on raw materials extracting and processing). Nowadays, the structure of the economy together with adverse conditions at raw materials markets, are a key factor of Russian economic growth delay.

According to the data of International Institute of Management Development, the comparative results of countries competitiveness study show that in 2013, Russia is ranking 42nd from 60 possible places.

Among the main positive factors of competitiveness of Russia, such indicators are noted by experts as high education level, comparatively high labor force skill, and general stability of economy. Among the main negative factors, are low economic diversification, low productivity, low readiness to implement innovations.

It is obvious that in such a large country as Russia, strategic development can go on only with the account of regional variety.

One of the directions is differentiation of regions according to their international competitiveness. A fundamental research on this subject was reported within the 11th Sochi Investment Forum (September 2012). 30 regions of the country were investigated. Such factors as activity of the regional administration, quality of human resources, and quality of infrastructure were considered (www.mos.ru).

In "The Concept of Strategy of Social and Economic Development of Regions of Russian Federation" (2012), emphasis is put on the differentiated development of regions, in fact, fixing their role in economy of Russia and in territorial structure of economy. It is offered to give up the practice of pulling up problem territories. In the Concept, it goes about priority development of the regions of two types – «basic territories» and «growth poles». The former are the most important, economically developed regions. The latter are dynamically developing medium-sized or small regions, the advancing development of which is supposed to bring to a development impulse for other territories. It is provided that the State support will be given, for stimulation of such regions. The rating of investment attractiveness of Russian regions helps to define them quite adequately.

Irkutsk Oblast stands in those classifications at the 23rd – 24th place and is defined as a region – growth pole.

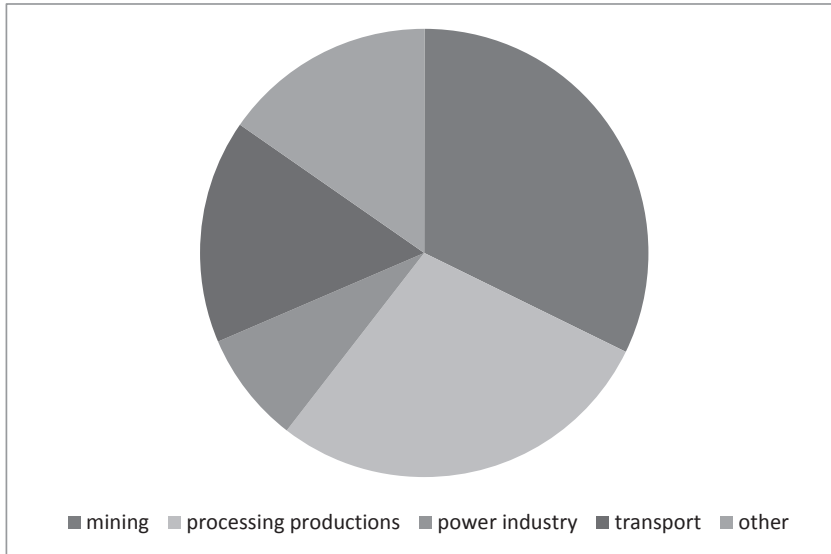
Among the factors of investment attractiveness of the region, such specificities can be marked as:

- good geopolitical position for the companies working with the countries of Pacific macroregion,
- rich raw materials potential (11 per cent of Russian resources of timber, 10 per cent of gold, 7 per cent of fuel deposits),
- high availability of electric power and its cheapness,
- state support of investors, including tax benefits.

Especially important is the research and innovative infrastructure, which will be discussed later.

However, actually, investments are made predominantly into mining and raw materials processing (Fig. 1).

Fig. 1. Basic capital investments structure in Irkutsk Oblast, 2012



Source: Lamin, Malov, 2012

IRKUTSK IN THE SYSTEM OF REGIONAL DEVELOPMENT

As it was already said, Irkutsk has served as an organizing centre of regional development. Unlike most Siberian administrative centres, it has been a non-industrial centre of an industrial region. Its functions as to the region served have been elaborating of development concepts and plans.

Fundamental (Academy of Sciences) research, applied research and higher education institutions of Irkutsk have been oriented at serving, in the first turn, regional development. Geography, geology, biology, ecology, power industry, aluminum industry, languages and culture of Siberian native peoples and so on, have been the fields of research and of specialists training. Among them were the abovementioned automobile transport and logistics, being of special significance for the region. The territory served has included not only Irkutsk administrative unit (oblast), but also Trans-Baikalia, Yakutia and Mongolia.

In the oblast scale, there used to exist a very specific administrative body – that was Obcom, regional committee of Communist Party. Certainly, it was an agent of totalitarian dictatorship, but its functions were much more complicated.

Representing central Government in the region, the Obcom very seldom defended the interests of regional population or environment. But it sometimes did have such an opportunity, although its officers, being assigned by Moscow, did not feel it as their duty. The ones

who perhaps did were the deputies of regional Council (Soviet) and officers of its executive committee, but they had no real power in any conflicts with major enterprises or central Government.

But the Obcom sometimes could represent and defend central Government interests also against those enterprises and even sectoral ministries standing behind them. Rather often (in the case of Irkutsk) in such conflicts the Obcom officers leaned at the advice of local research workers.

Now ministries have been replaced by major corporations which, together with enterprises belonging to them, are as little interested in local population, environment and complex usage of regional resources, as former ministries were. There are no Obcoms, which is good, of course, but regional and municipal administrative bodies still cannot fulfill the function of representing regional interests, being in fact as powerless as in Soviet times.

Another type of regional administrative bodies used to be territorial subdivisions of some sectoral ministries, such as railroad, air communication, river transport, coal mining, water use, etc. Their areas of activity included as a rule a territory of more than one oblast, and Irkutsk served as a metropolis of several such subdivisions. What is important, those subdivisions, although subordinate to Moscow, communicated and collaborated with Irkutsk research institutes and often promoted their ideas as to regional interests.

Now, most sectors have become private, and there are no instruments in Irkutsk to influence their decisions. Unlike others, railroad has remained state owned. For the last decade, it has been subject to reforming. The main idea of the reforms is introducing and strengthening market relations in this sphere. But in fact, by now they have brought to strict centralization and to losing most decision making rights by regional subdivisions.

CONCLUSION

We have not touched some very important (but somehow less geographic) aspects of the changes: those of human rights, living standards, consumers' markets, political life, etc. Still, our review seems to give background for some conclusions. Let us repeat that these conclusions are, if not similar, much alike the estimation of changes in the scale of Russia and, perhaps, in some other post-Soviet countries.

First of all, the total estimation of changes should be positive. But it does not mean that everything is OK.

In Irkutsk, we can see a lot of losses in comparison with Soviet times. Some of them seem to be temporary, some only look like losses but in fact lead to fundamental structural changes that promise to be positive; but here we sometimes meet temporarily negative results.

But there are also losses caused by the market character of the reforms themselves. Rather seldom, but sometimes it is connected with some intrinsic features of market economy, but more often, with specific implementation of market approaches in today's Russia. These aspects should be investigated more thoroughly.

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