

Islands of Globalization: Regional Russia and the Outside World

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Foreword

The role of Russian regions as international actors has been expanding over the last decade parallel to the shift of power from the federal center to the regional and local levels. As a consequence, the regional influence on Russia's foreign and security policy has been growing considerably. However, Russia's entry into the world economy has a very uneven impact on its different regions. Federal and regional leaders are still searching for ways to play on the international level. The nature and the direction of Russia's further regionalization will depend substantially on the international environment. Russia's federal structure to a large extent will be shaped by the interplay of internal with external factors.

This study is the second in a series of working papers written in the context of the ETH-funded project on "Regionalization of Russian Foreign and Security Policy: Interaction between Regional Processes and the Interest of the Central State". The main concern of the project is the international dimension of Russia's regionalization. A key question in this regard is how the different regions adjust their economies, policies, and societies to the globalization trend. This issue is addressed by Andrei Makarychev, Professor of International Relations at Nizhny Novgorod Linguistic University and member of the project team. Currently, he is guest scholar at the Center for Security Studies and Conflict Research at the ETH Zurich.

The paper analyzes how growing international and transnational exchanges affect the state of regional affairs in Russia. Russia's regions are gradually becoming international actors. The author emphasizes that the internationalization of Russia's regions is a highly uneven process and lays out a map of forces driving Russia's islands of globalization. He discusses the diverse views of how the federal center as opposed to regional and local authorities addresses the question of

Russia's adjustment to a globalized world. The paper focuses on the international perspectives of subnational units and touches on issues such as the management of international programs by regional administrations or conflicts of interests between foreign investors and Russian regional institutions.

More than ever, the developments of post-Yeltsin Russian politics have demonstrated that Russian federalism is a combination of two principles: differentiation and integration. Both of them are closely related to global influences. Pursuing a policy of differentiation, Russia's regions are trying to find their "niches" in the international community and an ever more global market. The center, on the other hand, stresses integrative possibilities, thus reacting to the challenge of ungovernability and a weakening national coherence.

The results of the project will be available in full-text format at: <http://www.fsk.ethz.ch>. The Russian study group welcomes comments, criticism, and suggestions for cooperation within the framework of the project.

Zurich, August 2000

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Introduction*

The basic challenge of modernization for Russia is that of the country's structural integration into the world, both politically and economically. Russia's adaptation to and accommodation with the globally dominant norms, rules and institutions will take a long time, experience ebbs and flows and cannot be expected to produce quick results. Russia's search for her place in the world community will take the form of gradual and evidently controversial adjustment to a rapidly changing external environment. These changes stem from the much-discussed globalization, that is understood in this paper as a higher stage of internationalisation, its latest phase characterized by:

- intensification of links with a mounting number of international actors to the level of mutual dependency;
- integration of economic, financial, social, political and managerial resources;
- technological progress;
- liberalization of trade and commerce;
- changing roles of states and NGOs in decision-making processes.

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However, the purpose of this paper is to show that globalization in Russia develops in a peculiar environment, which is different from that in the West. In this paper the discourse about Russia's way to globalization will be placed into the Russian domestic context. The purpose will be to demonstrate that:

- first, subnational territorial units in Russia are gradually becoming international actors;
- second, globalization of Russia's regions is a very uneven and competitive process;
- third, this unevenness and competitiveness might bring both new opportunities and challenges for Russia.

Of course one should not overestimate the significance of global influences on Russia's regions. The evolution of the federal system in this country is basically determined by domestic developments such as strengthening of "vertical power" and re-imposition of federal regulations over regional governments. The paper argues that globalization is still underdeveloped in Russia, which is a big problem for the country as a whole: if Russia is unable to integrate with the world and the "islands of globalization" are overrun by the "ocean", this would keep the country isolated and underdeveloped for many decades to come.

Yet why is it so important to raise the issue of globalization for Russia and her regions? Several reasons ought to be mentioned. *First*, despite the underdevelopment of Russia's version of globalization, this is not to say that the international community in general and specific foreign countries in particular have no impact on internal developments in Russia. Sometimes the effects of globalization are not visible enough, but they cannot be disregarded. In spite of his inward-oriented rhetoric, President Putin's federal reform launched in May 2000 to some extent was inspired by developments outside Russia. It was the foreign investors who were confused by the tug-of-war between the federal center and the regions, and who called for a reshuffle of the federal system in Russia to avoid conflicts between federal and regional laws and get rid of regional autarchy. What is also telling is that Putin intends to implement his federal reform in accordance with formal democratic procedures, keeping in mind Western sensitivity to these issues.

Second, one of the worst effects that globalization might have for Russia is her further isolation from the West. This is already a problem in Russian-EU relations. The case of Kaliningrad shows that there is a concern about new dividing lines in a globalized Europe. Hence, the problem of Russia's integration into the world system will maintain its priority both in federal and regional politics.

Third, globalization might bring more domestic instability for Russia, since not all territories might prove capable of fitting into the new logic of an international division of labor. Many Russian regions are afraid to face the perspective of

becoming the depositories of foreign nuclear waste and sources of cheap raw materials.¹ At the same time some provinces might opt (and already did) for gradual distancing and even separation (economic and political) from Russia, as they are aware that small territorial units have better chances for prosperity in the era of globalization. This uncertainty provokes counter-globalization reactions from a significant number of Russian elites.

Fourth, globalization questions the relevance of the old understanding of security as being related to purely military issues. Nowadays security is determined mostly by the scale of integration of the country into international institutions and processes, which is again the challenge, both intellectual and political, for Russian federal and regional elites.

The paper will start with focusing on three types of gaps that exist for globalization of the regions. The first one divides Russia and the West in terms of their attitudes towards living in a global world. The second set of gaps divides Russia's regions that are not equal actors in the international arena. Thirdly, there are controversies in the group of four domestic actors, each of which has its own foreign policy perspectives. After that the paper will turn to the issue of obstacles and opportunities for globalization of Russia's regions.

1 Kudriavtsev, Viktor. Ogranichenniy izoliatsionizm neizbezhen (Limited Isolationism is Inevitable), in *Nezavisimaya gazeta*, N 14 (2076), 27 January 2000.

Regionalism in Russia and the West: some conceptual gaps

The interest shown in the world to this problem might be explained, among other reasons, by the fact that scholars in the West legitimately wonder whether (and to what extent) Western theories of regionalism are applicable to the Russian Federation. In case some of them are not quite appropriate for explaining the course of events in the Russian regions, their claims for universality shall be reconsidered. This is not an easy question to answer, since Russian studies in the West to a significant degree are being influenced by the heritage of old “Sovietology” which, as many deem, was often isolated from the mainstream developments in social sciences.²

Many recent developments in the field of nascent internationalization of Russia’s regional policies coincide with Western trends. It certainly might be assumed that both in Russia and the West:

- the growing range of political, social and economic issues can no longer be managed by the central government;
- traditional distinctions between “high” and “low” politics (as well as between domestic and foreign policies) are becoming less rigid;
- at the level of regional governments there is a recognition that the needs of the localities in specific functional areas cannot be satisfied without greater involvement in the international system;

² Pursianen, Christer. *Beyond Sovietology. International Relations Theory and the Study of Soviet/Russian Foreign and Security Policy*. Helsinki: The Finnish Institute for International Affairs, 1998: 2-3.

- foreign policy localization is a form of adaptive behavior by government structures to a changing policy milieu, and is marked by differing patterns of conflict and cooperation between central and regional governments.³

Russia, alongside the international community, is still in search of the balance between globalization and regionalization, as well as between inward and outward commitments. Yet we ought to be very cautious in trying to apply Western lessons to the Russian reality and moreover in anticipating complete similarity. Let us turn to what makes the Russian regionalization very special, peculiar and different from Western experience.

First, the international dynamism of Russia's subnational actors more and more resembles an anti-crisis strategy, a tool to overcome current economic deficiencies, rather than an organic element of the pluralist pattern of territorial governance. As a result, the regions' foreign affairs is overwhelmingly dominated by regional political/administrative elites, who mainly give their blessing to those projects and ideas that are directly related to their political careers (Boris Nemtsov of Nizhny Novgorod, Yevgeny Nazdratenko of Primorski krai, and Mikhail Nikolaev from the Republic of Yakutia might be good illustrations). In fact, foreign affairs are a part of "patronage politics", which is very widespread in Russian provinces.

Second, in Western Europe the self-assertiveness of subnational regions is complemented by supra-regionality (in the form of the EU).⁴ In contrast to this, as a direct result of the sporadic demise of the super-centralized Soviet unitary state (with no parallel in Western European history), Russian regionalism is developing clearly as a disintegrative phenomenon. In terms of the devolution of powers, it is geared from the center to the regions. Unlike Europe, Russia lacks a strong integrative drive at the supra-national level (the eventual alliance with Belarus is more an exception than the rule). What is interesting is that anti-integrationist attitudes are heard in Russia mainly from regional leaders (the first one was Boris Nemtsov, former governor of Nizhny Novgorod oblast, later followed by Presidents of Tatarstan and Ingushetia, respectively Mentimer Shaimiev and Ruslan Aushev). Ambiguity and uncertainty about Russia's ability to become a cornerstone of CIS is treated by many in Russia as an indicator of weakness of Russian statehood.

Third, there is a striking contrast between the West and Russia in perceiving and interpreting the notion of sovereignty and, hence, the functions of the state in

3 Pursianen, Christer. *Beyond Sovietology. International Relations Theory and the Study of Soviet/Russian Foreign and Security Policy*. Helsinki: The Finnish Institute for International Affairs, 1998: 2-3.

4 Christiansen, Thomas; Joenniemi, Pertti; Linstrom, Bjarne. "Nationality and Regionality: Constituents of Political Space Around the Baltic Rim". In *Neo-Nationalism or Regionality. The Restructuring of Political Space Around the Baltic Rim*. Ed. By Pertti Joenniemi. Copenhagen, COPRI, 1997: 12-13.

the contemporary world. There is still a discussion underway among Russian legal experts on whether it is appropriate to acknowledge sovereignty vested in subnational units. Those in Russia who still adhere to the principle of “indivisibility” of the state sovereignty, refuse to recognize the constituent parts of the federation in their capacity as subjects of international law.⁵ Russia has still to learn that “sovereignty is used to refer not so much to status as to a particular degree of political freedom”.⁶

5 Pustogarov, Vladimir. “Subiekty Rossiyskoi Federatsii v mezhdunarodnoi zhizni” (Subjects of the Russian Federation in International Life). In *Panorama-Forum*, N2, 1997: 4-5.

6 Fowler, Michael Ross, and Bunck, Julie Marie. “What Constitutes the Sovereign State?”. *Review of International Studies*, 22, 1996: 399.

Explaining the disproportions between the regions

The shift of power from the center to the regional actors was the major development in Russian politics in the beginning of the 1990s. Yet the Russian regions are not equal players on the international scene. Not all of them are capable of playing meaningful roles internationally, and these roles can be quite different for each one. Differentiation between the most and less-developed Russian regions in terms of key socio-economic indicators is reaching the proportion of 50:1.⁷

Three broad groups of constituent parts of the Federation ought to be considered as the most important Russian subnational actors in the international arena. It is important to note that only regions belonging to either of these groups (or to two of them simultaneously like Tatarstan): a) might have sufficient resources for challenging the federal foreign policy and designing its own long-term strategic routes in the world; and b) demand more powers in foreign-related issues. Their strategies contrast with those of inward-oriented (“introvert”⁸) regions seeking more protectionism from the central government and more state control over import and export operations.

7 Strategia dlia Rossii: povestka dnia dlia prezidenta 2000 (Strategy for Russia: an Agenda for the President 2000). Moscow: Council on Foreign & Security Policy, 2000. Available at <http://www.svop.ru/book2000_chapter8.htm>.

8 Vardomsky, Leonid; Treivish, Andrei. “Strategicheskaya ustoychivost’ ekonomicheskogo prostranstva Rossii” (Strategic Stability of Russia’s Economic Space), in “Budushee Rossii”, N 1. Moscow: Center for Research of Civil Society Institutions. Available at <<http://www.ccis.msk.ru/RUSSIA/1/vardom.htm>>.

2.1. *Export-oriented regions*

The first group comprises those regions with a strong export potential (industrial regions or those rich in mineral resources⁹). Natalia Lapina singles out several sub-categories in the group of export-oriented regions. These are: a) regions with well-developed industries (precious metals, energy resources, etc.); b) trade-oriented regions; c) regions with strong armaments and heavy industries.¹⁰ Their administrations rely on cooperation with foreign partners seeing this as the most profitable way of earning money for replenishing their budgets. In the research of the Moscow-based Institute for U.S. & Canadian Studies five regions were given highest marks in this respect: the Kemerovo, Perm, Samara and Cheliabinsk oblasts and Krasnoyarsk krai. Another nine were ranked very close to the leaders: Bashkortostan, Moscow, Irkutsk, Murmansk, Nizhny Novgorod, Orenburg, Sverdlovsk and Tiumen oblasts and Khabarovsk krai.¹¹

The first problem with this group is that economic interests of these leading regions are very different from other territories, since attractiveness of the Russian domestic market is minimal for them owing to cheap prices, crime, federal bureaucracy, etc. That is why regions belonging to this group (especially those with substantial extractive possibilities) are very enthusiastic about opening and liberalizing the Russian economy.¹²

It is infeasible for the federal government to ignore or curb the exceptional international standings of these regions. Yet in practical terms it is enormously difficult to find a balance between two contradicting priorities: fostering international openness and preserving regional markets for domestic producers¹³.

