

**“Internationalization” or Adaptation?  
Historical Legacy, Geopolitics  
and Border Cooperation  
in Belgorod Oblast**

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## Foreword

Relations between Russia and Ukraine have not always been smooth since the break up of the Soviet Union. Despite a common “Slavic” identity and cultural similarities, a number of issues such as the division of Soviet property, the status of the Russian language in Ukraine, illicit re-export of Russian gas from Ukraine to the West, management of Ukrainian debts to Russia, and Pope John Paul II’s visit to Ukraine in 2001 – have complicated bilateral relations between Moscow and Kiev.

Nevertheless, the potential for positive interaction between the two countries remains enormous. At the federal level, Moscow is currently placing a higher priority on economic cooperation with Ukraine, preferring to rely upon bilateral rather than CIS-level arrangements.

No less important however are the trans-border relations developing at the sub-national level. One of the most important Russian regions bordering Ukraine is Belgorod Oblast. There remains a high degree of interdependence between Belgorod’s economy and the industries of neighboring Ukrainian oblasts, as well as deep historical and cultural ties between the populations and political elites on both sides of the border. The international contacts of Belgorod Oblast have come to shape the state of trans-border regionalism along the Russian-Ukrainian border and thus represent an interesting case for comparative policy research.

This study is written by Vladimir Kolossov, Head of the Center for Geopolitical Studies at the Institute of Geography at the Russian Academy of Sciences in Moscow, Professor at the University of Toulouse-Le Mirail in France, and Chair of the International Geographical Union Commission on Political Geography. The paper characterizes the principal fields of Belgorod Oblast’s international contacts and describes the most important social, economic and political factors determining the oblast’s position *vis-à-vis* the federal center and its international contacts. It also assesses the extent to

which Belgorod's international political and economic relations make it an "internationalized" region.

The author illustrates how Belgorod's transformation into a foreign policy actor and the key protagonist of border cooperation depends on the nature of its political regime and the similar political views and common background of almost all leaders of the "Red Belt" regions along the border with Ukraine. He shows how Belgorod's governor Evgenii Savchenko made border cooperation a primary issue on his political agenda and successfully built a political coalition with which to promote the specific interests of the regions bordering Ukraine and thereby enhanced their bargaining power *vis-à-vis* Moscow.

Whilst the oblast's economy benefits from its transit and mediation functions, measures taken in Belgorod Oblast (as well as in other border regions) to strengthen trans-border cooperation have not been fully realized. Lack of legal certainty is one of the main factors restraining border cooperation, particularly in the economic field. Moreover, there is still no adequate coordination of the activities of federal and regional authorities in this area. As yet, regional legislative bodies and businessmen have no information on the fiscal systems, the budgets or the markets of neighboring oblasts.

The author also concludes that Belgorod is not yet an "internationalized" region. Whilst the oblast is clearly more deeply involved in foreign trade and has become more "internationalized" than any other Russian border region, its international activity is mainly aimed at coping with the unfavorable consequences of the break up of the Soviet Union and the "amputation" of Ukraine.

However, the fact that trans-border cooperation has acted as a positive force in bilateral relations between Russia and Ukraine, despite their parallel nation- and state-building projects, demonstrates that today security is determined as much, if not more, by the scale of integration between countries and their regions as by military threats. Fostering international and trans-border cooperation therefore remains the major challenge faced by Russian federal and regional elites.

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## **The new geopolitical situation of the oblast**

In December 1991, the geopolitical situation of Belgorod Oblast changed dramatically. It was transformed from a region located deep in the national territory of the USSR into a part of the new Russian borderland, unlike, for instance, Kaliningrad, which had always been a border region and was better adapted from the very beginning to its post-Soviet geopolitical situation. Belgorod turned into a Russian outpost on the southern borders close to the narrow “peninsula” between Ukraine and Kazakhstan connecting the historical core of Russia with huge areas of its Asian territories. This situation is accentuated by the proximity of the geopolitically unstable Caucasus, which generates an influx of thousands of migrants. Within the Russian Federation, it was also transformed from an ordinary industrial-agricultural region into a part of the limited “golden belt” of territories with a relatively mild climate, fertile soils and a dense network of rural settlements and small towns that are still full of life.

Almost half of Belgorod’s Oblast boundaries (542km out of 1150km) is now an international border with Ukraine. In the south and west, it borders on Lugansk, Kharkov and Sumy oblasts. Nine administrative districts out of 21 share a border with Ukraine; 71 settlements are now situated near the border, as are 13 crossing points and eight customs posts. Six additional crossing points are due to open. The density of crossing points is not enough to satisfy the current needs of the population. The transit infrastructure here belongs to the densest sectors along Russia’s western border but is still very poor by international standards. Sometimes, the road network, which emerged during centuries of Russia’s and Ukraine’s co-existence within the same state, forces people to cross the border several times to get to a center of a district from the regional capital. For inhabitants of the oblast the obstacles of borders for freedom of movement are especially painful, since almost 40% of families have relatives on the other side. About 30’000 people from Belgorod Oblast live in Ukraine, for various

reasons. About 10% of the population are ethnic Ukrainians dispersed over the whole territory of the oblast; they are particularly numerous in the districts of Alekseevka and Roven'ki.

Since the disintegration of the USSR, Belgorod Oblast has faced the typical problems of a border region. These problems result from the increasing separation of the economic, social, cultural, legal and political spheres of two states; the gap in per capita income remains considerable. Specific border problems include:

- labor migration;
- an influx of illegal migrants from third countries, usually aiming to travel on to the EU countries;
- difficulties with transportation;
- the dissolution of traditional economic contacts;
- smuggling, including drugs and arms trafficking; and
- corruption and other specific forms of border criminality.

These are the negative aspects of the forced “internationalization” of the province. This new geopolitical situation to a large extent determines the development of the oblast. Quite naturally, in the years immediately following the break up of the Soviet Union, Belgorod suffered from the “amputation” of neighboring Ukrainian regions. If not most of the population, at least the regional political elite is now becoming aware of possible advantages of the new geopolitical situation and, most importantly, of the new value of the oblast to Russia as opposed to the former Soviet Union. Indeed, the oblast can profit and is in some cases already benefiting from:

- its increased role as one of Russia’s major suppliers of foodstuffs and as one of few regions with a relatively efficient agricultural sector;
- its situation on the main transit route for goods and people between Russia and Ukraine and its role as a mediator;
- the special neighborly relations it shares with Ukraine: the proximity to Kharkov, the second largest city of the country, and to its most developed regions;
- the coalition with other Russian regions bordering Ukraine which have similar interests;
- leverage in bargaining with the federal center for special legal status and federal funding of its new functions; and
- the interest of international organizations worried about the situation in the border zone, especially in the context of EU enlargement to the east.

Border studies are the oldest field of political geography. Geographers have developed many different theoretical approaches to the analysis of the functions and the impact



of political borders on the life of adjacent regions.<sup>1</sup> The so-called functional approach accepts the location of political borders as a given geopolitical fact, and the studies focus on the effects and consequences of the borders on the frontier regions, as well as numerous relations between the countries divided by the border. The spatial model of cross-border relations according to J. House takes into account a large variety of issues (migration, trade, perceptions, etc.), and spans from the local to the international.<sup>2</sup> Since the late 1970s, some signs of a rapprochement between geographical border studies, political science and international relations can be observed.<sup>3</sup>

It is now recognized that border studies cannot be separated from identity formation and change, with its territorial dimensions as a central theme.<sup>4</sup> Borders are often considered to be recent social constructs, which would place the study of borders within the world-systems tradition of the humanities.<sup>5</sup>

Surprisingly, academic publications on the Russian-Ukrainian border zone are scarce: among the few to be found are articles by L. Vardomskii, in which he discusses the features of new Russian border areas and applied studies that appeared in the journal of the Federal Border Guard Service *Granitsa* (“Border”).<sup>6</sup> On the Ukrainian side, A. Golikov and his team from Kharkov University have published a series on border cooperation and the perspectives of the Euroregions along the eastern borders of

- 1 Kolossov, V. A. and Mironenko, N. S. *Geopolitika i politicheskaia geografiia* (Geopolitics and Political Geography). Moscow: Aspect-Press, 2001. See also Newman, D. and Paasi, A. “Fences and Neighbors in the Post-Modern World: Boundary Narratives in Political Geography.” *Progress in Human Geography*, vol. 22, no. 2 (1998), pp. 186–207.
- 2 House, J. *Frontier on the Rio Grande: A Political Geography of Development and of Social Deprivation*. Oxford: Clarendon Press, 1992.
- 3 Duchacek, I. *The Territorial Dimension of Politics: Within, Among and Across Nations*. Boulder, CO: Westview Press, 1986; see on this topic also Makarychev, A. S. *Islands of Globalization: Regional Russia and the Outside World*. Zurich: Center for Security Studies and Conflict Research. Working Paper, no. 2, 2000 and Perovic, J. *Internationalization of Russian Regions and the Consequences for Russian Foreign and Security Policy*. Zurich: Center for Security Studies and Conflict Research. Working Paper, no. 1, 2000.
- 4 Passi, A. *Territories, Boundaries, and Consciousness: The Changing Geographies of the Finnish-Russian Border*. New York: John Wiley and Sons, 1996. See for example Knight, D. B. “Bounding Whose Territory? Potential Conflict between a State and a Province Desiring Statehood.” In *Geopolitics at the End of the Twentieth Century*, eds. Kliot, N. and Newman, D. London – Portland, OR: Frank Cass, 1999, pp. 209–238.
- 5 Ackleson, J. M. “Discourses on Identity and Territoriality on the US–Mexico Border.” In *Geopolitics at the End of the Twentieth Century*, eds. Kliot, N. and Newman, D., pp. 155–179. London – Portland, OR: Frank Cass, 1999; Herb, G. H. and Kaplan, D. H., eds. *Nested Identities: Nationalism, Territory, and Scale*. Lanham, MD: Rowman and Littlefield Publishers, 1998; Kolossov, V. and O’Loughlin, J. “New Borders for New World Orders: Territorialities at the Fin-de-Siecle.” *GeoJournal*, vol. 44, no. 3 (1998), pp. 259–273. See also Ramutsindela, M. “African Boundaries and their Interpreters.” In *Geopolitics at the End of the Twentieth Century*, eds. Kliot, N. and Newman, D., pp. 180–198. London – Portland, OR: Frank Cass, 1999.
- 6 See, for example, Vardomskii, L. B. *Prigranichnyi poias Rossii: problemy razvitiia v usloviiakh rynochnoi transformatsii* (The Border Belt of Russia: Problems of Development under the Conditions of Market Transformations). Moscow, 1997.

Russia. Some of the current author's studies have been devoted to the specific problem of the new Russian border areas (in particular, those near the Ukrainian border), a typology of new borders, and the influence of nation-building on border cooperation.<sup>7</sup>

The objective of this paper is twofold. First, to identify the most important economic and political factors determining the positioning of the oblast in the domestic and international contexts. Second, to determine whether the region is really becoming more deeply involved in international economic and political relations and the extent to which it depends on those relations, or whether its international activity as a new border region mainly aims at coping with the unfavorable consequences of the break up of the Soviet Union. As Belgorod region is, in many respects, representative of its neighbors, I believe that the answers to these questions will be helpful in understanding the role of all oblasts along the border with Ukraine in the processes of globalization.

