

Struggles of Treasured Factory Rouse Longing for Soviet Past

By [The Moscow Times](#)

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YEKATERINBURG, — Viktor Livshits will never forget May 9, 1945, the day he first laid eyes on Uralmash, a giant factory making tanks and other heavy machinery that has for decades symbolized Russia's industrial might.

"I stood on a tank. The square was full of people. Then my father took me to the factory. Past us there drove tanks, self-propelled guns, cannon," he reminisces, waving a hand towards First Five-Year Plan Square in front of the factory.

Livshits was 4 years old on that day when the Soviet Union celebrated victory over Nazi Germany. He went on to spend half a century working at Uralmash, following his father, who headed tank production there in World War II.

Now 73, he is devoting his retirement to a campaign to save the famous plant, as a severe economic downturn, exacerbated by threats of Western sanctions over Ukraine, takes a heavy toll on Russia's industrial heartland.

The story of Uralmash — one of the first major enterprises to be sold off during the chaotic privatization of the 1990s, but effectively renationalized under President Vladimir Putin in the 2000s — is in many ways a metaphor for the whole country.

"The fate of the factory and the fate of the country are as one!" proclaims a billboard at the factory entrance, which carries a photo collage of the plant's proud 81-year history.

The display is a reminder that, in its glory days, Uralmash built most of the heavy machinery that powered Russia's industrialization — from oil drilling rigs to giant electric turbines to huge excavators for mines.

But now, after years of grappling with vanishing markets and outdated equipment, Uralmash is struggling to survive.

Save the Factory

Ask what went wrong, and most locals begin the story long ago, often referring to the "perestroika" reforms of the last Soviet leader Mikhail Gorbachev, and the "wild" privatization of Russia's first post-Communist leader Boris Yeltsin.

It is a convoluted saga that also involves freewheeling oligarchs, mafia hitmen and Kremlin intrigues.

But if matters at Uralmash have recently come to a head — provoking factory veterans, workers and local sympathizers to campaign to "save" the cherished factory — that is also a sign of the times in Putin's third term as president.

Russia's economy, which grew by about 7 percent a year during his early years in power, is officially forecast at 0.5 percent this year, with the threat of stiffer Western sanctions over Ukraine contributing to an unwillingness to invest.

The trend is bad news for Uralmash, which no longer makes tanks but still makes everything from mining equipment to metal presses to oil drills, mainly for the Russian market but also for export.

Travel out to the gritty industrial suburb of Ordzhonikidze in the north of Yekaterinburg, home of the Uralmash factory, and it is apparent that the area has seen better days.

Grimy apartment blocks covered with graffiti line the dusty bus route to First Five-Year Plan Square and the Uralmash plant. Posters for a modeling agency have been plastered nearby, suggesting that some locals may dream of better things.

"They have already ruined Uralmash," said a worker, who gave his name only as Alexander, emerging from the factory gates and scurrying past the nearby statue of Grigory Ordzhonikidze, Stalin's industry minister who ordered Uralmash's construction in the early 1930s.

At the foot of the statue, someone has plastered stickers depicting Russia's current Communist leader Gennady Zyuganov, with the slogan: "We will make them give back what was stolen!"

For factory veterans such as Livshits, reminiscing on a bench by Ordzhonikidze's statue, the decline of Uralmash from its Soviet glory days is a national disgrace.

"It is simply offensive, for such a factory," he said. "Why is the factory important? During the Great Patriotic War, one in four tanks that participated in battle was either made at Uralmash, or with armor from Uralmash. That's 25,000 tanks!"

Before the collapse of the Soviet Union, Uralmash produced 330,000 tons of products each year, Livshits said. This year it will be about 13,000. The workforce, meanwhile, has slumped from about 50,000 in Soviet times to just about 5,000 today.

"Former colleagues would stop me in the street, even in the sauna, and would say to me: 'Viktor Sergeyevich, I have no work! They have had to lay people off. Help!'"

Uralmash management declined requests to be interviewed, but Pavel Dorokhin, a Communist lawmaker for the Sverdlovsk region, said about 35,000 jobs depended on supplying parts to Uralmash.

"And then there are the families, the wives and children," he said. "Taken all together, it is 100,000. There would be a social explosion if it all closed."

Blame

Many in Yekaterinburg blame Uralmash's woes on Kakha Bendukidze, a freewheeling tycoon who bought the plant cheaply in Russia's sweeping privatization program of the 1990s.

Bendukidze, who went on to spearhead economic reforms in his native Georgia, was recently appointed economic adviser to Ukraine's new president, Petro Poroshenko.

Uralmash's prospects weren't helped by the killing of its director Oleg Belonenko by unknown gunmen in 2000. One theory pins the blame on a local mafia group, also called Uralmash, that was allegedly attempting to extort money from the plant.

"After the murder, nobody wanted to be chief executive and get a bullet in the head. Bendukidze was afraid to come here any more," Livshits said.

Bendukidze sold out in 2006 to Gazprombank, an indirectly state-controlled bank in a move that was seen by analysts as an effective renationalization. Gazprombank is seen as being charged by Putin's government with finding a solution to industrial problem cases.

Gazprombank did not reply to questions from Reuters.

Today, many critics in Yekaterinburg see Bendukidze as a corporate raider out to make an easy buck.

Bendukidze defends his role and his strategy of selling off many factory assets — instead

pointing a finger of blame at the current owner, Gazprombank, for trying to turn back the clock.

"My idea was that we should focus on its core strength, core competence and should divest anything else ... This process is the only way that such companies can survive," he told Reuters.

Independent analysts say that while repeated changes in ownership and management have exacerbated matters, Uralmash was bound to face huge challenges as it struggled to reinvent itself for a market economy.

"The factory was built in the 1930s. Then there was an entirely different economy: a planned economy," said Konstantin Selyanin, a local economist.

"For many enterprises, re-equipping demands gigantic investments, which private investors did not have."

Russia's protracted economic slowdown, coupled with the failures of private involvement, have triggered an increasing tendency to blame unfettered market capitalism, and to resort once more to increased state involvement.

For many of those campaigning to restore Uralmash to its former glory, Gazprombank, which is trying to rebuild Uralmash by reacquiring subsidiaries that had been sold off, represents a change for the better.

Dorokhin, the Communist Party deputy, is encouraged by a promise to invest an additional 1 billion rubles (\$29 million) in a new digital production facility to build rollers for steel mills.

He sees big prospects for Uralmash products in India, a traditional market in Soviet times, and other Asian markets.

Planned Economy

Dorokhin is one of the main authors of a law on industrial policy, recently adopted by the government despite misgivings from liberal ministers, under which Russia will provide subsidies and other benefits to industrial companies that are seen as strategically important.

Governmental opposition to the new law crumbled, he said, after Putin backed the plan following meetings with Zyuganov.

"There will be elements of the planned economy," Dorokhin said approvingly. "As with the First or Second Five-Year Plans under Stalin, we will plan: each year we should produce this or that much of each product, build this or that enterprise."

But for Konstantin Selyanin, the local economist, the effective renationalization of Uralmash via Gazprombank symbolizes the overall trend under Putin for the state to turn back the market reforms of the 1990s.

"The problems of Uralmash are a good illustration of the general problems of the economic model that has existed for the last seven or eight years, when the emphasis has been placed

on state companies and on building up national champions," he said. "So far, it has not been very successful."

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