The second problem is that Russian and Western perspectives might differ in regard to export-oriented regions. Russia might be interested in using these regions' potential for building "investment corridors" (like Moscow-St. Petersburg) to foster high-tech development, know-how and technical expertise, while Western European countries are attracted basically by projects dealing with transportation and developing natural resources.

9 Bradshaw, Michael. "Going Global: The Political Economy of Oil and Gas Development Offshore of Sakhalin". *Cambridge Journal of International Affairs*, Summer/Fall 1998, Vol.XII, N1.

10 Lapina, Natalia. *Regional'nye elity Rossii (Russia's Regional Elites)*. Moscow: Institute for Scientific Information in Social Sciences (INION), 1997. p.41-47.

11 Parkansky, Alexander. "Rossiiskie regiony i vneshniaya politika" (Russian Regions and Foreign Policy). *Segodnia*, 19 June 1996: 5.

12 *Regiony Rossii v perekhodnyy period (Russia's Regions in Transitional Period)*. Moscow: Expert Institute of the Russian Union of Industrialists and Entrepreneurs, 1993. p.75.

13 Arzhenovsky, Igor. *Vvedenie v ekonomiku regiona (Introduction to Regional Economy)*. Part 3. Nizhny Novgorod Academy for Public Service, 1999. p.15.

2.2. Ethnic republics

The second group is composed of ethnically non-Russian republics. Ethnicity is a powerful factor that almost automatically pushes those republics into a wider system of international and transnational relations.¹⁴ A search for ethnic identity is a factor of international socialization of the republics like Tatarstan, Bashkortostan, Dagestan, Tyva, Buriatia, Komi, Karelia and others, giving a new quality to their international standing. Transnational identity based on cultural heritage, religion, and language can provide a network of opportunities for the region's population or for certain segments of the population.¹⁵ For example, some Islamic countries (Saudi Arabia, Turkey and others) assist Dagestan and other Russian republics in spiritual and educational affairs, as well as by rendering moral and political support.¹⁶ Establishing links with their ethnic diasporas also plays an important role in the foreign affairs of these republics.

What is more, ethnic republics usually are eager to position themselves internationally by placing special impetus on international legal norms defending ethnic minorities. At the same time all of them count on international solidarity in case of encroachment from the federal government on their autonomy, since they have both moral and material support abroad among like-minded ethnic groups and organizations.¹⁷

Ethnic regions are split up into two developmental patterns in Russia. *The first* is represented by those republics that are primarily motivated by preserving their ethnic and cultural identities in a presumably unfriendly environment, which leads to playing the religious card and violence. This type of ethnic region could be called "the zone of frozen ethno-national development", since it is very cautious with regard to Western concepts of progress, modernization, and industrialization. Chechnia is an extreme example of this unfortunate pattern.

Ethnic communities of this kind appear to be rather closed, inward-oriented entities, worrying much more about keeping intact their own cultural, religious, and linguistic identities than about integrating into the "world society". Ethnic exclusiveness and nationalism is a collective affirmation to be oneself and avoid assimilation. It offers a narrow perspective on identity and dignity, freedom and security. Ethnic forms of self-organization seem to be very conservative, bound to

14 Coakley, John, ed. *The Territorial Management of Ethnic Conflicts*. London: Frank Cass, 1993.

15 Breton, Raymond. "Identification in Transnational Political Communities". In *Rethinking Federalism. Citizens, Markets, and Government in a Changing World*. Ed. By Karen Knop, Sylvia Ostry, Richard Simeon, and Katherin Swinton. Vancouver: University of British Columbia Press: 1995: 40-41.

16 Abdullaev, Nabi. *Dagestan's Foreign Policy: Caught Between Islam and Moscow*. IEWS Russian Regional Report, Vol.3, N20, 21 May 1998.

17 Chervonnaya, Svetlana. *Etnicheskie vyzovy i tupiki federal'noi politiki na Severnom Kavkaze* (Ethnic Challenges and Debacles of the Federal Policy in Northern Caucasus), available at <<http://federalism.soros.ksu.ru/conference/seminar3/chervonnaja.htm>>.

historical memories and specific territorial “hotbeds”, and their resistance to modernization can be explained by the desire to preserve ethnic “exclusiveness”, “uniqueness”, even in old-fashioned, archaic forms. Many attempts to remodel the political process in ethnic communities according to “universal”, “civilized” standards have failed. For example, the Organization for Security and Cooperation in Europe was involved in assisting the presidential election in Chechnia in 1997, but since the formal procedure was over and Alan Maskhadov was elected, no other signs of democracy in Chechnia were noticed. In ideological terms, too, many postulates of some Muslim groups within Russia are hardly compatible with the Euro-Atlantic version of globalization.

Some manifestations of internationalization of ethnicity may pose serious questions for the nation’s security. The best illustration is financial and technical assistance received by Chechen guerillas from terrorist organizations in Muslim countries. This is also related to other regions. For example, federal security services expressed their concern about contacts between the leadership of the Republic of Adygeya and the World Islamic Appeal, Libyan government, etc.

The second type of ethnic regionalism is geared by the adaptation of international economic experience and its projection to specific ethnic backgrounds. Their elites try to thread ethnic identity through economic rationality. Ethnicity in this case is used as a resource to foster autonomy from the federal center and provide societal consolidation. Tatarstan could be mentioned as one of the most telling examples of this sort.

2.3. *Border regions*

The third group includes 45 borderland regions. Russia’s external borders are the longest in the world (60933 km), and the number of bordering countries – 16 – is also the highest. 32,6% of the total population lives in the border regions of Russia. The perspectives of border regions are a mix of both opportunity and challenge.

Opportunities

The first is that they usually get preferential treatment by foreign countries. It goes without saying that China is especially eager to keep its influence in Primorsky krai, while Finland, for example, has particular interests in giving priority to neighboring Karelia.

Second, frontier location and geographical vicinity to foreign countries increase the possibilities of bargaining with the federal center: requesting additional financial resources in compensation for border control, demanding direct

access to revenues from customs duties, and even threatening the federal center with secession.

Third, the border regions are one of the few groups of Russia's regions, which have a special legislative status on the federal level for developing overseas contacts, apart from bilateral agreements. These legal acts include transborder cooperation agreements signed between the government of Russia and a number of its neighbors: Finland (January 1992), Poland (May 1992), Kazakhstan (January 1995), Ukraine (January 1995), Mongolia (January 1993) and China (May 1994). There is also an Intergovernmental Agreement between Russia, Belarus, Kazakhstan and Kirgizia on the basic principles of transborder cooperation, signed in February 1999, as well as Recommendations of the 8th Session of the Advisory Council of the Subjects of the Federation at the Ministry of Foreign Affairs in the area of transborder cooperation, issued in June 1998.¹⁸

Fourth, trans-border economic interaction encourages trade and investment relations (e.g., "investment corridors"), and (unlike GATT and WTO) does not require the reciprocity.¹⁹ It is not surprising that two pioneering free-trade areas in Russia were located in the borderland territories: "Yantar" in the Kaliningrad oblast and "Nakhodka" in Primorsky krai. What is also important is that the border regions are subjects of international transit business, still underestimated (experts of President Putin's think tank assume that the transportation networks might raise seven or eight times more revenues than at present).²⁰

Fifth, since most of the border provinces of Russia are highly militarized (be it the Kaliningrad oblast or Primorsky krai), direct military-military relations might be fruitful. Besides, working contacts between military commanders stationed in the region and the regional political elites are indispensable for resolving a plethora of social problems of servicemen, a fact that increases the roles of regional political institutions in security issues.

Trans-border regionalism gives us a good illustration of the changing nature of the contemporary borders that stems from two basic processes: one is domestic (the self-determination of regions in a new international ambit), and the second is external (global reshaping of the world geopolitical scene). Both

18 Stoliarov, Mikhail. Prigranichnoe sotrudnichestvo kak oblast' razvitiia mezhdunarodnykh i vneshneekonomicheskikh svyazei subiektov federatsii (Transborder Cooperation as the Area for Developing International and Foreign Economic Relations of the Subjects of Federation). Kazan, 2000. Available at <http://federalism.soros.ksu.ru/conference/seminar2/stoljarov.htm>.

19 Medvedev, Sergei. Peripheral spaces, global players: Russia's regions in a world of networks. Draft paper presented at the AAASS Annual Meeting, Boca Raton Club and Resort, Fla., 24-27 September 1998. p.9.

20 Transitniy potentsial kak faktor modernizatsii ekonomiki i novogo geopoliticheskogo positionirovaniia Rossii (Transit Potential as a Factor of Modernization for the Russian Economy and the New Geopolitical Positioning of Russia). Seminar. Moscow: Center for Strategic Research, 14 March 2000. Available at <http://www.csr.ru/conferences/sem.14.03.00-tranz.html>.

developments lead to growing mobility, flexibility and transparency of traditional frontiers. As Chris Brown put it, “the possibility of a genuinely global economy clearly raises the issue of ‘borders’ to the top of the agenda – hence the notion of a ‘borderless world’ and ‘de-bordering’”.²¹

A closer look at trans-border regionality also gives us some clues for understanding the changing nature of regional identities. The process of creating trans-border regions cannot be deprived of a specific socio-political context. It was the demise of the old bi-polar world that provoked such new forms of trans-regional cooperation like the Barents-Euroarctic project, the Council of the Baltic Sea, “Northern Dimension”, Black Sea Economic Forum, and many others. The very notion of ‘region’ in this context becomes “softer”, open to multiple interpretations, and more adaptable to the changing political milieu. Region-building, being generally treated as a process of the strengthening within a certain territory of a number of traits characterized in terms of mutual dependency, cannot be secured against a certain degree of political subjectivity.

Of course, it matters which group of subnational territories is going to build a region. It is easier if these territories are sufficiently homogeneous in social terms, representing a “natural” entity in geographical terms, and possessing a common feeling of cultural identity (like, for example, the three ex-Soviet Baltic republics). The whole picture gets more complicated when it comes to a “functional region”²², initially presented as a sort of a picture puzzle with the parts to be assembled. The concept of constructing “functional regions” is based on achieving integration, inter-dependency and internal coherency. In this case a system of multi-layered, overlapping identities might appear (Black Sea area, for example). Within its framework there is room for different societal groups, each having its own resources and orientations, united by communication networks and converging cultural values.

Challenges

Yet cross-border cooperation (bilateral or multilateral) is a very fragile phenomenon in Russia. Its vulnerability stems from a number of factors.

First, border regions are usually located on the fringes of civilized areas. Thus, the Baltic countries consider themselves culturally different from Russia, which fuels isolationist attitudes from them.²³ “The Finnish-Russian border region has historically been an interface and a battlefield between eastern and

21 Brown, Chris. “Borders and Identity in (International) Political Theory”. CEU Working Paper IRES No.98/3. Central European University, 1998. p.4.

22 Honneland, Geir. “Worlds Further Apart? Identity Formation in the Barents Euro-Arctic Region”. In *The Barents Region Revisited*. Edited by Geir Flikke. Conference Proceedings. Oslo: Norwegian Institute of Foreign Affairs: 79.

23 Trenin, Dmitry. *Baltiysky shans (The Baltic Chance. Baltic Countries, Russia and the West in Emerging Big Europe)*. Moscow Carnegie Center, 1998. p.18.

western cultures and politico-economic spheres of influence in northern Europe".²⁴ The Black Sea Economic Area is to no lesser extent overwhelmed with ethnic, religious and cultural gaps. Negative perceptions of Chinese migration in the Far Eastern provinces of Russia are also mainly cultural.

Second, borderland provinces – to a greater extent than inland territories – have to deal with immigration (be it Chinese seasonal workers in the Far East or refugees from the Caucasus in Stavropol, Rostov-on-Don and the Krasnodar region). It is estimated that there are from 1-1,5 million illegal immigrants in Russia, entering mainly through border regions. Their damage to the Russian fiscal system is assessed by President Putin's think tank in the amount of US\$5-7 billion. It was also noted that there is a tendency to form ethnically populated areas (Kazakhs, Armenians, etc.) within Russian border regions, whose leaders have already raised the problem of granting them a special autonomous status²⁵.

In the territories neighbouring Chechnia (mainly in the Stavropol krai and Dagestan²⁶) local authorities had to begin passport control. 23 regional computer networks were established recently in order to monitor foreigners residing in specific areas and ban the entrance of religious extremists, criminals, etc. In March 2000 the government of Karelia created a commission to regulate the inflow of foreign workers to this republic.²⁷ Similar measures were introduced in the Belgorod oblast.²⁸

These forms of direct contact with the outside world sharpen the problem of regional political identity. Not accidentally, many borderland provinces are dominated by conservative, nationalistic and even jingoistic public attitudes (the governor of the Pskov oblast Yevgeny Mikhailov is a member of Zhirinovskiy's LDPR party, the governor of Krasnodar krai Nikolay Kondratenko is known for his xenophobic views,²⁹ and the governor of Primorsky krai Yevgeny Nazdratenko has the reputation of a local "patriot" defying both Moscow and Peking).