First, I will describe the main features of the region's economic and social structure that are relevant for its international contacts and briefly analyze the economic gap now separating Belgorod and neighboring Ukrainian oblasts. Second, I will characterize the principal fields of the oblast's international relations, especially with Ukraine: foreign trade, investments, and migration. Third, I will try to define the relationship between the regional political regime and the external relations of the oblast. Fourth, I will stress the decisive influence of nation- and state-building in Russia and Ukraine on border cooperation between the two states, and point out resulting contradictions between the interests of central authorities and of border regions (between "geopolitics" and "geo-economics"). The fifth section is devoted to an analysis of the forms of bilateral and multilateral border cooperation between Belgorod and Ukrainian oblasts. In the final section, the results of the study are discussed.

7 Kolossov, V. A. und Krindatsch, A. D. "Russlands neue Grenzgebiete. Dargestellt am Beispiel des Gebietes Rostow am Don." *Osteuropa* 45 (1995), Heft 1, pp. 33–52. See also Kolossov, V. A. *Primordializm i sovremennoe gosudarstvennoe i natsionalnoe stroitel'stvo* (Primordialism and Contemporary Nation- and State-building). *Polis* 3 (1998), pp. 95–106; Kolossov, V. A. and Turovskii, R. F. *Tipologiya novykh rossiiskikh granits* (A Typology of New Russian Borders). *Izvestiia Rossiiskoi Akademii Nauk* 5 (1999), pp. 40–48.

## Internal structures and external territorial gaps

### 2.1 *Belgorod Oblast: Its socioeconomic profile at the end of the century*

The region stretches from the west to the east. The southeastern sector of the border with Lugansk Oblast (near the city of Roven'ki), and the eastern and the central sections of the border with Kharkov Oblast are the most economically important. The towns of Shebekino and Volchansk, situated a few kilometers from the border, together have a population of 120'000. Other sections of the border divide more scarcely populated rural areas.

The capital of Belgorod is located only 80km from the city of Kharkov, which has over 1.5 million inhabitants and is one of its most important industrial centers, and which until 1934 was even the capital of Soviet Ukraine. More than a half of Kharkov's inhabitants are ethnic Russians and the overwhelming majority of non-Russians speak Russian. Naturally, the much smaller city of Belgorod was a part of Kharkov's sphere of economic and especially cultural influence before the break up of the Soviet Union.

Major railway and road communications between Russia and Ukraine cross the Belgorod Oblast. These routes also offer the shortest and the fastest access from Moscow to the North Caucasus and Transcaucasia, and to southeastern Ukraine. The railway network is sufficiently dense, and the region is also well endowed with roads by Russian standards: the total length of railway is 695km, and the road network extends for about 8'500km (87.7% of which is covered with asphalt).

Belgorod is a young oblast, compared to other oblasts of the Central-Black Soils economic region, which have existed for centuries (Voronezh, Kursk, Tambov). It was

created during a wave of administrative fragmentation of large territorial units in the early 1950s. In 1954, Soviet authorities formed five new oblasts in the Russian Federation. However, in 1957 three of these, as well as one oblast created earlier and the oblasts within the republics of Tatarstan and Bashkortostan were abolished because their centers turned out to be too weak to fulfill the functions of a regional capital. Belgorod Oblast survived although before World War II its center had less than 40'000 inhabitants. The area was densely populated, and already in the 1950s the population within its center was growing very rapidly due to the development of the food industry and engineering, and that of its administrative institutions.

The population of Belgorod Oblast on 1 January 1999 was 1'492'000, approximately 1.02% of the national total. Out of the total population, 65.7% live in towns and other urban settlements. This ratio is significantly less than in Russia as a whole (73.2%). The oblast is an industrial-agrarian region with a relatively dense network of rural settlements and small towns. Its per capita industrial production is about the average in Russia (table 1) and it ranks 24th in the country. Belgorod Oblast now specializes mainly on metallurgy, production of construction materials and the food industry. These three branches accounted for 68.1% of the total industrial production in 1999. The oblast possesses about 40% of iron deposits in Russia; there is a long mining tradition, but formerly all iron was processed outside the region. A large metallurgical plant was built in Saryi Oskol in the 1980s. It uses advanced technology to produce steel directly from dressed iron ore in electrical furnaces. Its annual capacity is over 5 million tons. The metallurgical complex also includes the production of rolled metal that is in steady demand on the domestic and international markets. Within a few years, the small provincial town of Saryi Oskol was transformed into a major city of about 150'000 inhabitants.

Agriculture has been the backbone of the Belgorod economy since the late Soviet period, and it has clearly survived better not only than Russia as a whole, but also in comparison to other oblasts of the Central-Black Soil region: its efficiency is much higher. On the national scale, the oblast had the highest share (34.9%) of the nation's iron ore production. The region also plays an important role in the production of tubes and other construction materials such as asbestos (14.8%) and cement (10.8%), as well as ceramic products (9.7%), washing machines (13.5%), tinned dairy products (18%), sugar (15%) and vegetable oil (9%). A considerable part of industry either processes agricultural produce, or supplies the agricultural sector with the goods it produces (agricultural machines, etc). Hence, this indicator is higher than the national average. Moreover, it increased by 80% in 1999 in current prices. The region exports its products to more than 30 countries.

However, formal social indicators are rather moderate. The average salary is considerably lower than the national average, though higher than in all other border regions except Krasnodar territory and in other Black Soil oblasts. But in terms of total monetary income, the oblast is second even to these. Not surprisingly under these conditions, the retail trade turnover is also low.

And yet, the outlook is not completely bleak. First, the cost of the minimal consumer basket is low as well, and taking into account its relation to the average salary, it is more favorable than in neighboring regions (table 2). Among all Russian regions, only the city of Moscow has a better ratio between per capita income and the minimal consumer basket. Second, rural dwellers live on supplementary incomes from a relatively developed agricultural sector. The program of housing construction is the pride of the oblast administration, which succeeded in introducing an efficient system of lending. As a result, the oblast is the national leader in this field: The new living space built in 1999 is more than twice the national average. The official level of poverty is among the lowest in Russia.

**Table 1: Some per capita socioeconomic indicators of Belgorod Oblast, the Russian Federation and the Central-Black Soils region in 1999**

| Indicators                                                              | Belgorod Oblast | Russian Federation | Central-Black Soil region |
|-------------------------------------------------------------------------|-----------------|--------------------|---------------------------|
| Industrial production, rub.                                             | 20'157          | 20'497             | 15'679                    |
| Retail trade turnover, rub.                                             | 8'413           | 1'1791             | 8'808                     |
| Commercial cattle and poultry, kg                                       | 701             | 374                | 692                       |
| Commercial milk, kg                                                     | 100             | 47                 | 78                        |
| Production of eggs, number of items                                     | 360             | 228                | 283                       |
| Monetary incomes of population in December, rub.                        | 2'263           | 4'991              | 2'986                     |
| Average salary in December, rub.                                        | 1'639           | 2'283              | 1'540                     |
| The cost of the minimal consumer basket in December, rub.               | 727             | 963                | 746                       |
| Unemployment per 1'000 people able to work of by the end of the year, % | 5.9             | 14.8               | 11.3                      |
| New living space per 1'000 people, m <sup>2</sup>                       | 525             | 219                | 261                       |

Table 2: Main socioeconomic indicators of some border regions of Russia and Ukraine, 1999

| Indicators                                                                 | Russia          |                 |              |                | Ukraine        |             |                |
|----------------------------------------------------------------------------|-----------------|-----------------|--------------|----------------|----------------|-------------|----------------|
|                                                                            | Belgorod Oblast | Voronezh Oblast | Kursk Oblast | Bryansk Oblast | Kharkov Oblast | Sumy Oblast | Lugansk Oblast |
| Territory, thousands km <sup>2</sup>                                       | 27.1            | 52.4            | 29.8         | 34.9           | 31.4           | 23.8        | 26.7           |
| Population on 1 January 2000, thousands of people                          | 1'499           | 2'459           | 1'316        | 1'443          | 2'970          | 1'337       | 2'643          |
| Density of population, inhabitants per km <sup>2</sup>                     | 55.3            | 47.0            | 44.4         | 41.2           | 95.0           | 56.0        | 99.0           |
| Natural movement of population, per 1'000                                  | -7.5            | -10.2           | -9.9         | -9.6           | -8.9           | -10.3       | -10.6          |
| Industrial production in 1999 as percentage of 1998                        | 109.9           | 109.5           | 112.8        | 112.5          | 103.9          | 102.5       | 109.1          |
| Relationship between the average salary and the minimal consumer basket, % | 158.0           | 125.3           | 146.0        | 109.5          | –              | –           | –              |
| New living space in m <sup>2</sup> per 1'000 people                        | 522.0           | 225.4           | 180.3        | 196.0          | 103.4          | 110.0       | 71.0           |

## 2.2 *The gap between Belgorod and Kharkov oblasts*

The character of border cooperation is to a large extent determined by the variation between neighboring countries and regions in the level of income, in the structure of economy, in the way of life and in the culture of the populations.

Next to its neighbors on the other side of the border, Belgorod Oblast looks rather attractive. It is very similar in terms of size and population to most other Russian and Ukrainian border regions, except the three largest ones – Kharkov, Lugansk and Voronezh. East Ukraine is the most industrialized region in the country. Industrial growth started earlier on the Russian side, and in particular in Belgorod, than in most of the neighboring Ukrainian territories.



After 10 years of industrial decline, which affected different branches in very different ways, Belgorod is one of the most industrialized areas in the border zones of both countries in terms of industrial production per capita of urban population. It is by far the most industrialized on the Russian side. Among the entire range of border regions, only the core industrial areas of Ukraine (and of the former USSR), Donetsk and Zaporozh'ye, have higher indicators due to the huge metallurgical plants that account for a large part of their production.

In terms of the grain production per capita of rural population (data on the agricultural population are not available), Belgorod Oblast again seems to be quite competitive. It can be compared with its neighbors that also have fertile black soils: Rostov, Donetsk, and Kharkov. Kursk and especially Krasnodar have much better indicators, while neighboring Voronezh, Lugansk and Sumy are behind, though they have comparable bioclimatical conditions. The situation is worst in Bryansk Oblast, where harvests are less than half the size of those in neighboring Chernigov.

Demographic indicators in Belgorod are better than in any other region in the border zone, even if mortality is much higher than the birth rate. The average salary in Russia is twice that in Ukraine (2'283 and 1'110 rubles respectively in 1999). But in all Russian regions along the border, incomes are noticeably lower than the national average: even in Krasnodar territory, the average wage hardly reaches 75% of the national standard (in Belgorod, the ratio is 71.8%). Salaries in Ukraine are much lower: the average income in Kharkov Oblast, for example, is 70% of that in Belgorod, and the average in Sumy is 57%. However, the lowest salaries on the Russian side are paid in Bryansk, and they are lower than the maximal salary on the Ukrainian side (in Donetsk), but still higher than in neighboring oblasts. Hence, the gap between Russian and Ukrainian neighboring territories is less than the gap between the countries as a whole, because salaries in Russian border regions are below the average, and salaries in their Ukrainian neighbors, on the contrary, are higher, except in the oblast of Sumy, Chernigov and in the Crimea.

