

**Regionalization of Russian Foreign  
and Security Policy:  
The Case of St Petersburg**

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## Foreword

Since its foundation almost three centuries ago by Peter the Great, St Petersburg has occupied a special place in Russia's history. Once the Russian capital from 1712 until 1918 when it was replaced by Moscow, St Petersburg is today the second largest city in Russia and one of the country's leading industrial centers. This paper, prepared by Stanislav L. Tkachenko, Professor at the School of International Relations at St Petersburg State University, examines the influence of St Petersburg on Russian foreign and security policies. It describes the role the city's economic development is playing in Russia's relations with its neighbors, identifying the key players in the formulation and implementation of St Petersburg's external policies and exploring the nature of center-periphery relations.

In contrast to many other Russian regions, St Petersburg has been fortunate in that its economic situation has been fairly stable throughout the post-Soviet economic reforms. Today, the importance of trade is on the increase, and the extraction of oil in the Russian Northwest has given rise to private investment in the development of transit trade and the modernization of St Petersburg port facilities, providing a boost to economic growth in the entire region. Proximity to the border has also been vital to the development of the region. As a consequence of trans-border cooperation, St Petersburg has an ever growing stake in promoting friendly relations with its Baltic neighbors and with the European Union (EU) and could play a major role in contributing to overall stability in the Baltic-rim region.

As the study demonstrates, the city's self-proclaimed title as the most European of Russian cities will undoubtedly help drive St Petersburg ever westward and thereby increase its importance as an actor in the international arena. The city already hosts meetings between representatives of states participating in various international organizations, such as the UN, the Council of Europe, OSCE, CBSS and the Union of Baltic Cities and is actively paving the way for greater economic cooperation with the

Baltic states. Despite St Petersburg's desire to participate further in sub-regional integration in the Baltic-rim, the city's political elite exhibits no sign of wanting to gain further independence from the federal center, though they clearly wish to have their economic interests more vigorously pursued by Moscow. If improved relations with the Baltic states and Moscow's positive approach to the EU's Northern Dimension Initiative are anything to judge by, there is cause for optimism, not only in terms of the socioeconomic development of the region, but also in terms of the security dividends to be gained from further sub-regional integration.

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## Introduction

St Petersburg has always been “the special case” in Russian, Soviet, and post-Soviet history.<sup>1</sup> First, it was the capital of the Russian state when Russia was a part of the “the European concert” and St Petersburg was one of the diplomatic capitals of Europe. In terms of Russian history, whether from Dmitrii Donskoi or Ivan III, the period over which St Petersburg served as a capital is rather short – just over two centuries. However, this was when, on political and economic bases, Russia considered itself a European state. Russia had communicated widely with Europe since the time of Aleksei Mikhailovich. St Petersburg inherited from Novgorod – which was among the leading European trade cities with a much larger population than London in the 16<sup>th</sup> century – traditions of North-European culture, democratic politics (all major revolutions and democratic movements in the 19<sup>th</sup> and early 20<sup>th</sup> centuries began in St Petersburg), and trade. Since its foundation in 1703 by Emperor Peter the Great, St Petersburg has been a very important factor in Russian politics towards neighboring countries as well as towards the whole of Europe. The war between Russia and Sweden in the early 19<sup>th</sup> century and the Winter War between the USSR and Finland between 1939–1940 was directly connected to Russia’s desire to guarantee security for St Petersburg by moving it farther from the country’s borders.

The proximity of St Petersburg to Russia’s borders continues to be a significant security issue today. Russian military, and some politicians from left-wing parties, mention regularly the possible threat to St Petersburg, of NATO enlargement to the

1 St Petersburg had different names during the 20<sup>th</sup> century. When World War I broke out in August 1914, the name of the Russian capital was changed to Petrograd. The old name sounded too German for contemporary Russians. Shortly after the Bolshevik leader Vladimir Lenin died the city was renamed Leningrad – a symbol of its transition to a socialist city. In 1991, after a public referendum, the city of Leningrad was renamed and got back its old name – St Petersburg.