Third, authorities in the border regions have to tackle, on a regular basis, the "dark side" of internationalisation – crime, illegal fishing, hunting, border-crossing or smuggling (drugs, guns, undeclared cash, etc.). In the Far East, for example, numerous cases of murders among Chinese entrepreneurs – the bulk of

24 Eskelinen, Heikki, and Kokkonen, Merja. "Getting into Line with the European Regime – Programmes of Transborder Cooperation on the Finnish-Russian Border". Available at <http://www.geo.ut.ee/nbc/paper/eskelinen_kokkonen.htm>.

25 Bagrandzhia, B.A. Vlianie subiektov RF na reshenie voprosov federal'nogo znachenia (The Influence of the States of the Federation on Solving the Issues of Federal Importance). Moscow: Center for Strategic Research, 2000. Available at <<http://www.csr.ru/conferences/bagr.html>>.

26 <<http://www.regions.ru/news/183367.html>>.

27 Russian Regional Bulletin, N 2.9. Available at <<http://www.iew.org>>.

28 <<http://www.regions.ru/news/246013.html>>.

29 Derluguian, Georgi, and Cipko, Serge. "The Politics of Identity in a Russian Borderland Province: The Kuban Neo-Cossack Movement, 1989-1996". *Europe-Asia Studies*, Vol.49 (1997): N8.

them executed by Chinese gangs – are registered each year.³⁰ According to the tax authorities of Primorsky krai, 263 joint ventures created by Chinese entrepreneurs in the region (out of 405) do not submit their financial accounts, while another 38 joint ventures were closed by the court owing to violation of laws.³¹

As a result, security services in border regions have to perform protective functions and shield off those threats stemming from their frontier location. In Sakhalin, for example, a special military command unit was created in March 2000 to prevent illegal fishing. According to the regional customs office, more than 75% of all local seafood products are each year illegally transported to Japan.³²

Fourth, border regions are more likely than inland territories to find themselves under the overwhelming influence of strong neighbors. Some experts fear that instead of becoming full-scale international actors, some border regions (like those of the Far East and North West) might face the perspective of turning into passive objects of foreign policies of such mighty countries as China or the EU, and in the long run might be economically assimilated.

Fifth, the border territories might become an object of outside pressures owing to their direct involvement in common technological links. For example, the authorities of Chernigov, Ukraine were able to shut down the energy supply to a Russian village in the Bryansk oblast, and insist on payment for electricity in the Ukrainian currency.³³ Dagestan is dependent for its water supply, which is critically important for agricultural development, on neighboring Azerbaijan, which is able to technically control the Samur river.³⁴ This implies that border regions are very exposed to negative impacts from abroad and should have at their disposal specific resources to avoid victimization or blackmail.

Sixth, one of the most demanding and troublesome issues for the Russian regions bordering with more developed countries is the gap in living standards. All the endeavors of trans-regional cooperation imply that higher Western standards eventually should also be applicable to the Russian regions, which is a huge problem. For example, the delegation of the European Parliament in May 2000 stated that in the near future the Kaliningrad region should comply with basic EU norms regulating imported and locally produced merchandise.³⁵ The Lithuanian authorities explicitly acknowledged that the visa-free regime might not be sustained unless Kaliningrad shows economic growth and the well being of its

30 January 20, 2000 <<http://www.regions.ru/news/167633.html>>.

31 <<http://www.regions.ru/news/248742.html>>.

32 <<http://www.regions.ru/news/197936.html>>.

33 <<http://www.regions.ru/news/188684.html>>.

34 <<http://www.regions.ru/news/193897.html>>.

35 <<http://www.regions.ru/news/238019.html>>.

citizens.³⁶ Estonian experts see one of the obstacles for trans-border cooperation in the fact that the Russian regions facing the Baltics cannot qualify for international integration because they do not possess “similar patterns of social and political life”³⁷ and hence are not well-suited for full-fledged partnership with the other regional actors. In the opinion of a group of Finnish specialists, “viewed from a European perspective, the technical and organizational prerequisites for efficient cooperation across the Finnish-Russian border have to be regarded as very bleak”.³⁸

Internal developments in the border regions have a very visible security context because of their high explosive potential. Chechnia is the most evident example. Western Europeans are very sensitive to what is going on inside the Kaliningrad oblast, especially in terms of crime and law enforcement, environment, political debates, etc.

Seventh, one of the vulnerabilities of the border regions stems from their heavy dependence on the customs policies of the federal government. Thus, new customs duties introduced by the federal center in April 2000 have destroyed the outlook of small- and middle-size businesses in the Amur oblast and other regions with strong trade connections with neighboring China.³⁹ The Volgograd oblast authorities complained that the decision of the federal government to impose 25% customs tax on Ukrainian sugar, while leaving untaxed imported Ukrainian confection, undermines the confectionery industry in many Russian regions.⁴⁰

Because of all these problems the border regions still failed to benefit from the opportunities that they have, and get rid of the “periphery complex”, inherited from the past.⁴¹ Foreign investments are still in a deficit in the border regions. Many of them face the perspective of economic isolation. There is no conceptual clarity whether regional authorities should further strengthen immigration control or open up regional markets for foreigners (including lifting obstacles for registration in big cities, facilitating the launch of small businesses, etc.).⁴² Taking into account everything mentioned above, some leaders of the border regions

36 <<http://www.regions.ru/news/1911609.html>>.

37 Peschel, Karin. “The Baltic Sea region – an economically highly integrated area in the future”. Available at <<http://www.geo.ut.ee/nbc/paper/peschel.htm>>.

38 Eskelinen, Heikki, and Kokkonene, Merja. Getting into Line with the European Regime – Programmes of Transborder Cooperation on the Finnish-Russian Border. Available at <http://www.geo.ut.ee/nbc/paper/eskelinen_kokkonen.htm>.

39 <<http://www.regions.ru/news/210631.html>>.

40 <<http://www.regions.ru/news/183429.html>>.

41 Vardomsky, Leonid. Problemy regional'nogo razvitiya v kontekste rossiiskogo federalizma (Problems of Regional Development in the Context of Russian Federalism). Kazan, 2000. Available at <<http://federalism.soros.ksu.ru/conference/konfer1/vardomskii.htm>>.

42 Zaionchkovskaya, Zh.A. Politika v oblasti migratsii (Migration Policy). Moscow: Center for Strategic Research, 2000. Available at <<http://www.csr.ru/conference/zayin13.04.00.html>>.

argue that there is a need to give a special legal status to their territories.⁴³ But all these projects are still under consideration.

Driving forces of trans-border cooperation

NorthWest	CIS	Far East
Direct access to EU-sponsored programs	Legacy of former economic interdependence	Vast market for cheap foreign goods ⁴⁴
Fostering trade	Relative similarity of social institutions	Labour opportunities for immigrants ⁴⁵
Improving communication infrastructure	Cultural homogeneity	Relative weakness of federal bureaucracy

Factors straining trans-border cooperation

NorthWest	CIS	Far East
Economic imbalances between Russian regions and their foreign partners	Debts of Ukrainian, Belorussian and Kazakhstan enterprises and lack of financial guarantees for Russian export	Poor legislation
Russia's political isolation in Europe after Kosovo, Chechnia and corruption/money-laundering scandals	Lack of adequate resources and competitive merchandise from both sides	Lack of long-term commitments from the Russian side ("bazaar syndrome")
Geopolitical ambitions of the central government	Lack of finances, which are substituted by barter operations ⁴⁶	Territorial disputes

43 Amelin, Venaly. *Op.cit.*

44 Kerr, David. "Opening and Closing the Sino-Russian Border: Trade, Regional Development and Political Interest in North-East Asia". *Europe-Asia Studies*, Vol.48, N6, 1996.

45 Vitkovskaya, Galina. *Ugrozhaet li bezopasnosti Rossii kitaiskaya migratsia?* (Does Migration from China Threaten Russian Security?). Moscow Carnegie Center Bulletin, August 1999.

46 Skatershikova, Elena. *Osobennosti vneshnei trgovli regionov Severnogo Kavkaza* (Peculiarities of the Foreign Trade in the Regions of Northern Caucasus). Kazan, 2000. Available at <<http://federalism.soros.ksu.ru/conference/seminar2/skaterschikova.htm>>.

Globalization: four domestic perspectives

Russia's adjustment to the world is complicated by the existence of different visions and approaches to living in a "global world" among its domestic actors. This is a separate set of gaps to be analyzed.

3.1. Federal center perspectives

Neither Boris Yeltsin nor Vladimir Putin were inimical to fostering international cooperation and becoming a part of the world system. Yet the war in Kosovo and NATO eastward expansion have strengthened the feeling among Russian federal leaders that globalization is a form of U.S.-led hegemony increasing Russia's marginality in world affairs. There is a growing tendency in Russia to reinterpret what is called "globalization" in the West as consolidation of political and economic elites within the limited group of the most advanced industrial and military nations of the world. Because Russia is "still in the process of nation-building, the idea of decentralization may be conflicting with fears generating from accelerating centrifugal forces at the subnational level, especially in the case of regions with a relatively high proportion of politically active minorities".⁴⁷

The federal government sees Russia's role in the world as still far from being determined. This lack of clarity stems from two basic reasons. *The first one* has a domestic background. Such concepts, which are deeply rooted in the West, as "vanishing borders", "borderless world", "fragmented sovereignty" and others are not very favored in Russian political discourse. Globalization is frequently

47 Kovacs, Petra. A Comparative Typology of Ethnic Relations in Central and Eastern Europe. Discussion Papers, N 5. Budapest: Open Society Institute, Local Government & Public Service Reform Initiative, 1998. p.16.

interpreted in Russia as menacing to the country's territorial integrity.⁴⁸ Russian federal authorities treat globalization with some suspicion and reluctance to accept the deep involvement of non-central government actors (NGOs, regional and municipal authorities, etc.) in performing functions compatible with those of the state. Few in the Kremlin would have questioned the assumption that the sovereign state is the basic means of comprehensively organizing modern political life and providing the array of public goods.⁴⁹ What is more, since globalization weakens the efficacy of national policy instruments, the Russian federal government finds it sometimes threatening.⁵⁰

Russian perceptions of globalization reveal the conceptual gap that exists between Russia and the West. This gap is easily explained by the fact that in the West the cornerstones of globalization are actors and social agents other than states – coalitions of business and producer groups, private companies, etc.⁵¹ In fact, globalization is the application of liberal free trade theory to the development of international relations and hence is dependent on private economic transactions.⁵² This is not yet the case of Russia where private sector is still underdeveloped, and no “globalization lobby” is formed as yet.

The second source of ambiguity could be found in developments outside Russia. Along with the appearance of new social, political and economic phenomena that are relatively neutral to geographic lines, we see that the territorial instinct still plays an important role in international relations. This can easily be illustrated by the emergence of new states, conflicts over boundary delineation, concerns over illegal immigrants, etc.⁵³ The still existing and even widening political, social, economic, and cultural gaps between the “Western” and “non-Western” (China, Iraq, Iran, Libia, India, etc.) countries challenge and question the perspectives of globalization for Russia as well.

48 Herd, Graeme. *Russia in Crisis: The Disintegration of the Federation?* Center for Defence Studies, Brassey's, London Defence Studies 47. 1999: 47.

49 Devetak, Richard, and Higgott, Richard. “Justice Unbound? Globalization, States and the Transformation of the Social Bond”. *International Affairs* 75, 1999: 487.

50 Aktual'nye voprosy globalizatsii. Krugliy stol MEiMO (Current Issues of Globalization. Round table in the Journal of World Economy and International Relations). *MeiMO*, N4, 1999: 39-47.

51 Evans, Peter. “The Eclipse of State? Reflections on Stateness in an Era of Globalization”. *World Politics* 50, October 1997: 65.

52 Higgott, Richard. “De Facto and De Jure Regionalism: The Double Discourse of Regionalism in the Asia Pacific”. *Global Society*, Vol.11, N2, 1997: 167-181.

53 Blake, Gerald. “Globalisation and the Paradox of Enduring National Boundaries”. In *Vanishing borders: The New International Order of the 21st Century*. Ashgate, Aldershot, Brookfield, Singapore, Sydney, 1998: 250-253.

3.2. Regional perspectives

It is impressive that many regional administrations are able to develop more liberal – in comparison to the federal government – approaches to foreign relations. This is applicable for example to St. Petersburg, Novgorod, Samara, Nizhny Novgorod and Tatarstan. Those regions were pioneers in introducing laws that induce foreign companies to invest money in their economies. According to the former mayor of St. Petersburg, Anatoly Sobchak, widely known for his liberal views, his government as far back as 1993 signed trade and economic cooperation agreements with several ex-Communist countries, including Lithuania and Bulgaria, while Russia's federal government didn't yet go so far.⁵⁴ The Novgorod oblast administration, skipping federal legislation, introduced its Land Code, which allows foreigners to lease land for a 49-year period.⁵⁵ The reason is obvious: unlike the federal government, Russia's regions are not overburdened with tough geopolitical legacies and are pursuing mainly economic goals, trying to stimulate foreign economic ties.

For example, the regions are not happy with high customs duties that are imposed by the federal government and impede foreign economic contacts at the regional level. Often regional enterprises are unable to make use of the much-needed equipment coming from their Western partners because they are not in a position to reimburse the customs duties that are as high as 30% of the equipment value.⁵⁶ Regional administrators complain that the federal government is basically concerned with “strengthening fiscal muscles”⁵⁷ and is insensitive to the economic needs of the regions.