Therefore, the economies of Belgorod and some eastern Ukrainian oblasts are mutually complementary. The mining industry of Belgorod has always supplied Ukrainian metallurgical plants with raw material. The contemporary economic structure and specialization to a large extent explains the pattern of the oblasts' foreign economic relations, and the gap in incomes generates migration.





## **Foreign economic relations and migration: the main field of “internationalization” in Belgorod**

### ***3.1 Foreign trade***

Liberalization of foreign trade in 1992 favored the oblast. In early 2000, about 2'500 companies had licenses for foreign trade activity, but only about 1'200 of them were really active in this field. The oblast maintained economic relations with more than 60 countries.

The turnover in foreign trade increased steadily until 1996, when it reached its maximum (US\$1.07 billion, or 115% of the 1995 level). The 1998 crisis caused a considerable decline: in 1999, exports diminished by 35.3%, and the turnover as a whole went down by 18.7%. Ukraine was the only country with which the exchange of goods increased.

Exports consist mainly of ferrous metals and of dressed iron ore (64% of the total value of exports). The oblast's economy often suffers from such narrow specialization. Therefore, an unfavorable development of average prices in this sector seriously affected the oblast's exports in 1999. Sales of iron ore decreased from 7'597'000t in 1998 to 5'347'000t in 1999. The value of ferrous metals sold abroad diminished by 30%, though their physical volume increased from 1'117'000t to 1'235'000t. Producers of these goods made US\$110 million less profit from their exports than they would have if world prices had remained at the 1998 level.

Imports are determined by economic needs. Crude sugar is important, since the local production of sugar beet is not enough to supply all sugar mills. In 1999, it was the main imported good (accounting for 31% of total imports, worth US\$150

million). Moreover, sugar imports are rapidly increasing (by 700% times since 1996 and by 150% as compared with 1998). In 1999, machines and industrial equipment accounted for more than 30% of imports, ferrous metals and pipes made up 20%, foodstuffs accounted for about 15%. Imports of frozen meat products, of vegetable oil and of tobacco also increased (a new tobacco factory was recently built in Belgorod), as well as imports of plastic materials, paints and varnishes.

In 2000, foreign trade was the most dynamic field of the oblast's economy (table 3). It grew by 22%, which was much more than the regional GDP, and exceeded the 1996 level. This growth was accompanied by a considerable restructuring of foreign trade. Since 1999, the oblast has had a negative trade balance with the CIS and especially with Ukraine, while before the crisis it exported more to this area than it bought. For the first time since the disintegration of the USSR, in 2000 the turnover with CIS countries and with Ukraine has strongly increased. As a result, in 1999–2000, the overall balance of foreign trade was negative as well.

Quite naturally, Ukraine's share in the turnover with CIS countries accounts for more than 90% of the trade with CIS countries, and for more than 60% of the total turnover. In one year, it more than doubled. This development is certainly partly due to the receding effect of the ruble's drastic devaluation in August–September 1998, but to a large extent it is also caused by the general growth of both national economies and the restoration of traditional partnership. The negative balance of trade with Ukraine is not fully balanced by the trade with other CIS countries or with the "far abroad."

**Table 3: Foreign trade turnover of Belgorod Oblast in 1997–2000 (in US\$ millions)**

| Indicator                                       | 1997    | 1998    | 1999  | 2000  |
|-------------------------------------------------|---------|---------|-------|-------|
| Total turnover                                  | 1'022.6 | 1'056.3 | 871.2 | 1'062 |
| Turnover with CIS countries                     | 258.9   | 320.8   | 306.4 | 671.3 |
| Ratio of CIS countries in the total, % turnover | 25.3    | 30.4    | 35.2  | 63.2  |
| Including Ukraine                               | 194.1   | 281.1   | 291.6 | 652   |

*Source:* Calculated on the basis of data provided by the Belgorod Oblast State Committee for Statistics, February 2001.

Exports of the oblast increased by 25% in 2000 (in 1999, despite devaluation, it diminished by more than 35%, and in 1998, by about 3% (table 4). Before the crisis, the "far abroad" was the main destination of Belgorod's exports. In the last three years, the ratio of CIS countries (i.e., of Ukraine, as its share accounted for 90–95% of total exports) almost doubled. Exports to CIS countries grew twice as fast in 2000 as the overall export volume.

Table 4: Exports of Belgorod Oblast in 1997–2000 (US\$ millions)

| Indicator                                       | 1997  | 1998  | 1999  | 2000  |
|-------------------------------------------------|-------|-------|-------|-------|
| Total exports                                   | 601.3 | 581.3 | 376.3 | 473.2 |
| Exports to CIS countries                        | 135.3 | 165.2 | 108.2 | 200.2 |
| Ratio of CIS countries in the total, % turnover | 22.5  | 28.4  | 28.8  | 42.3  |
| Including Ukraine                               | 113.5 | 140.7 | 99.   | 189   |

*Source:* Calculated on the basis of data provided by the Belgorod Oblast State Committee for Statistics, February 2001.

The increase in exports to CIS countries is explained by the increase of supplies of dressed iron ore mainly to Ukraine, where 56% of the total exports of crude and dressed iron ore were exported in 1999. In absolute figures, deliveries of iron ore to Ukraine remained stable, but their share of the total exports from Belgorod Oblast to this country diminished from 64.2% in 1996 to 39.8% in 1999 and continued to decrease in 2000. Besides, the oblast sells pipes and other goods such as asbestos and cement to Ukraine as well as washing machines, equipment for electric power stations (boilers, etc.), bearings, and cleaned chalk. Barter was until recently the main form of trade, but in 1999 its share in the foreign trade with Ukraine fell to only 5% (from 15% in 1998).

Still, Belgorod Oblast sells more goods to the “far abroad” than to former Soviet republics. Its most important partners abroad are Great Britain, Germany, Brazil and Cuba (table 5). With some countries such as Great Britain and Hungary, it had a considerable positive balance, but in a number of cases, imports exceeded exports by far, or there were no exports at all (as was the case in business with Brazil, Cuba, France). Great Britain, Germany, and the US import mainly ferrous and rolled metals from Belgorod and are the main buyers on the international market. Besides Ukraine, dressed iron ore is exported to Poland, Hungary, Slovakia and the Czech Republic. Hungary is the largest external consumer of cement produced in the oblast.

Table 5: Main foreign trade partners of Belgorod Oblast in the “far abroad” in 1999

| Regions/<br>Countries | Turnover,<br>in US\$ millions | %     | Exports, in US\$<br>millions | %      |
|-----------------------|-------------------------------|-------|------------------------------|--------|
| Total “far abroad”    | 564.7                         | 65.8  | 268.1                        | 71.3   |
| Great Britain         | 150.07                        | 17.5  | 148.4                        | 39.4   |
| Germany               | 110.09                        | 12.8  | 45.7                         | 12.2   |
| Brazil                | 82.68                         | 9.6   | –                            | –      |
| Cuba                  | 52.69                         | 6.1   | –                            | –      |
| USA                   | 19.94                         | 2.3   | 11.28                        | 3.0    |
| France                | 17.23                         | 2.0   | 0.26                         | 0.0    |
| Poland                | 14.96                         | 1.7   | 14.42                        | 3.8    |
| Hungary               | 13.38                         | 1.5   | 11.66                        | 3.1    |
| General total         | 858.3                         | 100.0 | 376.3                        | 100.00 |

Unlike exports, imports continued to grow even after the 1998 crisis (table 6), though at a lesser rate than exports in 2000 (by about 19%). General positive trends in the Russian economy provoked the reverse in the geographical pattern of imports. Not only did the imports from CIS countries double, but purchases in the “far abroad” were less than half compared to one year before. Belgorod now draws 80% of its imports from CIS countries, i.e. mostly from Ukraine, while before the crisis the oblast depended on a broader range of international markets. This trend proves that traditional economic relations are being restored, and shows the increased dependency of the regional economy on relations with Ukraine. The structure of the oblast’s imports from Ukraine, unlike its exports, is very differentiated. It buys sunflower oil, meat and sausage, corn and other foodstuffs, ferrous metals, pipes and rolled metal, non-organic chemical goods, fertilizers, plastic materials, paints, agricultural machines, and various consumer goods.

Table 6: Imports of Belgorod Oblast in 1997–2000 (US\$ million)

| Indicator                                       | 1997  | 1998  | 1999  | 2000  |
|-------------------------------------------------|-------|-------|-------|-------|
| Total imports                                   | 421.3 | 475.0 | 494.9 | 588.8 |
| Imports from CIS countries                      | 123.6 | 155.6 | 198.2 | 471.1 |
| Ratio of CIS countries in the total, % turnover | 29.3  | 32.8  | 40.0  | 80.0  |
| Including Ukraine                               | 80.58 | 140.4 | 191.9 | 463   |

*Source:* Calculated on the basis of data provided by the Belgorod Oblast State Committee for Statistics, February 2001.

The importance of trade with Ukraine for Belgorod is clearly seen at the all-Russian level. The oblast’s place in it is unique (table 7). Three top regions account for more than 53% of the total turnover between two countries. One may expect to find among them Tyumen with its autonomous districts, as fuel constitutes the main Ukrainian import from Russia. But Moscow, whose industrial production strongly declined in the 1990s, is far ahead of even Tyumen. The relatively small Belgorod Oblast is third, accounting for 7.7% of the total trade with Ukraine – much more than such demographically and economically powerful regions as Moscow Oblast, Samara, St Petersburg, etc. Moreover, Belgorod is by far the national leader, with US\$448 per capita turnover in the trade with Ukraine, while the average is only US\$26, and even the city of Moscow only has a corresponding rate of US\$333. Among the border regions of both countries, per capita foreign trade turnover in the most industrialized region of Ukraine and its main exporter, Donetsk oblast is the only one that exceeds that of Belgorod (table 8).