The regions have tried to make the federal government hear their interest in ecological matters. It is appropriate to mention that the administration of the Kirov oblast created a commission to oversee the implementation of the liquidation of chemical weapons in this territory. Preserving the social security of the local population and developing the social infrastructure were listed as the priorities of the regional government in all arrangements related to chemical disarmament.⁵⁸ Similarly, the Ministry of Natural Resources and Environment of the Komi Republic launched an ecological investigation to research the negative

54 Sobchak, Anatoly. “Federalism i novaya konstitutsia Rossii” (Federalism and the New Constitution of Russia). *Vlast*, N9, 1996:10.

55 Kathryn Stonner-Weiss. “Evolutsia devolutsii” (Evolution of Devolution: Some Remarks on the Weakness of Institutions and Representatives of the Federal Authorities in the States of the Federation). *Russian Federalism: Constitutional Prerequisites and Political Reality*. Moscow Public Science Foundation, 1999. p.44.

56 <<http://regions.ru/news/186923.html>>.

57 Shliamin, Valerii. Vzgljad iz Karelii na vneshneekonomicheskie problemy severo-zapada (An Outlook from Karelia on Foreign Economic Policies of the North West). *Mezhdunarodnaya zhizn'*, N 7, 1996. p.37.

58 <<http://www.regions.ru/news/240620.html>>.

effects of fall out on republican territory of the parts of missiles being tested by the Defense Ministry.⁵⁹

The difference between the geopolitical strategy of the federal center and geoeconomic incentives of the regions is sometimes called “tanks or market dilemma”, or “a ‘warrior’ scenario against a ‘merchant’ scenario”.⁶⁰ Geoeconomic and geofinancial interests of the regions are particularly visible in the borderland territories. The view is widespread among experts that “the strengthening of the contact functions of borders will become a dominating tendency... This is clearly manifested both on the western border (with Norway and Finland) and on the eastern border (especially the borders with China)”.⁶¹

At the same time, as Stephen Blank put it: “One reason why Kaliningrad’s economic situation has deteriorated more than that of Russia since 1991 is Moscow’s inclination to military-type rhetoric and solutions to Russo-Baltic security issues. That trend stifled European interest in investment and inhibited sensible initiatives such as creating a regional free economic zone... Russia’s economic policy does not benefit its national or local interest either. It places high tariffs on Estonian goods coming into Pskov, penalizing Pskov’s efforts to become a gateway to northern Europe”.⁶²

Differences between the federal and regional authorities could be summarized in the following table. It should be taken into consideration however that these trends are meant to be understood in comparison with each other, and not as absolute ones.⁶³

59 <<http://www.regions.ru/news/204468.html>>.

60 Wellmann, Christian. “Russia’s Kaliningrad Exclave at the Crossroads. The Interrelation Between Economic Development and Security Politics”. *Cooperation and Conflict*, SAGE Publications, London: Thousand Oaks, CA and New Delhi, Vol. 31(2), 1996: 162.

61 Granberg, Alexander. “Frontier Regions in the National Strategy for Development: The Russian View”. *Curtains of Iron and Gold. Restructuring Borders and Scales of Interaction*. Edited by Heikki Eskelinen, Ilkka Liikanen and Jukka Oksa. Ashgate: Aldershot, Brookfield, Singapore, Sydney, 1999. p.80-81.

62 Blank, Stephen. “Russia and the Baltics in the Age of NATO Enlargement”. *Parameters*, Autumn 1998: 56-57.

63 In composing this table I have used some ideas developed in: *Globalism and World Order*. Edited by Andrew Gamble and Anthony Payne. New York: St. Martin’s Press, 1996; *Constitutional Design and Power-Sharing in the Post-Modern Epoch*. Edited by Daniel J. Elazar. The Jerusalem Center for Public Affairs / Center for Jewish Community Studies, 1995; *Foreign Relations and Federal States*. Edited by Brian Hocking. London & New York: Leicester University Press, 1993.

Geopolitics of the Federal Center	Geoeconomics of Regions
Hard security approach	Soft security approach
Reliance on balance of power theory and military strength	Non-military priorities: search for new opportunities for trade and investments, integration of transport infrastructure, ecological monitoring
Divisive	Integrative
Regional security arrangements (Nordic, Baltic, Black Sea) are seen as strongly tied with all-European security	Security might be achieved on a regional level (security and regionality are compatible)
The perspectives of subnational units are bound to the policies of major powers and alliances (Kaliningrad, Pskov)	Subnational units are not supposed to become hostages in the competition for domination or hegemony
Russia treats itself as an object of regional policies of major countries	Russian North West treats itself as an organic part of wider Europe
Russia's resistance to the West's eastward expansion	Search for new opportunities derived from the proximity to expanding Europe
Border regions as barriers to foreign expansionism	Border regions as gateways and trade links to more developed countries

This table leads one to assume that there is a disjuncture between the geopolitical/geostrategic outlook of the federal center and the one underpinning regionalization. The central government is mostly focusing on relations between states as marked by conflicts of interests. In this sense the regional build-up is “a clear, though theoretical challenge to the domination of the nation-state; there is little sign of its demise”.⁶⁴ Yet controversies between the federal and the regional levels of power are embedded in the very structure of Russian society, and in this sense are inevitable. It is as natural for the central government to think and act in terms of “vital national interests”, or “national dignity”, as for the regional governments to concentrate on the strategy of economic survival in a wider international context, and endorse the concept of “civic security”.⁶⁵

Speaking about the geoeconomic motivations of Russia's regions, we should bear in mind several important points. *First*, regional geoeconomic strategies are still in their infancy in Russia, which is just a nascent trend, co-existing and overlapping with others – geofinancial, ecological and geocultural.⁶⁶

64 Zydowicy, Krzysztof. Nationality Versus Regionality: A Central-East European Perspective Pertaining to the Southern Baltic. In: *Neo-Nationalism or Regionality. The Restructuring of Political Space Around the Baltic Rim*. Edited by Pertti Joenniemi. Copenhagen: COPRI, 1997. p.63.

65 Stalvant, Carl-Einar. *The Council of Baltic Sea States. In Subregional Cooperation in the New Europe. Building Security, Prosperity and Solidarity from the Barents to the Black Sea*. Edited by Andrew Cottee. New York: St. Martin's Press, Inc., 1999. p.47.

66 Kochetov, Ernest. *Geoekonomika (Geoeconomics)*. Moscow: BEK, 1999. p.128-136.

Second, geoeconomic thinking is not yet an overwhelming characteristic of the regional elites in Russia. Geoeconomic approaches are impeded by multiple factors, strongest among which are: a) weak conceptualization of the region's mission, lack of strategic vision, inertia of the "old times"; b) "negative" corporate solidarity within administrative elites (i.e., patronizing regional industries facing competition from the outside). The "agents of globalization" in provincial Russia are not yet strong enough to dominate the whole area of decision making in foreign economic policies.

Third, there should be no expectations that geoeconomic orientations of sub-national units are to be free of harsh conflicts. Entering the new area of geoeconomics, the Russian regions should have learnt and been prepared to deal with such phenomena as "geoeconomic wars", "geoeconomic weapons", "geoeconomic expansionism", etc.

Regions-center relations in foreign policy

The existence of different interests of the federal center and regions might result in political conflicts between them. In those regions where the federal government prevails in foreign-related matters, there might be collisions (like in Primorsky krai whose chief executive, Yevgeny Nazdratenko, for several years refused to recognize the treaty on border delineation between Russia and China), and cooperation in those numerous regions that coordinate their foreign actions with the federal authorities. A good illustration of mutually beneficial interaction between federal and regional authorities is the beginning of the oil refinery construction in Primorsk (Leningrad oblast): for the federal center this is an important step towards securing a new, economically efficient oil transportation route to the Baltic Sea; while the Leningrad oblast will profit by new incomes for the regional budget.⁶⁷

More action of the regional elites compared to the federal government might also be in the form of a conflict (e.g., the cases of Tatarstan or Bashkortostan whose laws are contradictory to the federal legislation) or cooperation (for instance, the case of Karelia whose integration with Northern Europe does not provoke a negative reaction from Moscow). Finally, in those regions where both regional and federal governments have equal (or comparable) opportunities in setting the foreign policy agenda, it is usually implemented by consensus and communication between the federal and regional bodies (Pskov and Kaliningrad). In certain cases relations between the federal center and the regional authorities are based on bargaining tactics. For example "the Kremlin's loss of the

67 Timchenko, Svatoslav. "Vtoroi BAM" ("The Second Baikal-Amur Railway"). *Nezavisimaya Gazeta*, 14.04.2000. P.4.

68 Alexseev, Mikhail, and Vagin, Vladimir. "Russian Region in Expanding Europe: The Pskov Connection". *Europe-Asia Studies*, Vol.51, N1, 1999: 53.

Baltic ports after the Soviet Union collapsed gave Pskov a chance to position itself as a gateway to the newly emerging Baltic-Nordic free trade area".⁶⁸ At the same time there are examples of Ingushetia and Dagestan which are heavily dependent on federal subsidies, but publicly articulate dissident views on most sensitive foreign policy issues (like the union with Belarus or relations with some Muslim countries in the framework of the Chechen conflict).

Obviously, only a limited number of internationalised regions are able and willing to challenge the basic political assumptions of federal diplomacy. A few cases of this sort might be recalled: disagreements of some regional chief executives with the Russo-Belorussian rapprochement (Boris Nemtsov, Mentimer Shaimiev and Ruslan Aushev); Mentimer Shaimiev's discord with the Russian Foreign Ministry on Bosnia; the governor of the Samara oblast, Konstantin Titov's opposition to sending the Russian peace keeping forces to Kosovo; Moscow mayor, Yury Luzhkov's official visit to Paris and his talks with the French President in March 1999 when all political relations between Russia and NATO countries were frozen after the bombing of Yugoslavia.

The regions' diplomacy might give the Russian government a hard time because of three basic reasons. *Firstly*, the booming activities of regional leaders abroad might run against Russia's geopolitical approaches and her international obligations. Thus, Bashkortostan recognized Abkhazia as a state, while according to international law it is still a part of Georgia.⁶⁹

Secondly, there is a fear (even among quite liberal intellectuals and politicians) that uncontrollable foreign policies of the regional units would in the long run cause the federation to disintegrate.⁷⁰ A "tug-of-war" between the federal center and regional elites on this issue was exacerbated by the repeated refusals of the Council of Federation to introduce the "Law on Preserving Russia's Territorial Integrity" which would give the federal authorities the right to declare specific regions "temporarily uncontrollable" and empower law-enforcement organs to restore order in those regions.⁷¹

Thirdly, the federal government complains that internationalization of Russian regional politics complicates the policy making process and erects new obstacles for federal foreign policy. Yet this point is hardly convincing, since democracy is always about institutional competition between endless numbers of political actors. The center's complaints could theoretically be justified somehow should its foreign policy be widely supported and prove its efficacy, which is not

69 *Strategia dlia Rossii: Povestka dnia dlia prezidenta 2000* (Strategy for Russia: Agenda for the President 2000). Moscow: Council on Defense & Security Policy, 2000. Available at <http://www.svip.ru/book2000_chapter7.htm>.

70 Henkin, Sergey. "Separatism v Rossii: pozadi ili vpered?" (Separatism in Russia: Past or Future?). *Pro et Contra*, Vol.2, Spring 1997.

71 Sakwa, Richard. "Rossiyskiy regionalism, vyrabotka politicheskogo kursa i gosudarstvennoe razvitiye" (Russian Regionalism, Policy Making and State Development). *Russian Federalism: Constitutional Prerequisites and Political Reality*. Moscow Public Science Foundation, 1999. p.25.

the case, at least for the time being. In fact, the long-term strategy of Russian foreign policy is still being shaped, its priorities are being reshuffled, while the feasibility of many of its components (like an eventual rapprochement with China, anticipation of closer union with Serbia, confrontation with NATO, etc.) are highly debatable. The regions have much to say in these debates. The federal center's "infatuation with geopolitics" in the future ought to be balanced with geo-economic pragmatism from the regions.

3.3. The larger regions' perspectives

Projects for enlarging the Russian regional units were a part of the political agenda in Russia throughout the 1990s. In particular, these ideas were developed by "EPICenter", the "Yabloko" party think tank, that advanced the perspective of giving priority to the so-called "regional poles of growth" to become in the future the centers of "large lands" all across Russia. One of the strongest arguments was that most of the small states of the federation are economically weak, and hence are unable to rebuild their economies and effectively find their niches in the world market. Yevgenii Primakov the then Russian prime minister was sympathetic to these views.

The initial attempts to implement the ideas of inter-regional associations go back to the beginning of the 1990s when the leaders of the states of the federation tried to build up economic alliances, like for example the Siberian Accord, Larger Volga, etc. However these associations failed to turn into strong political actors and remained loosely bound units with a blurry legal status and multiple conflicts among the regions themselves.

In May 2000, with Putin as the new Russian President, the old idea of reshuffling the whole system of Russian regionalism obtained a more concrete design: according to the Presidential decree of 13 May 2000 seven federal districts were created, each one to be run by a Presidential envoy. The new "super-regions" coincide closely with pre-existing military districts, and five of the seven appointees hold the rank of general. This makes one assume that security matters will be given a high priority in each of the newly created "fiefdoms".⁷² Though Putin himself calls these measures an administrative reform within the Presidential apparatus, it is quite clear that the consequences of these steps ought to have a major impact on the state of the Russian federation.⁷³ In case the new "viceroys" will eventually use the existing resources to control the districts, they might strengthen their political weight and become even more important actors than the states of the federation, both domestically and internationally.

72 Felgenhauer, Pavel. Russia's Seven Fiefdoms. TOL, 12 June 2000. Available at <<http://www.tol.cz/jul99/specr05008.html>>.

73 Chinyaeva, Elene. Battling the Barons. TOL, 12 June 2000. Available at <<http://www.tol.cz/opina/battling.html>>.

3.4. Municipal perspectives

If the relationship between the federal center and the regions ought to be analyzed in terms of “geopolitics versus geoeconomics”, controversies between regional and municipal authorities are based on the as yet unfinished process of redistribution of resources and powers. Politically, according to the Russian Constitution, local self-government is not a part of the state system of power. This provision, coupled with the practice of competitive elections for the cities’ chief executives, increased their political profiles and encouraged them to challenge the influence of the governors.

Right from 1998, when Russia ratified the European Charter of Local Self-Government, the cities have obtained very important legal frameworks for their international contacts.⁷⁴ Being a member of the Council of Europe since 1996 Russia pledged to adhere to the European Charter of Cities introduced in 1992, which makes the grass-roots political participation a matter of international concern.

Local self-government, treated internationally as a foundation and a prerequisite for genuine democracy, received both attention and funding from major foreign NGOs. Thus, for example, the Soros Foundation runs a project, “Small Cities of Russia”, aimed at strengthening grass-roots self-management and assisting non-central cities in joining the Internet worldwide community.⁷⁵ The Moscow office of the American “Eurasia” foundation has a special grant-funding program for local self-government. The Research Triangle Institute, working under the auspices of USAID, co-operates with the Union of Russian Cities in a number of pilot projects dealing with updating the cities’ financial accounting, convening public hearings on budgetary issues, etc.

The major cities have at their disposal all the basic prerequisites for joining the family of international actors: they have transport and telecommunication networks, servicing and banking, industry, etc. 60-90% of all foreign companies operating in the regions are located in the biggest cities. The tandem of the two largest Russian cities, Moscow and St. Petersburg, often is referred to as potential “gates

74 Guilchenko, L.V. *Mestnoe samoupravlenie*. Moscow: Center for Strategic Research, 2000. Available at <<http://www.csr.ru/conferences/gil.html>>

75 Gessen, Masha. *Optimizm Sorosa (Soros’ Optimism)*, in *Itogi*, N 24 (210), 13 June 2000. p.47.

76 Sergeev, V.M. *Mnogopoliarnost’ i perspektivy regional’nogo policentrizma (Multipolarity and Perspectives of Regional Polycentrism)*. Moscow: Center for Strategic Research, 2000. Available at <<http://www.csr.ru/conferences/Sergeev-06.03.00.html>>.

77 Gromyko, Nina. *Luzhkov i geopolitika (Luzhkov and Geopolitics)* // *Russian Analytical Review*, N 6, 1997. Available at <<http://www.chat.ru/~metuniv/rao/97-6/01ngrom.htm>>

78 <<http://www.regions.ru/news/249375.html>>.

79 Alexeev, O.B., Genisaretsky, O.I., Shedrovitsky, P.G. “*Munitsipal’naya povestka dnia*” (“*Municipal Agenda. Local Self-Government in the Structure of Russian Statehood*”). *Politia*, N4, Winter 1998-1999. p.22.

to the global world”.⁷⁶ It would not be surprising if the mayor of Moscow, Yurii Luzhkov, became a high-profile nation-wide political figure.⁷⁷

The roles of the cities in developing foreign economic ties are also important. The city administrations of Krasnodar and Yaroslavl first initiated the creation of free economic zones within the municipal territories.⁷⁸

Cities play key roles in projecting to Russia civic, cultural and civilized standards from the outside world.⁷⁹ As Boris Nemtsov put it, “mayors are generally younger and more liberal-minded (than the governors. – A.M.[?]) and have fewer political inhibitions. They often are more intellectual and are backed by small and medium-scale businesses... These people are largely self-made men, a democratic group that is unburdened with Communist dogmas”.⁸⁰

In many respects cities might perform some security functions as well. Thus, according to the “Law on Bordering Territory in the Orenburg Oblast” adopted by the regional legislature, the organs of local self-government (i.e., cities), along with enterprises, public organizations and institutions have their share of responsibility in guarding the border regime.⁸¹ For example, the mayor of Kaliningrad, Yurii Savenko, is one of the best-known internationally oriented municipal leaders in Russia. He is a permanent participant of debates concerning relations between Russia and the EU, Russian security policy in the Baltic Sea, etc.⁸² In the ethnically divided regions (Dagestan), as well as in those where the power on the regional level is either paralyzed (Chechnia) or unstable (Karachaevo-Cherkessia), traditional institutions of local self-government might play important security functions in terms of preventing civil wars and atrocities.

The major problem for municipalities in Russia is scarce finance: the cities’ authorities have virtually to fight for their budgets with the regional administrations. That is why international cooperation is one of those options allowing local self-governments to survive and find much-needed funds for structural reforms. Developing the real estate market, construction and land management are among the basic resources of growth for the cities. None of these resources could be successfully managed without strong international cooperation.

The international self-assertion of the Russian cities coincides with worldwide tendencies. In many parts of the globe it is mainly the big cities that perform the role of motors, or locomotives of economic, political, and social dynamics of the country as a whole. Major cities are focal points of modernization, loci for the accumulation of experience and resources, homes for dense networks involving

80 Reform Forum. November 19, 1998. <<http://www.heritage.org/insiderussia/rf111998.htm>>.

81 Amelin, Venaly. Ustav regiona kak garant sokhranenia tselostnosti Rossii (The Charter of the Region as a Guarantee of Preserving the Integrity of the Nation), available at <<http://federalism.soros.ksu.ru/conference/seminar1/amelin.htm>>

82 <<http://www.regions.ru/news/190321.html>>.

people of different background. “Urban innovative environments” being formed in larger Russian cities consist of networks of expertise, financial infrastructure, labor-market resources, small- and medium-sized companies. Cities are already becoming crucial accumulation centers for the industries connected with infrastructure (be it ecology, advertising, legal services or entertainment). All this increases the mobility of capital, and improves the perspectives of privileged social groups. The cities’ elites are attempting to properly position themselves internationally, which means developing prestige, status and culture to attract visitors, competition for transnational-company centers, etc.

As market regulation grows in importance *vis-à-vis* state regulation, cities – especially those that attribute their power to the local concentration of wealth and mobilization of capital – cannot fail to make their political voices heard more clearly. Economic globalization reduces the state’s capacity to manage economic and financial flows, a fact which opens up new international perspectives for Russian cities.

Yet President Putin’s administrative reform launched on 13 May 2000 challenged the autonomous status of municipalities, giving the governors the right to remove those mayors, who were accused of breaking regional and federal laws. However the very system of municipal government is being preserved.

Obstacles and opportunities

As we have stated earlier, Russian regions face a mix of restraints and new possibilities in their international endeavors.

4.1. Obstacles for globalization on the regional level

The international endeavors of Russia's sub-national units are hindered by numerous factors. *Firstly*, there is no conceptual clarity in respect of what constitutes "regional interest" for each of the federation states, and who in implementing the regional development strategy should liaise with foreign institutions. No more clarity exists in the way the "regional interests" ought to be correlated with "national interests". Discussions on these challenging issues are still underway in Russian political and academic circles, but it becomes more and more obvious that it would be too simplistic to interpret "national interests" as merely "the sum of regional interests". Correlation between "national" and "regional" interests is much more complex, mainly because of two basic reasons – the existence of conflicts between the regions themselves on specific issues, including those related to foreign affairs, and different criteria used by the center and the regions in approaching foreign countries.

On the regional level counter-globalization actions are quite noticeable. For example, insurance companies in Tver expressed their deep concern over the perspectives of facing (and subsequently losing) competition with foreign companies, while leaders of some border regions impose severe restrictions on immigration of foreign workers. In some communist-dominated regions local politicians regularly play the nationalist card: thus, the governor of the Ulianovsk oblast, Yuri Goriachev, appealed to Vladimir Putin "to resist the dictate of the

IMF”, while the chairman of the Ulianovsk regional legislature, Sergey Riabukhin, bitterly accused “Greenpeace” of destroying the local pharmaceutical industry and preparing the Russian domestic market for the invasion of U.S. medical equipment.⁸³

Secondly, there is no sufficient clarity in separating the powers of the federal and regional governments in the sphere of foreign contacts. Legal experts themselves disagree with each other on how to treat the delineation of prerogatives and responsibilities between the two levels of power.

The *third* impediment is the deficit of resources and infrastructure in the regions for full-fledged international standing:

- Transportation is one of the worst problems. Few foreign air companies have direct flights to regional centers in Russia. Roads and highways need drastic modernization.
- Banking services are in most cases inadequate. Regional (and even some central) banks fail to provide the whole set of financial services for business people (for example, cashing cheques and withdrawing cash in ATM machines above very modest – in Western terms – amounts might be very time consuming procedures). Bank credit for export and import operations is underdeveloped.
- Tourist facilities are basically poor. Hotels, airports, railway stations, shopping centers, etc. are in need of investments for renovation and maintenance.
- The communication infrastructure is also weak. Internet access is complicated by policies of local authorities to charge customers for local calls, which has a negative effect for students, scholars, NGO volunteers and other Internet users with modest incomes.

The *fourth* restraint could be found in the institutional framework for international relations. Regional administrations usually lack experienced and well-trained professionals in international relations. Bureaucratic rivalries (mostly between regional and municipal authorities), as well as a lack of proper coordination among a plethora of administrative services (customs, railway, banks, etc.) abound. Meanwhile the interaction between the official authorities and the nascent “third sector” is minimal. This is a disturbing point, since a better quality of the international activities of Russia’s regions might be reached only with a deeper involvement of NGOs, public groups, parties and other non-state actors.

A deficit of managerial skills is also a huge problem. In many regions “autonomy has often been mismanaged”.⁸⁴ It is telling that many Free Economic

83 18 January 2000 (<<http://www.regions.ru/news>>).

84 Joenniemi, Pertti; Dewar, Stephen; Fairlie, Lyndelle. “The Kaliningrad Puzzle: A Russian Region within the European Union”. COPRI Working Papers, N 6, 2000. p.16.

Zones (FEZ) projects failed, mainly owing to bad management. In Kaliningrad the FEZ plans from the very beginning “lacked thoughtful design and were loaded mainly with political and ideological tasks, which transformed the whole project into a peculiar regional political myth”.⁸⁵ A group of experts from the Institute of Economy, Russian Academy of Sciences, came to the conclusion that the troubles with the FEZ in Kaliningrad could be explained by a domination of a “narrow-minded managerial approach”, non-transparent financial flows, incremental augmentation of administrative expenditures, and the excessive influence of lobbyist groups in the decision-making process. As a result, during the last seven years the scale of industrial decline in the Kaliningrad oblast was worse than in Russia as a whole, investment inflow was not higher than in the average regions and transportation costs rose. What is more is that the whole system of regional economic development was oriented towards increasing cheap exports, which eventually led to the growth of the shadow economy and its merging with the regional bureaucracy.⁸⁶ It seems that similar problems are typical for other free economic zone experiments: in March 2000 the federal government decided to cancel the FEZ in Altai.⁸⁷

In the fifth place, regions failed to build coalitions for reaching their international and security goals. The regions were unable to form any alliance to reverse federal policy during the wars in Kosovo and Chechnia. Each of the regions prefers to tackle the federal government individually, making use of its political status, access to mineral resources or geographical position, and avoiding binding commitments with others.⁸⁸

Finally, Russian regional authorities, as well as regional enterprises, are burdened by serious legal problems arising from the intensification of international activities. Foreign companies operating in Russian regions are sometimes drawn into very complicated processes of redistribution of property. The search for a common language with foreign partners is not an easy task.

The major problems as seen from the Russian regions’ perspective might be subdivided into several categories:

- a) Many conflicts occur in the field of extracting and processing mineral resources. Many in Russia complain that the rental fees paid by foreign companies are very low. Implementation of Product Sharing Agreements with foreign partners in the Russian regions is also seen as controversial,

85 Abramov, Vladimir. “Slozhnyi dreif baltiiskoi provintsii” (“Troublesome Drift of the Baltic Province”), *Polis*, N 2, 1998. p.97.

86 Smorodinskaya, I.; Kapustin, A., Malygin, V. “Kaliningradskaya oblast kak svobodnaya ekonomicheskaya zona” (“Kaliningrad Region as a Free Economic Zone”), in *Voprosy ekonomiki*, N 9, 1999. p.93-105.