Table 7: Foreign trade turnover of selected Russian regions with Ukraine in 2000

| Subjects of the Russian Federation | Turnover, US\$ millions | Per capita turnover, US\$ | Ratio in the total turnover of Russian-Ukrainian trade, % |
|------------------------------------|-------------------------|---------------------------|-----------------------------------------------------------|
| Moscow City                        | 2'877'499               | 333                       | 33.28                                                     |
| Tyumen*                            | 1'066'186               | 330                       | 12.33                                                     |
| <b>Belgorod</b>                    | 669'089.6               | 448                       | 7.74                                                      |
| <b>Rostov</b>                      | 373'852.6               | 85                        | 4.32                                                      |
| Moscow Oblast                      | 332'921.2               | 51                        | 3.85                                                      |
| Tatarstan                          | 217'185.5               | 57                        | 2.51                                                      |
| St Petersburg                      | 209'625.6               | 44                        | 2.42                                                      |
| Novosibirsk                        | 200'946                 | 73                        | 2.32                                                      |
| <b>Kursk</b>                       | 182'348                 | 137                       | 2.11                                                      |
| Nizhnii Novgorod                   | 177'164.9               | 48                        | 2.05                                                      |
| Samara                             | 175'213.1               | 53                        | 2.03                                                      |
| Bashkortostan                      | 170'376.3               | 41                        | 1.97                                                      |
| Kemerovo                           | 144'867.2               | 48                        | 1.68                                                      |
| Voronezh                           | 127'887.1               | 52                        | 1.48                                                      |
| Krasnoyarsk                        | 124'924                 | 41                        | 1.44                                                      |
| Sverdlovsk                         | 108'920.9               | 23                        | 1.26                                                      |
| Total top 20 regions               | 15'805'143              | 59                        | 82.80                                                     |
| <b>Russian Federation</b>          | 8'646'137               | 26                        | 100.00                                                    |

\* With autonomous districts. Border regions are in bold

Source: Data of the State Customs Committee of the Russian Federation, 2001.

Table 8: The involvement of Russian and Ukrainian border regions in export and import operations in 1998

| Countries and regions | Exports, US\$ millions | %     | Per capita exports, US\$ | Imports  | %     | Per capita imports, US\$ |
|-----------------------|------------------------|-------|--------------------------|----------|-------|--------------------------|
| Ukraine               | 12'504.9               | 100   | 249.6                    | 14'336.2 | 100.0 | 286.1                    |
| Crimea                | 153.6                  | 1.2   | 72.0                     | 165.9    | 1.2   | 77.7                     |
| Donetsk               | 2'442.5                | 19.5  | 487.7                    | 1'098.5  | 7.7   | 7.0                      |
| Lugansk               | 462.6                  | 3.7   | 173.0                    | 293.5    | 2.0   | 109.8                    |
| Sumy                  | 192.3                  | 1.5   | 142.0                    | 176.2    | 1.2   | 130.1                    |
| Kharkov               | 360.6                  | 2.9   | 120.3                    | 931.6    | 6.5   | 310.8                    |
| Chernigov             | 99.8                   | 0.8   | 76.6                     | 131.3    | 0.9   | 100.8                    |
| Russia                | 68'000                 | 100.0 | 463.6                    | 27'000   | 100   | 184.1                    |
| Brinask               | 63.3                   | 0.1   | 43.6                     | 105.6    | 0.3   | 72.8                     |
| Belgorod              | 370.7                  | 0.5   | 249.0                    | 492      | 1.3   | 330.4                    |
| Voronezh              | 171                    | 0.3   | 40.0                     | 164.9    | 0.5   | 66.7                     |
| Kursk                 | 85.3                   | 0.1   | 64.5                     | 189.9    | 0.3   | 143.5                    |
| Rostov                | 495.4                  | 0.7   | 113.4                    | 453.4    | 1.1   | 103.8                    |
| Krasnodar             | 523                    | 0.8   | 104.4                    | 586.5    | 2.3   | 117.1                    |

Of course, the comparatively large per capita turnover of foreign trade with Ukraine is due to the activity of traders-mediators. According to estimates of the Belgorod Oblast State Committee for Statistics, in 1999 the production of local plants accounted for only 10% of goods exported to Kharkov Oblast. This means that the regions-mediators now play a more important role than producers and capture a significant part of profit from trade. Though in absolute terms border trade is not large, in a number of cases it plays a decisive role in keeping industrial plants working. Hence, the supply of Balakleya cement factory (Kharkov Oblast) with clinker from Belgorod Oblast saved it from bankruptcy.

### **3.2 Joint ventures**

Profit from transit is the reason why most joint ventures registered in the oblast have emerged as a result of cooperation with Ukrainian partners and are specialized in foreign trade and in mediation. By 1 January 2001, 682 joint ventures had been registered in the oblast, including 583 with participation of capital from CIS countries, of which 431, or 74%, were created with Ukrainian participation. A great number of those that deal with foreign trade operations are created with the minimal possible status capital and are ephemeral. By mid-1999, only 105 joint ventures of 503 were really working. Most are concentrated in the oblast center (74.5%) and its suburbs (5.8%), and in the town of Starii Oskol (7.1%), because they have better conditions for wholesale and retail trade and for transactions with Ukraine. The number of companies with foreign investments in proper border districts, including Ukrainian ones, is low. There are 21

such companies in the town of Shebekino, 10–11 in each of the towns of Roven’ki and Valuiki, and between one and five companies in other districts.

The oblast’s administration is attempting to create a more attractive climate for domestic and foreign investors. In 1995, its Duma adopted the Law on Investments in Belgorod Oblast, which was completed late and with some amendments. The laws on annual budgets provide for guaranties for investors (in 2000, these were RUR 140 million, or about US\$5 million). Fiscal privileges established by the oblast law reached approximately RUR 130 million in 2000. In the annual ratings of the journal *Ekspert* estimating the attractiveness of all Russian regions on the basis of a wide spectrum of economic, social and legal indicators, Belgorod Oblast is seen as one of the top ten regions (out of 88, excluding Chechnya) by both domestic and foreign investors.

Foreign investment in Belgorod Oblast is rather small in volume and does not correspond to the size of its economy and of its population, even on the Russian scale: its share of investments is much less than its share of the population. Per capita direct investments in Belgorod in 1998 were less than those in its Russian neighbors in the border zone (except Krasnodar territory) and much less than on the Ukrainian side of the border (table 9). Direct investment accounted for about a half of total investments to the regional economy. 1998 was one of the worst years for post-Soviet Russia.

Table 9: Direct foreign investments in border regions of Russia and Ukraine in 1998

| Countries/ regions | Direct investments, US\$ millions | % of the total | Direct investments per capita, US\$ |
|--------------------|-----------------------------------|----------------|-------------------------------------|
| Ukraine            | 2'781.7                           | 100            | 55.5                                |
| Crimea             | 142.5                             | 5.1            | 66.8                                |
| Donetsk            | 166.2                             | 6.0            | 33.2                                |
| Zaporozhie         | 229.2                             | 8.2            | 113.3                               |
| Lugansk            | 28.2                              | 1.0            | 10.6                                |
| Sumy               | 20.0                              | 0.7            | 14.8                                |
| Kharkov            | 51.4                              | 1.8            | 17.1                                |
| Chernigov          | 43.0                              | 1.5            | 33.0                                |
| Russian Federation | 3'360.8                           | 100            | 22.91                               |
| Bryansk            | 0.1                               | 0.002          | 0.06                                |
| Belgorod           | 1.9                               | 0.058          | 1.30                                |
| Voronezh           | 13.5                              | 0.400          | 5.44                                |
| Kursk              | 6.4                               | 0.190          | 4.83                                |
| Krasnodar          | 153.1                             | 4.555          | 30.56                               |
| Rostov             | 2.6                               | 0.079          | 0.60                                |



### 3.3 Migration

The influx of migrants to Belgorod Oblast is an important element of its foreign relations and potentially a threat to its internal security. Due to a relatively high standard of living and to a mild climate, Belgorod has since the late 1980s attracted refugees, forcibly resettled people and other migrants from Transcaucasia, Kazakhstan and Central Asia, the North Caucasian republics of the Russian Federation and from its northern and far-eastern regions. In 1999 alone, more than 10'000 people settled in the oblast, almost all of them from CIS countries, including 3'900 from Ukraine (table 10). Since the mid-1990s, the oblast has been third in the Russian Federation in terms of the absolute annual number of officially registered migrants (in 1999, the number was 45'500) after the Krasnodar and Stavropol kraia. In 1999, these three regions had 134, 123 and 118 migrants per 10'000 inhabitants respectively, while the national average was only 23. Since the creation of the Federal Service of Migration in early 1992, 319 forcibly resettled migrants per 10'000 inhabitants have been registered in Belgorod Oblast – more than in any other subject of Russian Federation.

But the pattern of migration has a tendency towards normalization: in 1999, the balance of migration with other regions of Russia was larger than with CIS countries. Belgorod Oblast has a slightly negative balance of population movement with the “far abroad,” as does Russia as a whole.

Table 10: Migration in Belgorod Oblast in 1998 and 1999

| Migration                     | 1999     |            |         | 1998     |            |         |
|-------------------------------|----------|------------|---------|----------|------------|---------|
|                               | Arrivals | Departures | Balance | Arrivals | Departures | Balance |
| Total domestic                | 35.1     | 25.7       | 9.4     | 33.4     | 25.9       | 7.5     |
| Between regions               | 17.2     | 7.8        | 9.4     | 15.7     | 8.1        | 7.6     |
| Total international           | 10.3     | 2.9        | 7.4     | 12.0     | 2.7        | 9.3     |
| With CIS and Baltic countries | 10.3     | 2.5        | 7.8     | 11.9     | 2.4        | 9.5     |
| With other countries          | 0.1      | 0.4        | -0.3    | 0.1      | 0.3        | -0.2    |
| Total                         | 45.5     | 28.6       | 16.8    | 45.5     | 28.6       | 16.8    |

Source: Data of the Belgorod Oblast State Committee of Statistics, 2000.

But contrary to Stavropol and especially to Krasnodar, where immigration is one of the most important political issues, in Belgorod it is not (at least, yet) perceived as a threat. The primary reason is that most newcomers (88.9%) are ethnic Russians coming mainly from Kazakhstan (72.8%) and Uzbekistan (11.8%). In Stavropol, for instance, Russians account for only two-thirds of migrants. Second, immigration easily makes up for the natural decrease of population since 1989 (in 1998, the emigrant ratio was 6.1 per 1'000) and provides many plants and organizations with labor. Third,



most forcibly resettled migrants live in large cities and capitals of newly-independent states, and 56% of them have high school or technical diplomas. They certainly increase the oblast's human capital, though they create difficulties for local authorities, especially because of housing problems. Not surprisingly, they try to settle in the two largest cities of the oblast, Belgorod and Starii Oskol (42.3% of the total population). Ukrainians are the second-largest ethnic group among forced migrants (6.1%). Characteristically, the oblast is so attractive for migrants that 11.1% of newcomers in 1999 had been officially recognized as forced migrants in other regions of Russia and had then moved to Belgorod. Of course, this data concerns only officially registered migrants. Since the privileges are not very significant, on average only about 40% of migrants apply for this status. Nevertheless, these figures give an idea of the composition of the immigrant group. As in a number of other regions, the oblast's administration has recently created a commission to regulate migration.

Official statistics don't reflect the reality regarding the use of foreign labor either. There is no doubt that a great number of people work without official registration, though computerization and other improvements in the work of police are diminishing the ratio of illegal workers from year to year. The police force supposes that in 1999 the ratio decreased to about 20%. However it may be, there were 6'200 officially registered foreign workers in the oblast, 94.1% of whom were Ukrainian citizens.<sup>8</sup>

Thus, the establishment of political borders as strong barriers did not completely abolish the close economic and human ties between Belgorod Oblast and neighboring Ukrainian regions, but transformed them and even led to the appearance of new mutual interests (regulation of migration, and so on). Ukrainian regions remain the main foreign partners of the oblast. Under the new conditions, the role of political factors in the relations between border regions has increased tremendously.