87 Russian Regional Bulletin N 2.7 <<http://www.iews.org>>.

88 Gelman, Vladimir. “Regional’nye koalitsii: dilemmy kollektivnykh deistviy” (Regional Coalitions: Dilemmas of Collective Actions). <<http://www.iews.org/rrabout.nsf>>.

since the share of the Russian state might drop to 10 percent or even lower.⁸⁹

b) In numerous cases the Russian regional authorities accuse their foreign partners of failing to fulfil their contractual commitments. Thus, for instance, in March 2000 the administration of the Perm' oblast filed two suits in the International Court of Law in Stockholm against Finnish companies "Tuomo Halonen" and "Erik Star". Both of them, according to the Perm' authorities, had broken agreements concerning the construction of a food processing plant.⁹⁰

c) In many regions law-enforcement agencies are seriously concerned with collecting taxes from foreign citizens temporarily in residence in Russia. In January 2000 the Nizhny Novgorod tax police reported that more than 3000 foreign residents in this oblast were accused of tax evasion. Three cases were taken to court, including one against a director of "Nizhny Novgorod Coca Cola Bottlers".⁹¹

The Legislative Council of the Republic of Karelia also appealed to the Ministry of Justice of the Russian Federation expressing concern about the lack of mechanisms to enforce the decisions of Russian courts against foreign tax evaders. More than 40 decisions of the Arbitrary High Court of the Republic of Karelia concerning foreign residents have not been implemented since 1995. Each year, according to the media, about 500 citizens of Finland work illegally in Karelia, paying no taxes.⁹²

In the meantime, foreign organizations also have a lengthy list of complains:

- Many foreign companies leave the Russian market because of their general disappointment with the way the business is run in Russia. This was the case of the Finish company, "Nokia", that in April 2000 cancelled the operations of its "Nokia Switching Systems" plant in St. Petersburg.⁹³
- Conflicts in the sphere of property rights are very frequent. The U.S. "Exxon" oil company was about to leave the international consortium aimed at investing in the Timan-Pechora oil basin, since the regional administration of the Nenets okrug claims acquisition rights of more than 50%. Another illustration was the November 1999 decision of the court in the Siberian city of Nizhnevartovsk to ban the process of bankrupting and selling out the regional oil company, "Chernogorneft". The court decision was lobbied by a group of foreign investors (Harvard University

89 Agranat, Grigory. "Sever: zalozhnik i zhertva" (The North: Hostage and Victim). *Svobodnaya Mysl*, N1, 1998: 61-62.

90 <<http://www.regions.ru/news/227795.html>>.

91 21 January 2000 (<<http://www.regions.ru/news/>>).

92 11 February 2000 (<<http://www.regions.ru/news/>>).

93 <<http://www.regions.ru/news/224009.html>>.

Endowment and a number of international investment funds controlled by George Soros), who claimed that the bankruptcy was artificially fabricated by the “Tiumen Oil Company” (TNK) in order to deprive foreign investors (including BP, Amoco, the European Bank for Reconstruction and Development and others) of their assets and eventually to get control over the oil-rich Samotlor area.⁹⁴ A similar case was registered in Magadan court which in January 2000 considered the legal suit of Pan American Silver company (Canada) against the Russian “Kaskol” company which won the tender for extracting silver in the Dukat area.⁹⁵ The German company “Davis International L.L.S.” controlling 20 per cent of the Kachkanar mining plant in the Sverdlovsk oblast protested against the ousting of the former director and redistribution of the enterprise’s assets.⁹⁶ TUSRIR, the U.S. Investment Fund that in 1998 became the leading shareholder of the Lomonosov Porcelain Factory, was unhappy about the intention (though revoked later by the court) of the St. Petersburg State Property Committee to deprivatize this enterprise.⁹⁷

- Bureaucratic regulations could also be discouraging. For example, IKEA, the Swedish company, has publicly expressed its dissatisfaction with the decision of the Moscow city authorities to ban the construction of the highway leading to IKEA supermarket, despite the fact that the Moscow oblast administration approved the whole project.⁹⁸
- The difference in accounting practices between Western investors and Russian recipients also matters. With no trust in Russian accounting, foreign firms usually require guarantees either from regional authorities, or from major banks, which seriously complicates the whole business process.

These collisions are not rare in Russia. Their persistence demonstrate how much is still to be done by Russia’s regional actors to find rational solutions to complex situations involving the interests of domestic and foreign institutions. Regional Russia still has to learn the art of reaching compromises with foreign counterparts who are motivated by making money – not charity – in the Russian market.

94 New York Times, 24 November 1999.

95 <<http://www.regions.ru/news/248094.html>>.

96 1 February 2000 (<<http://www.regions.ru/news/>>).

97 <<http://www.regions.ru/news/249649.html>>.

98 <<http://www.regions.ru/news/206567.html>>.

4.2. *Regions' worldwide reach: chances for Russia*

Yet globalization opens new possibilities for both regions and the federal center. There are numerous opportunities, and the issue is how to make better use of them for the sake of all the actors involved.

Regions' gains

The increase in the number of globally oriented subnational actors in Russia had a positive impact on Russian statehood in terms of democratic transition, since both the central and regional governments have to act in a much more competitive political and institutional environment. Articulation of regional and outward-oriented interests regularly checks and balances the federal bureaucracy and destroys its monopoly in policy making, a fact that might be seen as a part of the democratic transition agenda.

Many forms of interaction between Russia's subnational actors and international institutions are observable. In each specific area the concrete outcomes of "going global" take different forms resulting from the peculiar combination of institutions belonging to several levels – from municipal (local self-government) to global (U.N.). The results of what is usually labelled as globalization are determined by a constellation of its protagonists. Here are the most typical schemes of international cooperation involving Russia's subnational actors:

- City-to-City ("twin cities") cooperation based on the exchange of experience in local self-government, training and retraining sessions for municipal servants, exhibitions and so forth. There are numerous examples of this kind of relationship all across Russia.
- City → International entity. The city of Voronezh, for example, became a participant of the EU program on municipal management development,⁹⁹ while Stavropol takes part in the international "Healthy Cities" project under the aegis of the "Aalborg Charter" of sustainable development of cities signed in 1994.¹⁰⁰
- City → Foreign city → International organization(s). The twinning experience gave a start to the Union of Baltic Cities which in its turn stays in close touch with the Council of Baltic Sea States, the Parliamentary Conference on Cooperation in the Baltic Sea Area, Europe's Council of Local and Regional Authorities, Baltic Chambers of Commerce Association and the Baltic Sea Tourism Commission.¹⁰¹ The TACIS program of the EU

99 <<http://www.regions.ru/nnews/206037.html>>.

100 <<http://rels.obninsk.com/Rels/Lg/0003/05-05.htm>>.

101 Engstrom, Anders. "How the Union of the Baltic Cities Contributes to the Development of the Baltic Sea Region". In *From Town to Town. Local Authorities as Transnational Actors*. Edited by Christian Wellmann, 171-172. New Brunswick and London: Transaction Publishers, 1998.

- includes technical assistance to facilitate cooperation between Russian cities and their Western European counter-partners in such fields as urban infrastructure, suburban areas development, etc. The Canadian Ministry of Foreign Affairs encourages cooperation between Winnipeg and St. Petersburg within the Northern Forum..¹⁰²
- City → Municipal Associations → International organizations. The Union of Russian Cities, a major nation-wide association of municipal authorities, cooperates with the Council of Europe, the Congress of Local and Regional Authorities in Europe (18 representatives of different Russian cities form the Russian delegation at this body), Council of Communities and Regions in Europe and the International Union of Local Authorities..¹⁰³
 - City → Federal Center → International organization(s). For instance, “Roszarubezhcentr”, a federal institution, works with Russia’s municipal authorities to help them in participating in the European program of “Twinned Cities”.
 - City → Global organization. The United Nations runs a program of assisting selected Russian cities in improving their urban management and maintenance system.
 - Region-to-region cooperation aimed at fostering bilateral links in different social, economic, cultural and scientific fields. Almost all the Russian regions are involved in such cooperation..
 - Region → Private international institution(s). For example, the regional administrations, which were allowed to issue Eurobonds in 1997, hired international banks and companies, as well as legal and audit institutions, as leading managers of the projects.
 - Region → Federal government → Private companies → International banking institutions. The president of Tatarstan and the federal government had to contract an international audit company in order to make transparent the financial situation in “KamAZ” – the major car-producer in Tatarstan – before the European Bank for Reconstruction and Development takes further decisions on restructuring the factory’s debts.
 - Region → International NGOs (Human Rights Watch in Northern Caucasus, Greenpeace in different localities of Russia, French “Runners Without Frontiers”, etc).
 - Region → European organization(s). The EBRD has developed separate programs for Russian regions targeted for lending funds for small and

102 <http://www.infoart.ru/misc/news/00/02/02_392.htm>.

103 <<http://www.urc.ru/partners.htm>>.

medium businesses. For example, many regional administrations in Russia are in direct touch with those EU authorities in charge of implementation of the TACIS and TEMPUS projects. The EU Commission for Humanitarian Aid was instrumental in working with the North Caucasian republics of Russia during the war in Chechnia.

- Region → Foreign government(s). Thus, many regional administrations deal with the governments of foreign countries through their Embassies or Consular offices. Most Western embassies (France, Netherlands, Canada, Germany, USA etc.) in Moscow run certain programs of cooperation with regional partners in Russia.
- Region → Federal government → International institutions. This was the case of the Nizhny Novgorod regional administration that consulted with the federal Ministry of Finances concerning the negotiations on restructuring regional debts to the London Club of creditors. Another example is also telling: in May 2000 President Putin assigned the Chairman of the Samara Duma, Leon Kovalsky, to the post of Deputy Chairman of the International Commission of Local and Regional Powers of Europe.¹⁰⁴
- Region → Inter-regional association(s) → Federal Center → International organization(s). For example, “Roszarubezhcentr” has concluded an agreement with the “Siberian Accord” inter-regional association in order to facilitate cooperation between its member regions and the outside world.
- Region → Federal organs → Foreign governments. A good example of this linkage might be regional branches of the state-run “Rosvooruzhenie” company aimed at finding the easiest ways for regional armaments industries to foreign military equipment markets. “Rosvooruzhenie” provides a set of services for regional enterprises, including those of drafting agreements with foreign partners, analyzing the international demand for military equipment, assisting with participation in major international exhibitions and fairs.¹⁰⁵ The Russian Ministry of Foreign Affairs also has its branches in the major regions to help them in issuing business invitations to foreign citizens, provide enterprises with analyses of international economic trends and information about specific companies, advise in legal disputes with foreign partners, etc.¹⁰⁶
- Region → Ethnic diaspora → International organizations and/or foreign governments. Reliance on the diaspora in searching for new international

104 <<http://www.regions.ru/news/235737.html>>.

105 <<http://www.regions.ru/news/236518.html>>.

106 <<http://www.regions.ru/news/205461.html>>.

- possibilities is characteristic for Tatarstan, Chechnia, Mari El and some other republics.
- Region → Transregional associations → European organizations. For example, regions participating in transborder cooperation (BEAR, Northern Dimension and Baltic Sea Forum) become subjects of EU programs.
 - Regional enterprise → Global organization. Usually a group of directors of major enterprises processing mineral resources (aluminum, black metals, etc.) are invited to attend the World Economic Forum in Davos. One interesting example in this category was also the appeal of the GAZ automobile factory in Nizhny Novgorod to the United Nations asking for the lift of economic sanctions against Iraq with whom GAZ has good perspectives of cooperation.
 - Region → Global organizations. Several Russian regions were selected as direct recipients of World Bank assistance programs. Unesco has special funds for helping certain localities in Russia in ecology and culture preservation, assistance to refugees, etc. Authorities in regions bordering with Chechnia keep working relations with the UN High Commission for Refugees, UNICEF, World Health Organization, Red Cross, etc. The World Wide Fund for Nature (WWF) has a number of regional partners in Russia to work with biological diversity and forestry.

Regional law-enforcement agencies are also going global. In a number of regions (Nizhny Novgorod, Tiumen and some others) new security units were established to investigate and prevent high-tech crime, including the misuse of Internet logins and accounts.¹⁰⁷ The Revenue Office of some regions is in touch with Interpol regarding tax evasion affairs.¹⁰⁸

Developments of the last decade in the area of foreign activities of the regions have led to many positive changes. In no way were the 1990s completely the “lost decade” for cooperation between Western countries and Russian regions. International engagements gave a new political resource to regional authorities and opened them up to the international public sphere. Thanks to that, many regional leaders expanded their political horizons – for example, the governor of the Novgorod oblast, Mikhail Prussak, and the president of Chuvashia, Nikolay Fiodorov, were elected Deputy Chairmen of the Council of Europe’s Parliamentary Assembly. Regional policy-makers started to learn the meaning of legal norms in working with credits and investments, acquired new skills for conducting negotiations, reaching compromises, building partnerships, etc.

International openness brought positive fruits to the regions both financially and socially. Airports upgraded to international standards in the Russian heart-

107 <<http://www.tmn.ru/~rufsb/Text/221199.htm>>.

108 14 January 2000 (<<http://www.regions.ru>>).

land (Magnitogorsk, Yaroslavl, Briansk and many others) bring improved infrastructure for international communication, traffic and cargo, new work places (duty-free stores, tourism, etc.) and new incomes for regional budgets. There were of course some controversies among regional administrations, which are more accustomed to dealing with their local business, and transnational companies.¹⁰⁹ Yet international openness made feasible the gradual evolution of Russia's provincial conservatism towards more openness and more mobility while regional administrators found themselves in a much more demanding and challenging environment.

Internationalization expands the scope of policy alternatives and instruments available for resolving problems at each of the subnational levels of society. The challenge is to identify properly these instruments and take advantage of them for the sake of the region.