8 Naboka, V. *Informatsiia o rabote migratsionnoi sluzhby Belgorodskoi oblasti v 1999 g.* (Information About the Activity of the Migrational Service of Belgorod Oblast in 1999). Unpublished document. Belgorod, 2000.



## Political factors of border cooperation

### *4.1 The origin and the stability of the regional political regime*

The nature and the rate of Belgorod Oblast's transformation into a foreign policy actor and a main protagonist of border cooperation depends on the nature of its political regime. This regime, in turn, is determined by the economic structure and the history of the oblast. In comparatively small, rural and traditional agricultural regions like Belgorod, the main industrial plants have traditionally been under control of central ministries and have been relatively independent from regional and local authorities. For instance, construction work at the metallurgical complex in Starii Oskol required large investments and were certainly significant for the Union as a whole. In other words, two different systems of elites existed in such oblasts, which had different backgrounds and orientations. The region was ruled by an elite that had emerged mainly from agriculture and related branches. Normally, members of this elite were more or less advancing their political careers by following the hierarchical organization of the Soviet agriculture: kolkhoz – rayon (district) – oblast. Most were natives of the oblast, had an agricultural education and knew each other intimately. The second group consisted of industrialists appointed by federal ministries, who came from other regions, had a technical background and were usually more interested in contacts with their superiors in Moscow.

In regions that are more industrialized than Belgorod, the political elite created after the disintegration of the Soviet Union has a polycentric structure, as its different parts represent various sectors of industry. In relatively rural oblasts, a much more homogenous and better-established group of “agriculturists” most often gained dominant positions, leaving the “industrialists” only secondary roles. The political regime they tried to establish was basically mono-centric and hierarchical. Belgorod Oblast was an exception in that the governor, Evgenii Savchenko, after a series of political bat-

ties, succeeded in shaping a cohesive and united regional “party of power.”<sup>9</sup> In November 1993, Savchenko was appointed by Yeltsin and then elected in 1996 and re-elected in 2000. He won the position of uncontested political leader of the oblast: the oblast Duma is normally loyal to him, and he now apparently has no rivals who could dispute his power. This position was reached due to two principal political victories.

First, Savchenko gained the upper hand over the then general director of one of the oblast’s main iron ore dressing plants, which wanted to rid itself of one of its main shareholders, a Moscow bank. When Savchenko did not support the general director and declared that he would respect the court’s decision, the director tried to dismiss the governor and was initially backed by other industrialists and by protesting workers.

Second, Savchenko managed to incorporate into his team most of the activists of the Communist Party, which, like himself, were part of the former Soviet regional *nomenklatura*. The CPRF is the leading political force in the region and controls more than one third of the votes in the oblast Duma. The cleavage between the oblast administration (the team of Savchenko) and the CPRF oblast committee has ceased to exist, as party membership does not play a role in political careers anymore. Savchenko also won the personal competition with the regional leader of the Communist Party, Mikhail Beskhmel'nitsin. Characteristically, he was backed by the influential last first secretary of the Belgorod CPSU oblast committee, Alexander Ponomarev, now a CPRF regional activist.<sup>10</sup>

Hence, the Communist leadership and the administration were fused into a single “party of power.” As other parties in the oblast are weak, it has a perfect opportunity to control the political life and financial flows of the region. This “party of power” enjoys full legitimacy, as the Communists control a stable majority of the oblast’s electorate, a position that is enhanced by a relatively favorable economic situation.

Savchenko started as a faithful adherent of Yeltsin. But as soon as he had strengthened his political hold on the oblast, he became a radical critic of the ruling regime. He blamed federal authorities for ruining the national economy, and for ignoring the needs of a more and more impoverished population. He stressed his intention to rely only on the regional potential and called for its mobilization. He openly supported Yeltsin’s early resignation. He centered his last electoral campaign on the slogan “The region of Belgorod is in danger!” He saw a need for all true local patriots to unite against two major candidates he tried to present as incarnations of Moscow’s determination to subjugate the oblast and to sap it of its resources. Vladimir Zhirinovskii himself stood for election, as well as the governor’s eternal rival Mikhail Beskhmel'nitsin (who spent the last few years working in Moscow). However, Moscow has become used to not taking pre-electoral declarations of governors at face value. The apparent

9 Pyrma, R. “Agrarii (nabrosok k politicheskomu portretu Evgeniia Savchenko)” (An Agrarian (A Sketch for a Political Portrait of Evgenii Savchenko)). *Pro et Contra*, vol. 5, no. 1 (2000), pp.137–158.

10 *The Political Yearbook of Russia*, 2000.

transition of Savchenko to the opposition allowed him to play a more autonomous role in relations with his Ukrainian counterparts.

Savchenko certainly made border cooperation a main focus of his politics. His administration has always been and still is a major driving force and initiates proposals on behalf of border regions. It is no doubt in the oblast's long-term interest. At the same time, the governor uses the geopolitical situation as a pretext in his bargaining with the federal center. It is true that at least in the early 1990s, border regions had to pay a great part (and sometimes even most) of the cost of employing border guards, customs and other border services. Indeed, regional and local administrations could claim part of the customs revenue to maintain the border installations.

After initiating regular meetings of the heads of administrations of border regions, the governor tried to build an efficient political coalition to promote their specific interests in Moscow. All of them are interested in getting special legal status as a border region and are facing the same problems. Such a coalition certainly had better chances of raising important issues regarding the federal center's policy towards Ukraine, Belarus and other CIS states than a governor alone would have had. The similar political views and the common background of almost all leaders of the Red Belt regions along the border with Ukraine have also certainly played a role. This was one reason why the Yeltsin administration was not too prone to meeting their requests.

Belgorod's officials were therefore the most active among the leaders of Russia's border regions in promoting new forms of border cooperation and in trying to improve old ones

#### ***4.2 Nation- and state-building, or geopolitics vs. geoeconomics***

In the post-Soviet era, border cooperation is especially closely related to the more general problems of bilateral relations. For many objective and subjective reasons, relations between Russia and Ukraine are not easy.<sup>11</sup> Both sides are facing problems of nation- and state-building, and the task of creating a new political identity. In the long-term perspective, these are the factors that will to a large extent determine Russian-Ukrainian relations. Citizens of an independent state should identify themselves with this state within its actual borders. In other words, political identity is the attitude of people to their country and its borders, to its language, culture and symbols. This attitude is usually complicated and multi-layered, especially in border regions.<sup>12</sup>

11 Evzerov, R. Ya. *Ukraina: s Rossiei vmeste ili vroz?* Moscow: Ves' mir, 2000. See also Kolossov, *Op. cit.*

12 Kolossov/O'Loughlin, *Op. cit.*, pp. 259–273. See also Newman, D. and Paasi, A. “Fences and neighbors in the Post-Modern World: Boundary Narratives in Political Geography.” *Progress in Human Geography*, vol. 22, no. 2 (1998), pp. 186–207.

Efforts of the state to build a new political identity create objective difficulties for the population.

It is well known that the cultural border between Western Christianity and Orthodox areas does not correspond to the former Soviet (now Ukrainian) western border.<sup>13</sup> It coincides instead with the border between major Ukrainian economic and cultural regions. The political frontiers as well as contemporary regional and administrative boundaries are extremely important for the creation of a Ukrainian national identity and the Ukrainian nation.

Under these circumstances, the easiest way to form a pan-Ukrainian identity as the basis of the new state was to use the “oppositional” model of identity. Ideologists of Ukrainian nation-building clearly opted for this path in developing the so-called “Western” geopolitical doctrine.<sup>14</sup> Its basic tenets are that it is possible to create an independent Ukraine as a new large European state in opposition to Russia, and to develop a system of iconography, myths and social representations depicting Ukrainians as the only direct cultural and geopolitical heirs of the Kievan “Rus-Ukraine.”

A number of Ukrainian ideologists contest the common historical and cultural roots as well as the objective long-term mutual interests of Russia and Ukraine. The neighborhood with Russia is described as pregnant with dramatic consequences for independent Ukraine, especially in view of the events of October 1993 in Moscow, two Chechen wars and the situation in North Caucasus. It is argued that Russian population and political elite have retained an imperial national consciousness and could never accept the independence of Ukraine. They conclude that national security interests dictate Ukraine’s need to strengthen and carefully protect its eastern border and to avoid any alliances with Russia.

An influential part of the Ukrainian political establishment would wish to transform the eastern border into true political boundaries, in place of mythical boundaries. For these Ukrainian leaders, the eastern border is important not only as a protective barrier around the national economic space, but as a major political and ideological symbol of independence as well. Proposals to take into account economic, linguistic and cultural diversity, and, in particular, to accommodate the requests of the East, and to transform the Ukrainian state into a federation, have been definitively rejected as a result of the adoption of the 1996 constitution.

13 See, for instance, O’Loughlin, J. and Bell, J. “The Political Geography of Civic Engagement in Ukraine.” *Post-Soviet Geography and Economy*, vol. 40, no. 4 (1999), pp. 233–266. See on this topic also Wilson, A. *Ukrainian Nationalism in the 1990s: A Minority Faith*. Cambridge: Cambridge University Press, 1997.

14 See, for example, on the issue Zastavnii, F. D. *Geografii Ukrainy* (The Geography of Ukraine). Lviv: Svit, 1994. See also *Ukraine 2000 and Beyond: Geopolitical Priorities and Scenarios of Development*. Kyiv: the National Institute for Strategic Studies and the National Institute for Ukrainian-Russian Relations, 1999.

On the Russian side, politicians from both the left and the extreme anti-Western right-wing parts of the Russian political spectrum are firmly persuaded that an independent Ukraine is *a priori* hostile to Russia and will inevitably become a close ally or a member of NATO. They say that Ukraine would never exist within its actual boundaries, if it was not a part of the common state with Russia: the size of the Ukrainian regions after they were unified with Russia in 1654 was five times less than the territory of the present-day independent Ukraine. They also argue that Crimea has never been a Ukrainian territory. They quote the words of Alexander Solzhenitsyn who viewed the inclusion of Crimea in independent Ukraine as “the state stealing.” This group calls for a struggle with Ukrainian nationalism by all possible means and to use any available leverage to apply pressure on Ukraine. Some politicians (such as Sergei Baburin and Konstantin Zatulin) raised again the question of Ukraine’s federalization and demanded the status of a second state language for Russian.<sup>15</sup> They tried to prevent the ratification of the 1997 “Big Treaty” (the Treaty on Friendship, Cooperation and Partnership between Ukraine and the Russian Federation) until the last moment. A number of their declarations strengthened the electoral base of Rukh and of other nationalist parties in Ukraine.

One may assume that fluctuations in bilateral relations between Moscow and Kiev are long-term and depend on a changing balance between separate political and regional groups. In Ukraine, fluctuation results from the balance between nationalist parties and movements, including those who promote interests of the West, the Kiev intellectual elite, and representatives of eastern and southern regions oriented towards cooperation with Russia. This balance is to a large extent affected by the current economic situation in both countries. However, in early 2001, there are obvious signs of a rapprochement between them. Skeptics may say it is caused by the unstable political position of Ukrainian president Leonid Kuchma.<sup>16</sup>

Both Moscow and Kiev are preoccupied with considerations of high-level politics and do not care too much about economic and other needs of the border area. But this attitude is quite widespread throughout the world. Populations of border territories blame the capitals for difficulties of transition. So, in the words of Andrei Makarychev, the geopolitics of central authorities is often opposed to the geoeconomics of border oblasts.<sup>17</sup>

15 Zatulin, K. and Sevastianov, A. “Druzhiba, sotrudnichestvo i partnerstvo mezhdru Rossiei i Ukrainoi” (Friendship, Cooperation and Partnership between Russia and Ukraine). *Nezavisimaia Gazeta – Sodruzhestvo*, 31 January 2001, pp. 4–5.

16 *Ibid.*

17 Makarychev, *Op. cit.*





## **Models and perspectives of border cooperation between Belgorod Oblast and its neighbours**

### ***5.1 The European experience and post-Soviet reality***

Three models for activating the economic life in border regions can be distinguished. The traditional model is based on the development of services for foreign markets and of border trade. The driving force of the accumulation of capital is the difference in prices on goods and services on both sides of the border. This model is most often used in countries with a modest level of per capita income and strongly depends on visa and custom regulations. However, it can significantly contribute to the economic revival of border regions. The second model calls for the creation of special economic zones and of attractive conditions for foreign investment together with more favorable fiscal and customs terms and visa regulations. The third model was elaborated in Western Europe and is based on the principles of decentralization. It is normally applied in countries with high per capita income and stable prices. It is supported by the European Framework Convention on Border Cooperation of Territorial Communities and Authorities, which was signed in 1980. In the late 1980s, the EU adopted the INTERREG program in order to contribute to border cooperation and to the development of border regions. Since 1996, a second program, INTERREG II, has been issued. Direct funding of regions on both sides of the border is made possible due to the elimination of customs and other obstacles to the movement of goods, capital and labor force and to the adaptation of legislation. However, even in Western Europe most border regions still remain peripheral and backward, and special measures are needed to remove the seams between nations inherited from the past.<sup>18</sup>

18 Vardomskii, *Op. cit.*

Functions and funding of border cooperation were delegated from the central to the regional and local levels, which matched political and economic trends in Western European countries. Several regions and/or local governments were designated Euroregions as a result of agreements between regional and local authorities. Funding is provided by the EU (in particular, the INTERREG program) and by national, regional and local budgets, as well as private investors.

In the post-Soviet era, the traditional model of border cooperation is most often used because of significant and growing gaps in social and economic development, and because of national-building processes and the political ambitions of the central authorities. However, the regions most interested in border contacts try to combine all three models. In the following sections, we will consider the history of the last decade, and the instruments and perspectives of the oblasts' border cooperation.

## ***5.2 The legal base of cooperation between Russian and Ukrainian border regions***

There is a series of laws and presidential decrees governing the economic and other relations between the Russian Federation and CIS countries as a whole, and Ukraine in particular. The most important bilateral act is the "Big Treaty" signed on 31 May 1997 in Kiev. Article 14 stipulates that the two sides "will ensure favorable conditions for direct commercial and other economic relations at the level of administrative-territorial units according to applicable national legislation, while paying special attention to the development of economic relations of border regions." The agreement between the Russian and Ukrainian governments on cooperation between border oblasts was concluded on 27 January 1995. A number of intergovernmental agreements were signed in other fields as well: there were treaties on international automobile transportation; on customs points at the border between the Russian Federation and Ukraine; on the use and protection of border water basins; on cooperation in the fields of culture, science and education; and on cooperation in the field of environment. In January 1996, the presidents signed the Agreement On the Creation of the Joint Russian-Ukrainian Commission on Cooperation, which is co-chaired by the prime ministers. Thirteen sub-committees meet between the sessions of this "big" Commission, including a sub-committee on border cooperation. Belgorod Oblast participates in two sub-committees on trade and economic cooperation and on border cooperation.

In July 1999, the Program of Inter-Regional Economic Cooperation between Russia and Ukraine was adopted with the participation of 18 subjects of the Russian Federation. It included 213 concrete areas of cooperation, in particular joint high-tech ventures. In 2000, a concept of border cooperation was also adopted.

But many of the articles and finer points of these legal acts remain only on paper or are not applied to the full extent. The Convention on Transnational Corporations signed by CIS states in March 1998 has not yet been ratified by Russia. There are substantial divergences in Russian and Ukrainian national and regional legislation

regulating economic activity and movements of goods and people in border areas. For instance, citizens of Belgorod Oblast can get a pass that allows them unlimited transit across the Ukrainian border by car through established crossing points for six months. This considerably decreases their costs. On the Ukrainian side, there are no such opportunities.

The lack of legal certainty today is one of the main factors restraining border cooperation, especially in the economic field. There still is no adequate coordination of the activity of federal institutions and of regional authorities in this field. In March 2000, the Russian government created a commission to work out a concept and a project for the federal program of border cooperation and to coordinate the efforts of different ministries and services.

One of the most serious obstacles for economic cooperation is that Russia and Ukraine have different standards for charging value added tax. When goods are exported from Russia to CIS countries, the principle of “the country of origin” is applied, while Ukraine has already passed to the commonly used principle of “the country of destination.” As a result, Russian enterprises must pay two duties when exporting their goods to Ukraine, which makes them less competitive. There are also many other applicable taxes and custom procedures are very time-consuming and unpredictable.

This state of affairs has already led many enterprises in the border zone to turn to domestic suppliers, very often at the expense of quality and economic efficiency. The town of Shebekino, which is situated right on the border, has an engineering plant that has for decades specialized in the production of equipment for sugar mills, in particular of machines for pounding sugar beets. As one-third of the former Soviet Union’s sugar mills were located in Ukraine, the Shebekino mill sold most of its machines to this republic. At the same time, it bought quality stainless steel that was brought by lorries from neighboring Ukrainian metallurgical plants. Since the collapse of the Soviet Union, the Shebekino mill has lost a great deal of its market in Ukraine. According to the director, it is cheaper and easier for Ukrainian sugar mills to order the machines they need from Ukrainian plants, though their product is of lower quality because they have never produced it before. The plant in Shebekino, in turn, is forced to buy steel in Cherepovets and even in Chelyabinsk in order to avoid arduous formalities. But in terms of efficiency, it is very unprofitable: Remote suppliers will send only by rail in large consignments, and the Shebekino plant is thus deprived of a part of its circulating capital.<sup>19</sup>

The director of the Shebekino detergent mill told a similar story. For years, he bought cardboard boxes from a Ukrainian plant situated near Kiev. “It’s impossible! My lorry has spent four days at customs, a few kilometers from here, and I do not know how I will package the detergents!” he complained.<sup>20</sup>

19 Interview with the director of the Shebekino engineering plant, September 1999.

20 Interview with the director of Shebekino mill for synthetic detergents, September 1999.

On the Ukrainian side, the pipe plant in Sumy Oblast is forced to use imported steel instead of metal from Starii Oskol, which is situated only 200 km away.

Border cooperation requires good information. Regional legislative bodies and businessmen have no information on the fiscal system, the budgets or the markets of neighboring oblasts. Old partnership relations are often already broken, and the new ones are not reliable enough yet. Regional chambers of commerce and industry have therefore been called upon to play an important role in this field.

### **5.3 *Bilateral agreements***

Already in 1992, just after the disintegration of the Soviet Union, border oblasts concluded bilateral agreements on cooperation in the economic and other fields: first with their direct neighbors and then with a number of other regions across the border. The Belgorod administration regularly revises its agreements with neighboring Kharkov and Lugansk and signs annual protocols and programs.

The general agreement between Belgorod and Lugansk oblasts, signed in July 1999 for five years, indicates that the base of cooperation consists of direct relations between various economic and financial actors, as well as of research and of education institutes and of cultural organizations. The two oblast administrations have committed themselves to interacting more, organizing more and partially funding their relations. They will also promote reciprocal investments and develop the markets for Russian goods in Ukraine and the markets for Ukrainian goods in Russia. They will exchange information about their needs, production and potential supplies, etc.

The protocol on economic cooperation between the two oblasts that (which was signed on the basis of the previous Agreement of July 1999), for example, includes plans for fairs and exhibitions in both regions, providing for an exchange of a biannual list of goods produced by them and guarantees of mutual supplies. It was also planned to process sugar beet grown in Lugansk Oblast at a joint venture enterprise in the Valuiki district of Belgorod Oblast, and to exchange supplies of seeds and foodstuffs from Belgorod for mineral fertilizer from Lugansk. Under the protocol, materials for construction work are to be exported from Lugansk to Belgorod, and dressed iron ore is to be delivered in return. The two sides agreed to support the exchange of goods with marketing information between regional chapters of the national trade and business associations. It was suggested to combine both regions' research potential for strategic economic planning. The regions of Lozino-Aleksandrovka (in Ukraine) and Roven'ki (in Russia) asked their governments to open new border crossings.

On 27 September 1997, Belgorod signed a similar new four-year Agreement with its largest neighbor, Kharkov Oblast. It will be revised and updated in 2001. It seems that geopolitical factors in Ukraine are now especially favorable to the restoration of cooperation between Belgorod and Kharkov.

Kharkov has always been the major rival of Kiev as the capital of Ukraine and its most important industrial, educational and research center. At the same time, as the largest city of East Ukraine, Kharkov is in clear opposition to L’viv, the capital of West Ukraine and the focus of the “national revival” which most East Ukrainians consider anachronistic nationalism. Kievan authorities have always viewed the leaders of Kharkov with a certain suspicion; relations between the current and the former Ukrainian capitals were similar to those between Moscow and St Petersburg (formerly Leningrad) in Russia and in the former Soviet Union.

It seems that the Kuchma administration is now disappointed with cooperation with the West. In late 2000 and early 2001, Kiev appeared to be returning (though, as it turned out, only temporarily) to closer cooperation with Russia.<sup>21</sup> Against this background, Kharkov can play a leading role in the restoration of economic contacts between the two neighboring countries. It was no coincidence when in February 2001, the Russian and Ukrainian foreign ministers held a special meeting there in order to discuss questions of border cooperation.

Both Belgorod and Kharkov oblasts are part of the historical province of “Slobodskaia Ukraine,” or Slobozhanshchina. The province was formed in the then borderlands of Russia in the 16<sup>th</sup>–18<sup>th</sup> centuries, when Ukrainian Cossacks and Russian servicemen settled the area belonging to the “Wild Field,” the steppes that were formerly exposed to periodical devastating raids of nomads. Their inhabitants felt themselves to be a distinct group apart from Great Russians.<sup>22</sup>

The systems of secondary and higher education in neighboring Russian and Ukrainian oblasts are still very similar. Kharkov has a well-known university that was one of the oldest in the former Soviet Union. It has been proposed to introduce a bilingual curriculum at Kharkov University, which (together with dozens of other institutes) formerly attracted a considerable number of students from Belgorod. The efforts towards specialization in the institutes of higher education in Kharkov and Belgorod are, to a certain extent, complementary.