International contacts provide some regions with direct communication not only with foreign officials and public servants, but also with the public. Thus, the municipality of Kaunas (Lithuania) which has entered into an informal twin-city partnership with the destroyed Grozny and established an Information Center of Chechnia in Kaunas Town House, initiated multiple appeals from different Lithuanian organizations to various EU institutions aimed at stopping the bloodshed.¹¹⁰

There are clearly discernible fields in internal regional life that to a significant extent are influenced by international actors. *Firstly*, this is the sphere of regional finances, investments and credits. The state of the budgets (and hence the perspectives of implementing social programs) in those regions that issued Eurobonds and applied for restructuring of their debts is considerably dependent on negotiations with the foreign creditors. Many infrastructural construction projects in major Russian cities (hotels, airports, communication, etc.) were undertaken by foreign funding. It was the people from the regions who were most concerned about the perspectives of freezing certain forms of technical assistance from the West (in particular the TACIS program and Soros Foundation network) during the war in Chechnia. This confirms that the regions are even more sensitive, than the federal government, to the foreign economic environment, and are more dependent on technical cooperation with international institutions.

Foreign institutions are able to have their say in certain economic processes. For example, the World Bank in fact blocked the transfer of the shares of "Krasugol", the Krasnoyarsk mining plant, to the regional administration. The World

109 Povarenkin, Siman. *Regionam nuzhny bolshie proyekty (Regions Need Big Projects)* // *Expert*, 13 July 1998. p.8.

110 Jonaitiene, Ina and Zulcas, Ricardas. "The Foreign Relations of Klaipeda Municipality". In *From Town to Town. Local Authorities as Transnational Actors*. Edited by Christian Wellmann, 187. New Brunswick and London: Transaction Publishers, 1998.

111 17.02.00 <<http://www.smi.ru/news/copr>>.

Bank representative issued a statement urging for genuine privatisation instead of handing over shares from the federal authorities to the regional ones, and threatened to freeze future credits unless these conditions were observed.¹¹¹

Of course, international financial institutions keep their eyes on developments in each of the major regions of Russia, evaluating their potentials for cooperation and investigating the perspectives of regional growth. One of the better examples is the rating of Russian regions in terms of investment attractiveness published annually by the Moscow-based "Expert" journal. This study is based upon two characteristics: investment potential of the region (comprising such major factors as natural resources, labor market, industrial development, level of innovation, institutional background, infrastructure, finances and consumer ability of the population) and investment risks (economic, financial, political, social, ecological, criminal and legislative).¹¹²

There are examples of other measurements. For example, in 1999 the World Bank commissioned the study of the state of market reforms in ten urban centers along the Volga river.¹¹³ These cities were compared along such criteria as price control on goods and services, fiscal policy indicators, housing privatisation tempo, small business development, foreign investments and joint ventures, economic and social wages, unemployment rate, growth of consumer prices, telephone and automobile possession, school age population, etc.

Political risk assessment also received a great deal of attention in the last few years. Thus, the study of the Institute for Advanced Studies, Vienna, done for the Bank of Austria, distinguishes such indices of political risks as continuity of regional voter preferences, fragmentation of the regional political spectrum, organization and power of radical political parties, presence of strong interest groups, legislative stability and proper implementation of treaties, state-ownership in the economy, support of foreign trade, regional tax policy, crime rate, internal security, transparency of decision making, relation of the local administration to the federal authorities, social orientation of the governors, regional mentality towards foreigners, etc.¹¹⁴

Secondly, foreign institutions might have some influence in intra-regional disputes. Thus, in November 1999 the Hungarian authorities and Interpol arrested Anatoly Bykov, the Krasnoyarsk tycoon, who was for several months wanted by the Russian police. Having under his control the largest Russian

112 Expert, N39, 18 October 1999: 26.

113 De Melo, Martha, and Ofer, Gur. *The Russian City in Transition: The First Six Years in Ten Volga Capitals*. Washington, D.C.: Development Research Group, World Bank, 1999.

114 Mogel, Nicola. "The Political Risks in Russian Regions". Institut fur Hoehere Studien (HIS), Wien. Reihe Transformationsookonomie N3. (<<http://www.ihs.ac.at/economics/economenu/papers/transit/ihs-te3.htm>>).

115 The Newsweek, 15 November 1999.

aluminium processing factory and a number of industrial enterprises in Krasnoyarsk, Bykov was seen as the most influential rival to Alexander Lebed, the governor of Krasnoyarsk krai, who pledged to bring him to court on charges of extortion, money laundering and financial fraud.¹¹⁵ The trial of Bykov will also have an impact over the future of the major regional oil company in Russia “Sibneft”. It is worthwhile noting as well that in 1998 the political feud between Lebed and Bykov was exposed to a world-wide audience through controversial web sites “Claw-1” and “Claw-2” containing negative information about the regional political elite. Thus Krasnoyarsk is known as the first region in Russia to use Internet technologies for public relations purposes.

Foreign institutions could also play their roles (though obviously limited ones) of arbiters in regional political conflicts. For instance, Andrey Klimentiev who won the mayoral election in Nizhny Novgorod in 1998 but immediately afterwards was accused of financial crimes, arrested and jailed, filed his complaints to the European Human Rights Court. The delegation of the European Congress of Regional and Local Authorities was visiting Vladivostok to mediate between politically clashing groups there. Human rights groups and electoral observers are frequent guests in the Russian regions and cities.

Thirdly, there is a significant impact from abroad in the so-called “third sector”. Numerous NGOs and Universities have managed to increase their potential and even expand with direct help from Western grant-giving foundations. Cultural, artistic, academic and student exchanges have become an organic part of the daily functioning of regional institutions of higher education. The Soros Foundation, British Council, IREX, Peace Corps, Unesco and other institutions are represented in the most advanced Russian regions, contributing to the creation of transnational “epistemic communities” of experts, scholars, consultants, teachers and journalists. There are really good signs of improvement in this area since the social activities of non-governmental community groups often challenges the governing elites and intellectually changes old assumptions and practices.¹¹⁶

Western environmental groups were quite instrumental in raising the issues of ecology, including clean water supply, forestry maintenance, safety of nuclear waste, etc. Russian “Greenpeace” activists monitor regularly the compliance of regional authorities with ecological standards and are quite instrumental in drawing public attention to ecological dangers (thus, “Greenpeace” protested against deadly air pollution in Dzerzhinsk, the city with a chemical industry, and against the contamination of Baikal lake in the Irkutsk oblast). Yet the most widely publicized case was the involvement of the Norwegian Bellona organization into the public campaign to support the former Russian military officer, Alexander Nikitin, who helped to uncover data about the leakage of radioactivity and water

116 Hocking, Brian. *Localizing Foreign Policy. Non-Central Governments and Multilayered Diplomacy*. New York: St.Martin's Press, 1993: 16-17.

contamination in Andreeva Bay, Gremikha naval base, Severodvinsk and other sites located only a few dozen kilometres from the border of Norway. Being charged with revealing classified information and jailed, Nikitin won the lawsuit in Saint Petersburg in January 2000 backed by a European Parliament resolution and a group of U.S. Congressmen. Afterwards, Bellona took the St. Petersburg TV channel to court for defamation.¹¹⁷

Foreign NGOs were important actors during the regional conflicts in Chechnia and Dagestan. “Non-violence International”, “Forum on Early Warning and Early Response”, “The Caucasus Forum”, “Search for Common Ground”, “Berghoff Center”, “International Alert”, and the NGO Working Group on Conflict Management and Prevention organized by the United Nations High Commission for Refugees were involved in monitoring human rights abuses and helping to deal with humanitarian issues in the whole area of Northern Caucasus.¹¹⁸

In many regions there are organizations lobbying the interests of foreign ethnic groups, like “Black Sochi” (organization of African residents),¹¹⁹ “Kazakh League of Volga” based in Saratov¹²⁰, etc. In the Krasnoyarsk oblast a new law was adopted allowing foreign citizens to get elected to the local self-government.¹²¹ The national cultural autonomy of the Azerbaijan diaspora was instituted in the Murmansk oblast in June 2000.¹²²

Federal Benefits

The regions’ cooperation with foreign partners is also important for the federal government. *First*, the regions’ regular communication with Western counterparts might to some extent compensate for Russia’s political isolation after the wars in Kosovo and Chechnia, and an insufficiency of traditional country-to-country diplomatic instruments to deal with Western countries. In participating in the “Northern Dimension” initiative, the Barents-Euroartic Council, the Council of Baltic Sea States, Black Sea Economic Cooperation and the Northern Sea Route project Russia, through its regions, might have a direct impact on its Western neighbours and in the long run influence EU and NATO policy towards Russia. In this regard the regions might regain what the federal government has lost. The Russian regions are capable – to a limited extent, of course – of influencing EU policies, provided that: a) EU institutions and procedures concerning trans-border cooperation would be properly understood; b) Russia’s regional represen-

117 <<http://www.bellona.no>>.

118 <<http://www.osi.hu/ifp/fellows/kamenshikov>>.

119 <<http://www.regions.ru/news/238341.html>>.

120 <<http://www.regions.ru/news/230497.html>>.

121 <<http://www.regions.ru/news/198839.html>>.

122 <<http://www.regions.ru/news/244891.html>>.

tatives would contact the relevant institutions at the right level of organizational hierarchy; c) Russian initiatives would be timely and well scheduled.

Despite its consistent opposition to NATO, the Russian government is deeply interested in further Western financial and technical assistance. It needs to reframe its dialogue with the West and to find new ways to communicate with countries aspiring to join NATO and the EU, as well as neutral and non-aligned countries, and even CIS members that are reluctant to come into closer alliance with Moscow. This is also what the West wants to support “to defy the cosmos-chaos duality by showing the possibility of non-zero-sum cooperation between integrated and non-integrated, unitary and fissile, Christian and non-Christian states”.¹²³

Second, certain regional leaders might be useful as mediators or negotiators (formal or informal) with foreign groups in those cases when the Russian government either lacks official instruments or wishes to stay behind the scene. It is telling that Vladimir Putin’s aide Sergey Yastrzhembsky recognized that the leaders of certain subjects of the federation with the consent of the federal government kept up relations with the president of Chechnia, Alan Maskhadov.¹²⁴ Most likely he meant the leaders of North Ossetia, Ingushetia and Tatarstan who on numerous occasions raised their voices in favor of negotiating with Maskhadov. Tatarstan was particularly active in internationally advertising its peace-keeping initiatives. Rafael Khakim, political advisor to the President of Tatarstan, propagated the idea that Tatarstan might represent the interests of the Russian Federation in international Islamic organizations.¹²⁵ The President of Tatarstan in 1995 (along with the Dutch Foreign Ministry, Harvard University, Carnegie Endowment, and IREX) initiated a series of round table discussions called “The Hague Initiative” aimed at finding non-violent political solutions to regional conflicts in Abkhazia (Georgia), Trans-Dniestria (Moldova), Crimea (Ukraine), and Chechnia.¹²⁶ In particular, the principle of “delayed decision” in Chechnia was proposed by the “Hague Initiative” and later implemented in the Khasaviurt Agreements signed by Alexander Lebed with the rebels in 1996. To maintain politically its presence in the turbulent North Caucasus area and act in parallel with foreign NGOs, the President of Tatarstan in February 1995 established the office of Tatarstan’s representative in Ingushetia on humanitarian issues (medical care, food supplies, etc.).

123 Bremmer, Ian, and Bailes, Alyson. “Sub-regionalism in the Newly Independent States”. *International Affairs* 74, N1, 1998: 132.

124 Available at <<http://www.nemtsov.ru/media/news.html>>, 11.02.2000.

125 Khakim, Rafael. “Rossia i Tatarstan: u istoricheskogo perekriostka” (Russia and Tatarstan: at the Historical Crossroads). *Panorama-Forum*, Summer 1997: 54.

126 *Ot konfrontatsii k navedeniu mostov* (From Confrontation to Bridging the Gaps). Kazan, 1997.

Third, the regions' resources could be mustered for implementing Russian foreign policy and security objectives. Thus, maintaining the transport communication infrastructure in the West of Russia would be impossible without the involvement of the regional authorities.¹²⁷ In the "new frontier" regions (like in Cheliabinsk bordering with Kazakhstan) it is the practice to contract local people for servicing the border-control units.¹²⁸ Similarly, according to the agreement signed between the Federal Border-control Service and the administration of the Yamal-Nenets autonomous district, local conscripts will be recruited for military stations located in this area.¹²⁹ In its turn, the administration of the district provides financial support to the frontier-guards.

It was the Karelian government, which introduced the regional program of modifying and developing customs units across the border with Finland to help the federal agencies.¹³⁰ The administration of St. Petersburg signed agreements with two Russian military units located in Tajikistan pledging to provide them with food and medical supplies.¹³¹ In a similar endeavor the administration of the Dudinka sea port took responsibility for the Taimyr border-control unit.¹³² In the Kurgan oblast the "Corps of Frontier-guards" was created to help soldiers stationed in the region and retired officers.¹³³ The governors of the Volgograd and Briansk oblasts launched regional programs to financially assist military servicemen, who participated in anti-terrorist campaigns and military conflicts.¹³⁴

Fourth, widening transregional cooperation with foreign partners might bring more expertise and fresh ideas to the federal policy-making sphere. A good example is an initiative of the International Discussion Club (St. Petersburg) in cooperation with a number of international environmental groups aimed at arranging a series of public hearings on the project of the Coastal Code of Russia, with special emphasis on its implications for the Barents and Black Sea regions.¹³⁵

127 <<http://www.regions.ru/news/193939.html>>.