Besides two direct neighbors, Belgorod Oblast has also reached agreements on trade and economic cooperation with the Autonomous Republic of Crimea and the oblasts of Kiev, Khmel’nitskii, Dnepropetrovsk, Vinnitsa, Odessa, Sumy, Zaporozh’e, Donetsk, Poltava and Chernigov. Belgorod also cooperates with Belarus and with all its primary territorial units except the city of Minsk. It has signed a framework agreement on trade, economic, and scientific and technical cooperation in the field of agricultural industry with the government of Belarus – an interesting example of direct partnership between a genuinely “Russian” subject of the Russian Federation and a foreign country. There has also been a series of agreements with Ukrainian oblasts in

21 Zatul’in/Sevastianov, *Op. cit.*, pp. 4–5.

22 Bagalii, D. I. “Istoriko-ethnografichni i lingvistichni materialy pro pivnichnii kordon URSR z RSFSR” (Historical-geographical and Linguistic Materials on the Southern Border of the Ukrainian Soviet Socialist Republic and Russian Soviet Federative Socialist Republic). In *Geografia Ukrainy* (The Geography of Ukraine), ed. F. D. Zastavnyi, pp. 397–98. L’viv: Svit, 1994.

the areas of culture, education, information and new technologies. At district level, agreements on cooperation in education have been signed. For instance, such agreements exist between the neighboring districts of Shebekino and Volchansk, between Borisov and Zolochiv (Kharkov Oblast), between Prokhorovka district and Kharkov's Moscow district, between Roven'ki and Veidelevsky districts, and between several districts in Lugansk Oblast.

Ukrainian border regions whose economies were closely involved with partners in Russia were more active in establishing bilateral relations than their Russian counterparts. By 1 January 2001, 103 such agreements had been signed in total (59 of which were on the Russian side). But the number of agreements per 10'000 inhabitants was higher on the Russian side, especially in Bryansk and Rostov oblasts.<sup>23</sup>

#### **5.4 *Multilateral cooperation***

Belgorod Oblast together with Kharkov oblast in Ukraine initiated the creation of the Council of Heads of Border Regions of Russia and Ukraine. Its first constituent meeting was held in January 1994 in Belgorod. Initially, it was composed of five Russian oblasts (Belgorod, Bryansk, Voronezh, Kursk and Rostov) and five oblasts of Ukraine (Donetsk, Lugansk, Sumy, Kharkov and Chernigov). In 1996, three oblasts of Belarus (Gomel, Mogilev and Vitebsk) that had a common border with Russia (and Ukraine) joined the Council. In the same year, other subjects of the Russian Federation and Ukrainian oblasts were admitted to the Council, including some that do not border on Russia but were interested in promoting cooperation with its regions. On the Russian side, these were Krasnodar territory and Tula oblast; on the Ukrainian side, the Republic of Crimea, the city of Sevastopol and the oblasts of Poltava and of Zaporozh'e joined the Council. The Council now has 19 members.

Its activity is organized by the Executive Committee, which is now based in Belgorod and Kharkov. Between January 1994 and July 1997, 13 sessions were held in turn on Russian, Ukrainian and later on Belarusian territory. A session in Krasnodar was delayed and the activity of the Council decreased for a while until autumn 2000. In February 2001, a new session, combined with a meeting of the two countries' foreign ministers, was held in Kharkov.

Characteristically, at each session of the Council, the heads of border oblasts adopted resolutions asking the central authorities in Moscow and Kiev to improve conditions for border cooperation. They unanimously supported numerous declarations calling upon both capitals to undertake immediate and efficient measures to improve political relations between the countries. In March 1995, the Council adopted an appeal to the governments of Russia and Ukraine to sign a treaty governing their economic union. In October 1995, a new appeal addressed to the heads of states and of

23 Information of the Executive Committee of the Council of Heads of Administrations of Border Regions of the Republic of Belarus, Russian Federation and Ukraine, 2001.



governments was adopted. It demanded that they deepen their bilateral cooperation and establish a regime of free trade. In July 1996, the Council called on the heads of states and of governments to sign a friendship and cooperation treaty between Russia and Ukraine as soon as possible. In December 1996, the Council asked the presidents and the prime ministers of Belarus, the Russian Federation and Ukraine to create a common agrarian market. In July 1997, the governors called on the heads of the three states to conclude an agreement on border cooperation.

To a large extent, the conclusion of the January 1995 inter-governmental agreement on border cooperation between Russia and Ukraine can be credited to the Council. It pretended to become a locomotive pushing ahead difficult bilateral relations as a whole, but remained a hostage of the “big” politics and of processes of nation- and state-building in both countries.

The history of the Council reveals an acute lack of adequate legislation on border contacts and of sufficiently competent players at the regional level. Regional leaders realize the need for special coordinated legislation on the status of border regions. This question was raised at one of the first sessions of the Council in March 1995. In particular, the State Duma was asked to accelerate the adoption of such a law in Russia.

But such a measure could diminish federal customs revenues – at least, until such time as production in border regions increases under the influence of such a law. The customs service during this period provided the federal budget with up to one third of its total revenue. Both countries saw their borders primarily as a major source of revenue. And both suffered from a lack of sufficient and predictable budget income. They were not prone to give favorable consideration to such a bill.

But its success depended not only on the relations between the central administration and border regions. According to House’s model, there is also a set of “horizontal” relations between border regions and other territories. In both countries, the political leadership is jealous of giving privileges to border regions. They question the extent of the border zone and demand mechanisms to avoid possible abuses on the part of territories situated far from the border.

At each session, governors appealed to central governments to solve particular problems. In 1995, regional leaders required an efficient procedure of clearing financial settlements: during this period, trade between the two countries has been seriously affected by the insufficiency of the banking system. Governors protested against the introduction of new rules on VAT by Russia in 1996 and called on the central governments to accelerate the solution of this problem. On the eve of the 10<sup>th</sup> anniversary of the Chernobyl disaster in February 1996, a session was symbolically organized in Bryansk. This oblast was affected worst by the disaster and borders both Ukraine and Belarus. Regional leaders tried to remind their prime ministers of abandoned or sharply reduced programs to improve the social status of the victims. Regional officials worked out proposals regulating the interaction of police and the struggle against organized crime and drug trafficking.

The shortcomings of the border infrastructure were a case for concern for some governors. They made some attempts to lift the responsibility for funding of customs and border guards from regional budgets, and in vain asked their governments to leave them a part of the customs revenues. In June 1995, regional leaders officially promoted joint border and custom controls, which could significantly reduce the processing time in trains and on roads. This idea was partly realized later.

The council tried to solve the problems within the jurisdiction of its members and to implement the 1995 agreement on border cooperation. It discussed the location of border-crossing points, recommended to its members to improve the equipment of crossing points and approved the proposal to create a united trans-boundary informational space, to restore the connections between regional networks of telecommunications, in particular, in order to improve the circulation of market information. The members made an attempt to establish a trans-boundary marketing information system, starting with the market for medicines and medical equipment. But again, only central governments could allow regional administrations to issue export and import licenses for a limited list of medicines. In 1996, the governors founded the newspaper "Slavianka" ("Slavic Woman"), which was aimed at the population on both sides of the border. It was published first in Kursk, then in Belgorod. But this project was not a commercial success, partly because the everyday life of most people is to a growing extent limited by political borders.

The governors tackled issues such as tourism, youth festivals, awards for writers and artists, and hotel prices for inhabitants of their oblasts. They recommended elaborating in each oblast a program aimed at stimulating the development of tourism and coordinating these programs at the level of the Council. Permanent working groups were created to discuss problems of joint ventures and environmental matters. The environmental program to improve the quality of drinking water in the Severskii Donets river basin should also be mentioned. This river originates in Belgorod Oblast, flows through Kharkov, Lugansk and Donetsk oblasts in Ukraine and into the Don in Rostov Oblast, Russia. It was supposed that each oblast would carry out its own program as a part of this joint project. At the same time, the members of the Council agreed to create a special fund managed by the deputy heads of administration responsible for environmental problems.

However, the efficiency of the Council was limited. Its decisions were no more than recommendations, and other urgent needs impeded their implementation. The project required significant investments that regional authorities could not afford. For instance, the total cost of the Severskii Donets program was estimated at more than US\$500 million. Nevertheless, a great number of bilateral meetings were held during this period, and work continued on new collective proposals on behalf of border regions.

The Dnepropetrovsk summit between Russian President Vladimir Putin and his Ukrainian colleague Leonid Kuchma in February 2001 was marked by the adoption of the Program on Inter-Regional and Border Cooperation between the Russian



Federation and Ukraine for 2001–2007 and served as an important political signal to the heads of oblast administrations. The program is based on the Agreement between the Governments of Russian Federation and Ukraine on Economic Cooperation for 1998–2007 that was signed on 27 February 1998 and was well advertised in the meantime. The objective of the new program was the acceleration of economic restructuring in the regions, as well specialization and cooperation in the industry. It stresses the intention of two sides to harmonize and to facilitate border and customs formalities and to realize joint projects in border areas. Special attention is paid to the use of labor force and to employment, to the coordination of research and to the exchange with students and specialists, and to the interaction between police and public prosecutors of border regions.

The sub-commission on inter-regional and border cooperation of the Joint Russian-Ukrainian Commission has to identify concrete steps to realize the program. The Council of Heads of Administrations of Border Regions is listed among its participants. The sub-commission has the right to create ad-hoc expert groups including representatives of ministries and other state institutions.

Regional leaders welcomed the program. After a meeting in February 2001 in Kharkov, they signed a document that outlined the most important problems to be resolved by national governments. Unfortunately, some of these problems have still not been resolved after five or six years:

- the creation of a system of financial settlements and of an inter-regional clearing center, and the abolition of cumbersome custom and border formalities;
- the adoption of special, harmonized legislation on border regions and (separately) on border trade;
- the creation of an Information Office of Border Regions supplied with detailed information by state statistical services of two countries; and
- the promotion of the Severskii Donets Program at the inter-governmental level.

Characteristically, the Belgorod and Kharkov administrations were the most active partisans of de-politicization of economic relations between two countries and of broad border cooperation. Acting on their own initiative, regional administrations approved the idea of creating “green corridors” at crossing points for local automobile commuters. They suggested that all commuters could get an electronic card allowing them to cross the border by car without trouble. Belgorod and Kharkov oblasts declared their readiness to implement a pilot project in this field. Regional leaders see the creation of the “Financial-Industrial Union of Border Regions” consortium as an organizational tool to stimulate economic activity. The above-mentioned sub-commission will consider these proposals.