128 <<http://www.regions.ru/news/208790.html>>.

129 <<http://www.regions.ru/news/157502.html>>.

130 <<http://www.regions.ru/news/223749.html>>.

131 <<http://www.regions.ru/news/229122.html>>.

132 <<http://www.regions.ru/news/202002.html>>.

133 <<http://www.regions.ru/news/246866.html>>.

134 <<http://www.regions.ru/news/246097.html>>.

135 Public Hearings on the Project of the Coastal Code of Russia. Available at <<http://idc.cis.lead.org/coasts/index.html>>.

Scenarios for the future

Some of the feasible future scenarios might be summarized in the following table.

Geopolitical Scenarios

1. “Optimal”: gradual integration with the West in parallel with stabilization based on liberal economic reforms
2. “Realpolitik”: division of spheres of influence between Russia and the West (“two security communities”).
3. “Malign”: direct conflicts between Russia and the West
4. “Huntington scenario”: clash of civilizations
5. Imperial Russia
6. Russia as confederation

International Roles of the Regions

Strengthening of leading regions that become “juncture points” of progress, locomotives of modernization, “gates to the global world”. Increasing social mobility would lessen the attachment of ethnic groups to their specific territories¹³⁶

Priority will be given to the regions bordering the CIS countries; other regions will face relative international isolation

Western regions will play the role of security barriers; on the contrary, Far East regions will be considered as important factors to keep good relations with China

Violent outbursts of ethnic separatism threatening the very existence of Russian federalism

Drastic decrease of autonomy of all sub-national units, restoration of centralization

Regrouping and enlargement of regions, their sporadic search for new international roles. Complete alteration of both Russia’s domestic political landscape and foreign relations.

¹³⁶ Payn, Emil. *Perspectivy natsional’noy politiki Rossii do 2010 goda* (Perspectives of the National Policy of Russia Till the Year 2010). Moscow: Center for Strategic Research, 2000. Available at <<http://www.crs.ru/conferences/pain.html>>.

It seems nowadays that the *first* and *second* scenarios are the most plausible. Implementation of either of them depends on the intentions of both Russia and major Western powers. Unfortunately, there is still a great deal of uncertainty from both sides. From the Russian side, quite discouraging is the fact that neither the Military Doctrine of 21 April 2000, nor the Foreign Policy Concept of 10 July 2000 even mention the roles of subnational units in international and security affairs. This is clear evidence of the federal center's neglect of the importance of regional actors in the policy-making process. This unfortunate disregard testifies that the regions' road to the global world is not a smooth one. Even in an optimistic scenario the regions would not be able to turn into "islands of globalization" automatically, but they would have to repeatedly raise this issue in negotiating with the federal government and keep incrementally mobilizing resources to achieve their strategic goals defined in terms of international integration.

In the West, on the one hand, hopeful signs might be seen in repeatedly emerging forecasts that "in time, Russia could be considered for NATO membership".¹³⁷ There is a relatively strong consensus in the West that "only with Russia will Europe achieve security in the broader sense for the 21st century... Neither the alliance nor any of its members individually should seize upon Russia's weakness to develop challenges in the regions that could become sources of long-term instabilities and possible conflicts... The Russians must not be led to believe in a new encirclement of their country, based upon any reality of Western policy directed against it".¹³⁸ Even in clashing with Russia over the war in Chechnia the Western experts and journalists recognize that "the Chechens' warlike qualities are linked to their new success in organized crime",¹³⁹ and that the whole rebel region is based on illegal and criminal activities.¹⁴⁰

On the other hand, there is "a deep underlying hostility to Russia in much of the American policymaking elite... In all ... regions of the former Soviet Union, the United States policy is now directed to rolling back Russian influence".¹⁴¹

Yet direct conflicts between Russia and the West are very unlikely. That is why the *third* and the *fourth* scenarios are mainly hypothetical. As Thomas Graham puts it, "most of Russia's neighbors are focused on their own domestic agendas rather than external expansion (e.g., Iran and China) or on rivalries with other states... Some states (e.g., Turkey, Iran and Saudi Arabia) are undoubtedly

137 Hunter, Robert. Solving Russia: Final Piece in NATO Puzzle, in *Washington Quarterly*, volume 23, No.1, winter 2000. p.120.

138 *Ibid.* p.131.

139 Lieven, Anatol. Nightmare in the Caucasus, in *Washington Quarterly*, volume 23, No.1, winter 2000. p.148.

140 Luke, Timothy, and Toal, Gerard. The Fraying Modern Map: Failed States and Contraband Capitalism, in *Geopolitics*, volume 3, No.3, winter 1998. p.25.

141 Lieven, Anatol. Ham-Fisted Hegemon: The Clinton Administration and Russia, in *Current History*, October 1999. p. 308, 313.

fishing in the muddy waters of the Caucasus, including the territories of the Russian Federation, but their strategic goals are limited to the Caspian region and Central Asia. There is little desire – or capacity – to penetrate further into Russia... Any outside group that might seek Russia's dismemberment lacks effective levers to use inside Russia today".¹⁴²

As regards the *fifth* and *sixth* scenarios, they both would obviously signal the failure of Putin's reforms. Imperial Russia will inevitably lead to the country's isolation from the West, which is illogical and absurd in terms of both Russia's economic imperatives and national security interests. The confederation of Russia, as a step to its further demise and the appearance of several "new Russias", might be not only a national tragedy for her population, but a huge problem for the West too. It is not surprising that many in the West are sure that "devolution should not proceed uncontrolled...Authoritarian regional bosses who carry on gangster-style feuds with local bosses are not democrats. On the contrary, they are a serious threat to democracy. Under certain circumstances, attempts by the central government to regain some of its lost power can also be conducive to democracy".¹⁴³ According to Sam Nunn and Adam Stulberg, "the emergence of independent actors complicates diplomatic protocol and compounds the difficulty of effectively controlling Russia's weapons of mass destruction. Unchecked regionalism and the spontaneous privatisation of the Russian military jeopardize control and other security arrangements, holding them hostage to the parochial concerns of local authorities, who are neither accountable for nor committed to upholding them. The potential rogue elements in Russia to steal or sell weapons abroad, beyond the scope of Moscow's control and to the detriment of U.S. global security interests, will only be hastened by political fragmentation".¹⁴⁴

Still domestic developments can proceed in many directions, and therefore President Putin's choices are of primordial importance. On the one hand, starting from the very beginning of his accession to power in the fall of 1999, Vladimir Putin was highly dependable on regional elites, particularly on those with the most ambitious international endeavours like Tatarstan, Nizhny Novgorod, Bashkortostan, St. Petersburg and others. Besides, in the beginning of the 1990s he himself was in charge of working on foreign relations in St. Petersburg City Hall under the mayorship of the late liberal reformer, Anatoly Sobchak. In 1997 Putin defended his Ph.D. dissertation in economics on "Strategic Planning of the Reproduction of the Mineral Resources and Raw Material Base of the Region Under Market Relations". From his former economic studies one may conclude that he

142 Graham, Thomas. The Prospect of Russian Disintegration is Low, in *European Security*, volume 8, Summer 1999, No.2. p.9.

143 Nyberg, Rene. Russia and Europe, in *European Security*, volume 8, summer 1999, No.2. p.20.

144 Nunn, Sam, and Stulberg, Adam. The Many Faces of Modern Russia, in *Foreign Affairs*, volume 79, No.2. p.46.

favours increasing the export of raw materials and mineral resources as the basic instrument for integration with the West.¹⁴⁵

On the other hand, the federal center is determined to tighten its grip over the regions in a variety of issues, including foreign relations. One of the key figures in the Russian government, Valentina Matvienko, who used to be Director of the Department of Liaisons with the Federation States and NGOs in the Ministry of Foreign Affairs, favors more regulations from the part of the central government in this domain.¹⁴⁶ Vladimir Putin repeatedly advocates strengthening “vertical power”, meaning that the central government will impose more limitations on the regions’ autonomy. In February 2000 Russian on-line media had referred to the Report drafted by the Federal Agency of Government Communication & Information urging Vladimir Putin to impose stricter limitations on regional and municipal authorities in order to avoid corruption and separatism.¹⁴⁷ Those ideas were partly reflected in the 3 February 2000 decree signed by Vladimir Putin stipulating that “the government of the Russian Federation will be in charge of taking decisions concerning the execution of international and foreign economy matters between the federation states and governmental institutions of foreign countries”.¹⁴⁸ According to the press release, the federal government will take decision in each case separately based on an application from the executive bodies of the federation states, provided that the Ministries of Foreign Affairs and Justice, as well as other federal organs, approve it.

The regional authorities in one way or another resist these plans. Yet some governors – eager to strike a deal with the new President – are supportive of Putin’s ambitions to impose more regulation on the regions. Certain regional leaders easily agree with the federal government that foreign sources of support should not play a meaningful role in Russia’s development. To be able to compete with other countries economically, the Russian government needs to run the major companies dealing with the export of diamonds, oil, gas, coal, gold, and to unilaterally control the communication infrastructure, including roads and ports. It is quite symptomatic that the Club of Regional Investors working closely with the Council of Federation (upper chamber of the Russian parliament) has called on the central authorities to conduct an “imperial policy”, in the sense that it must remain the dominant economic player in Russia.¹⁴⁹ Attitudes of this kind are not

145 Putin, Vladimir. “Mineral’no-syrievye resursy v strategii razvitiia rossiiskoi ekonomiki” (Mineral and Raw Material Resources in the Developmental Strategy of the Russian Economics). St. Petersburg: Zapiski Gornogo Instituta, N 144. Available at <<http://www.putinvv.ru/d1/frame36.htm>>.

146 Matvienko, Valentina. “Tsentri i regiony vo vneshney politike” (Center and Regions in Foreign Policy). *Mezhdunarodnaya zhizn’*, n8, 1996: 11-19.

147 “Uroki kitaiskogo: rossiyskie kontrazvedchiki napisali programmu deistviy dlia Vladimira Putina” (Chinese Lessons: Russian Counter-Intelligence Officers Drafted the Blueprint for Vladimir Putin), <<http://www.polit.ru/documents/178770.html>>.

148 Available at <http://www.infoart.ru/misc/news/00/02/03_483.htm>.

149 Popov, Sergey. *Ekonomicheskiy prognoz* (Economic Forecast). <<http://www.futurerussia.ru/build/PROJECTS/proj3.html>>.

rare in the Russian province, a fact that will be used undoubtedly by Putin in his polemics with regional establishments.

It is interesting as well that Putin's intentions to strengthen federal control over the territories are widely shared among liberal pro-Western economists and politicians in Russia. People like Boris Nemtsov, Sergei Kirienko, German Gref, Anatoly Chubais and Alexei Uliukaev argue that more centralization is not an aim as such, but rather an instrument to equalize the regions in terms of their status and relationships with the center, and force the most independently-minded regional leaders to obey the common laws in the country. For the liberals all this is a precondition for restoring the trust of investors in Russia, improving the business climate, defending property rights, etc.

It is still debatable whether more centralization will be an incitement or an impediment for economic liberalization and the country's integration into the world economy. Yet what is certain is that the first months of Putin's presidency gave very controversial results. Hopes and public confidence still remain, but the political contexts for Putin's reforms are becoming more and more uneasy:

- the President provoked institutional conflict with the upper chamber of the parliament, composed of the governors and chairpersons of regional legislatures, who are unwilling to voluntarily give up their seats in the Council of Federation as stipulated by presidential legislative proposals;
- the President is in deteriorating relations with the so-called "oligarchs", some of whom control the whole regions both economically and politically;
- the President's relationship with two of the three major religions in Russia are rather tense: Muslim groups are unhappy with the war in Chechnia, while the Jewish community was against the arrest of Vladimir Gusinsky; media tycoon and the Chairman of the Russian Jewish Congress, in June 2000;
- the President lacks a full-fledged political party to support him both nationally and regionally;
- the military fear that Putin will wrap up the military campaign in Chechnia because of international pressure.

In this situation much will depend on how smart the President will prove as negotiator, and whether he will be able finally to get the support of the major elites, including the regional ones.

* * *

To sum up, globalization in Russia should be discussed among its domestic actors. In most cases of non-central governments' cooperation with foreign partners a number of institutions are engaged, each belonging to different social levels. Its effects are primarily dependent on the interaction of those forces and the resources involved.

Since true globalization requires interdependence, mutual interests and universalization of basic political and economic procedures, in the strict sense it may be applicable still to a very limited number of processes and phenomena developing at the regional level in Russia. They are still rather weak and could be reversed or suppressed should the federal government choose further distancing from the West. On the regional level in Russia we have small "islands of globalization", just first fragments of what in the future may constitute a wider and more coherent picture. Globalization of Russia's regions is a long-term process, which will experience flows and ebbs, and go through periods of hope and disillusion. Yet opportunities and dangers still exist. Much will depend on whether president Putin will be able to implement his reforms within democratic frameworks, or will opt for some form of authoritarian rule which will undoubtedly diminish the role of all the non-central actors in both domestic and foreign policies of the Russian Federation.