In late 2000, the Executive Committee of the Council of the Heads of Border Regions decided to convene on a more permanent and regular basis as the Organiza-

tion of Border Cooperation. This body will be open to any region of Russia, Belarus or Ukraine, and the governments of the three countries will adopt its status. This document is to include articles establishing a coordinated special regime for member regions. The Organization intends to cooperate with similar European institutions.

### **5.5 Free trade zones and the Euroregion**

The idea of establishing a free trade zone in the borderland between Belgorod and Kharkov is very popular in two oblasts. But it was Kharkov that finally succeeded in realizing it on its territory. In 1999, Kuchma approved the proposal of former governor Oleg Demin (now deputy head of the presidential administration) to establish a special economic zone comprising the city of Kharkov and its suburbs. New direct investments are no longer taxed as of 1 January 2000, and investors and exporters can benefit from other privileges. It is estimated that the powerful engineering industry in Kharkov, which has traditionally had close ties to the Russian market, will receive a stimulus for revival from this new arrangement.

The instigators of the Euroregion idea have drawn on the experience of many European countries. The first Euroregion was created as early as 1958 on the border between West Germany and Denmark. The famous Regio Basiliensis emerged in the Upper Rhine region at the intersection of the Swiss, French and German borders and was officially founded in 1963. It has a reputation for being one the most advanced border cooperation models at the level of regional and local authorities in the world. There are more than 100 Euroregions today – not only in Western Europe, but also in Central and Eastern European countries.

Ukraine has ratified the 1980 European Framework Convention, and its regions now participate in two Euroregions. Volyn' created the "Bug" Euroregion in September 1995 together with the of Helm, Lublin, Zamosc and Tarnobrzeg voivods (administrative regions) of Poland. Within a few months, the neighboring regions of Ukraine, Poland, Slovakia, and Hungary had formed the "Carpathians" Euroregion. Russia until now has not joined the Convention and has no Euroregions.

However, Euroregions in Eastern and Central Europe often remain artificial and depend more on public capital and initiatives than corresponding initiatives in the west of Europe. They lack funding, but political factors also sometimes have a negative impact. Besides, regional and local authorities often have different jurisdictions. Euroregions are being developed more successfully on western borders of former socialist countries with the EU.

It is possible to distinguish three axis, or belts of Euroregions:

- in the middle of the "Blue Banana," the most industrialized area of EU, stretched from the North Sea to Mediterranean, along the borders between Germany, the Netherlands, Belgium, Luxembourg, France, Switzerland and Italy;

- along the borders between Western Europe and the former socialist countries of Eastern and Central Europe, from the Baltic to the Adriatic Sea, between Germany, Austria, Italy, on the one hand, and Poland, Czech Republic, Slovakia, Hungary and Slovenia, on the other; and
- along the former boundaries of the USSR, from the Baltic to the Black Sea, including borderlands of Poland, Lithuania, Belarus, Ukraine, Slovakia, Hungary, Romania and Moldova.

The fourth belt of Euroregions can be created along the borders between Russia and the neighboring countries, especially post-Soviet states, between the Baltic and the Barents Sea and the Black Sea. Regional economists from Kharkov believe that the easternmost part of Ukraine and the adjacent regions of the Russian Federation are set to pioneer this kind of border cooperation.<sup>24</sup>

This idea is now being discussed in Belgorod and Kharkov. According to local experts, this Euroregion could first include two oblasts. Later, other Russian (Kursk and Voronezh) and Ukrainian oblasts (Sumy, Poltava and Lugansk) could join it. The Program of Inter-Regional and Border Cooperation between the Russian Federation and Ukraine for 2001–2007 in fact supported the idea of Euroregions (under whatever designation).

But it would be a big mistake to hope for a political-administrative decision that would help to raise cooperation between neighboring Russian and Ukrainian oblasts to a contemporary, European level. First, the development of a true “tissue” of cooperation is possible if only economic actors on both sides of the border (both private and public) are really interested in joint ventures. Second, if the planned Euroregion includes the entire territory of Belgorod and Kharkov oblasts, including their “deep” rural periphery, it can hardly become a success. This is especially true of Kharkov Oblast, the economic landscape of which is characterized by an absolute predominance of the central city and its nearest suburbs, while the settlement and industrial structure of Belgorod is more homogeneous.

It has been suggested that the planned Euroregion be realized at three levels. At its core one may expect to find two regional capitals and the area along the major parallel railroad and the connecting road. It will also have to include the area of Gubkin and Starii Oskol to the north of Belgorod Oblast where the extraction and the processing of iron ore and metallurgical plants that generate most of the region’s exports are concentrated.

Second, two or three designated areas can form special economic zones. The largest of these is the city of Kharkov. It can be complemented with a small zone on the

24 Golikov, A. and Chernomaz, P. “Euroregion ‘Slobozhanshchina’ kak forma transgranichnogo sotrudnichestva sopredel’nykh oblastei Ukrainy i Rossii” (The Euroregion ‘Slobozhanshchina’ as a Form of Border Cooperation of Neighboring Oblasts of Ukraine and Russia). *Region 4* (1997), pp. 52–54.

border around existing customs on the road from Moscow through Kharkov to Simferopol (Rostov) and with a zone encompassing the towns of Shebekino and Volchansk, taking into account their proximity and the needs of the population.

Finally, the third, greater area surrounding the core can be called an “Ecoregion” because its task will be cooperation in the protection of the Severskii Donets international river basin and repopulation of urbanized areas.

The administrations of both oblasts are now creating a Russian-Ukrainian Trade Corporation: the Council of Heads of Administrations believes that economic cooperation can include joint ventures, transnational financial-industrial groups (FIGs) and other similar institutions.

In any case, it is necessary to resolve serious political and legal problems before this ambitious project can be realized. Both countries have to adopt laws on the status of border regions, though in both of them strong parliamentary opposition to this idea exists. In Russia, several bills were proposed, but none of them were even included in the agenda of the State Duma. Significant jurisdiction should be delegated to the regional level as a counterweight to the current centralizing policy in both Russia and Ukraine. The creation of a Euroregion will require harmonization of respective national and regional legislation.

But there are also less ambitious proposals. The Central Institute of Foreign Economic Relations of the Russian Academy of Sciences suggests that zones of social prosperity including neighboring Russian and Ukrainian settlements be organized. Such zones may facilitate a better use of the complementary economic and social infrastructure to solve problems of employment, of professional education and training, of health-care, and of investments in the interests of local residents.<sup>25</sup> The Institute identified six pairs of Russian and Ukrainian settlements, including the district centers of Shebekino and Volchansk (Kharkov Oblast) and Roven’ki and Lozino-Aleksandrovka (Lugansk Oblast). They are located 30–40 km apart and are the gravitational centers of smaller settlements. Experts believe that the creation of “zones of social prosperity” can be based on the agreement between the governments of the Russian Federation and Ukraine on cooperation between border oblasts of 27 January 1995, but it must be partly adapted and amended. At the oblast level, special funds for zones of social prosperity should be created. Local economic actors could also contribute financially.

In particular, it is necessary to elaborate procedures in the following areas:

- border transit involving schoolchildren, students and family reunions;
- trans-border public transportation;

25 Barkovskii, A. N. and Ushakova, N. A. *Problemy i perspektivy razvitiia sotrudnichestva Belgorodskoi oblasti s prigranichnymi raionami Belorussii i Ukrainy. Analiticheskaya zapiska* (Problems and Perspectives of the Development of Cooperation between Belgorod Oblast and Border Regions of Belorussia and Ukraine: An Analytical Note). Belgorod, 2000.

- social security problems and a consumer credit system that works on both sides of the border;
- improvement of the environmental situation.

The experience of the 1990s shows clearly that only good and stable political relations between two countries can make possible the realization of all these projects. Taking into account current fundamental global and European political problems, one may doubt such an optimistic perspective. It is necessary to avoid the creation of a gray area of competition between the Western community (NATO) and Russia in the western part of the post-Soviet space. Ukraine, Belarus and Moldova can “go to Europe” together with Russia and can develop economic, political and other contacts with the EU, Romania and other countries of Central and Eastern Europe together with, and not in place of, their traditional relations with eastern neighbors. Unfortunately, even a large state like Ukraine can become a pawn in a big geopolitical game. Some Western politicians believe that it should be transformed into an instrument in the struggle against the revival of Russian imperialism.<sup>26</sup>

26 Kolossov, *Op. cit.*, pp. 95–106.



## Conclusion

Typically for most regions of the new Russian borderland, Belgorod Oblast's activity in foreign economic relations and other forms of exchange was until recently mainly under the sway of the Soviet legacy. There remains a high degree of interdependence between Belgorod's economy and the industries of neighboring Ukrainian oblasts. The deep historical ties between the people on both sides of the border have not been disrupted. The population and the political elites still feel a mutual cultural affinity.

It seems that there is a growing awareness of the advantages of Belgorod's new geopolitical situation. Its economy is already benefiting from transit and the oblast's mediation functions. The political elite has learned to apply the latter in its relations with the federal center.

Is Belgorod Oblast really becoming more international as a region? Apparently, it is more deeply involved in foreign trade and has become more "internationalized" than any other region on the Russian side of the border zone. But this dependence on foreign markets is unstable and unilateral, because only one sector generates the majority of the exports, most of which go directly to neighboring Ukraine. Moreover, the only really export-oriented sector of the oblast's economy is metallurgy (in 1999, 35.5% of its production was sold abroad, including the "far abroad"), which makes Belgorod's economy vulnerable. Besides, exports of ferrous metals are limited because they are heavily dependent upon international market prices, and even more on quotas and other tough protectionist restrictions established by the US and the EU.

The extraction and the dressing of iron ore do not depend heavily on exports: only 13.7% of the total production was exported in 1999, mainly to Ukraine. The cement industry sells almost the same percentage of its output abroad. As for the foodstuffs and agricultural sectors – the third pillar of the region's economy and the source of income for most of the population – production since the 1998 crisis has benefited

from a high domestic demand, and is based mainly on the processing of local resources. This situation will hardly change, though the sugar industry has to import raw materials. The “internationalization” of Belgorod Oblast cannot be measured in terms of foreign investments, which remain exceptional and occasional.

Belgorod alone does not have sufficient resources to challenge the center in the field of foreign policy. The administration clearly prefers to maintain good relations with the new president. Governor Evgenii Savchenko supports his reforms. Besides, Putin pays more attention to Russia’s largest neighbor and meets with Kuchma more often than with any other head of state. The oblast is principally interested in relations with Ukraine and Belarus because it is situated close to the core of the Eastern Slavic historical lands. So, from the actual territorial perspective, there are certain grounds to Russian neo-Nazi Vladimir Zhirinovskii’s election promise to make Belgorod the capital of a future hypothetical state uniting Russia, Belarus and Ukraine. It was not by chance that the presidents of the three countries symbolically met in 2000 near Belgorod, in Prokhorovka, a major battlefield of World War II.

Belgorod is young and a relatively small town (by Russian standards): unlike neighboring Kharkov, it still lacks human capital and an institutional framework is required to develop sufficiently broad international contacts. For the same reasons, the tertiary sector there is rather weak. Therefore, Belgorod Oblast is not yet an “internationalized” region, despite its geopolitical situation.



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