Baltic states. In his article “What to do with the new Russia?” which has been published recently in *The Washington Post*, Henry Kissinger accepts St Petersburg as a very important factor in relations between Moscow and NATO and EU member states: “For Russia, the advance of NATO to within 40 miles of St Petersburg, into countries considered by it, until the last decade, as part of the Soviet Union, is bound to be disquieting, no matter what reassurances are given.”<sup>2</sup> Understanding the threat may lead the Russian leadership to act resolutely against full membership of the Baltic states in NATO.

It is also important to mention that St Petersburg replaced Novgorod as the traditional northwestern rival of Moscow.<sup>3</sup> In Soviet times, according to the opinion of Pertti Joenniemi, “This Lenin’s town had a firm and clearly defined position in the Soviet ideology as well as a distinct hierarchy of influence and power. It was firmly linked with various statist concerns, above all defense, and was part of an anti-Western stance.”<sup>4</sup>

Nowadays the leaders of Russia stress that Russia is a European country. Given that the European orientation remains important, St Petersburg will occupy a special place as a symbol of Russia’s affinity to Europe. In fact, built on a swamp in an extremely unfavorable area, it can be seen as a large monument to Russia’s will to be called a European country, and to reside in a realm of European civilization. On the contrary, if the European direction loses importance, St Petersburg’s role will decline and it will turn into merely the world’s greatest northern city with a certain place in Russia’s socioeconomic life, and with some political and economic importance for the Baltic region, but nothing more. This would be a tragedy both for the city, which cannot exist without a special historical mission on the Russian-European border, and for Europe, because for the Continent, Russia starts from St Petersburg.

Currently St Petersburg has a large and growing importance for Russia’s foreign and security policy. Why should we study St Petersburg as a regional actor in an international context and why would this help us to understand Russian foreign policy in general? There are several reasons for this. Firstly, St Petersburg plays a very important

2 Kissinger, Henry. “What to Do with the New Russia.” *The Washington Post*, 14 August 2001, A15.

3 Ivanov, Aleksandr. “Veche zamolchalo. Osnovanie Peterburga naneslo uron statusu Novgoroda” (Veche Has Fallen Silent: The Foundation of St-Petersburg Has Inflicted Casualties to Novgorod). *Ekspert: Severo-Zapad*, no. 20, November 2000, p. 16.

4 Joenniemi, Pertti. “Finland, Europe and St Petersburg in Search for a Role and Identity.” *Studia Slavica Finlandesica*, Tomus XIII, Helsinki, 1996.



role as “contact center” and “meeting point” between Russia and its most important partners in an international arena – i.e., European and North-American countries. Utilizing existing cooperation in different spheres and development of new forms of partnership are very important priorities for Russian foreign policy. Secondly, the city is one of the most important regions of Russia in terms of economic potential, being the driving force for the economic development of neighboring regions and the northwestern part of Russia in particular. Securing favorable economic growth in St Petersburg and the consequent positive influence on the economic situation of northwestern Russian regions are very important conditions for Russia’s transformation into a market economy. Thirdly, the city is located in the Baltic Sea region, where during the Cold War era and the following decade (the 1990s) unique mechanisms for the maintenance of peace and stability were created, and Russia undertook radical measures to decrease military confrontation. The preservation of stability in the Baltic rim, especially in the context of further NATO eastward expansion, is a major priority for Russia. St Petersburg and nearby regions will play a special role in this respect.

This paper aims to describe the role of St Petersburg in Russia’s European politics and in its process of integration into the global world economy, and to present the role of its economic, political, and intellectual elite in the formulation and implementation of Russian foreign and security policies. The above-mentioned factors have prompted the theme of this research and have determined the structure of this paper. The paper begins with an analysis of the economic and social situations of the city. To evaluate how St Petersburg influences Russian foreign policy, it is necessary to examine the economic potential of the city and the role of the global economy on its functioning and development. The second part of the paper then analyses the main players and institutions of St Petersburg that participate in the formulation, implementation, and control of processes related to foreign and security policies. We examine the legal status of St Petersburg as a part of Russia, and the power of federal institutions in the city, as well as interactions between the regional elite and federal governmental bodies in Moscow. The third part of the paper is devoted to an analysis of the interdependent international environment in which St Petersburg exists, and its development.

St Petersburg has gone through three distinct post-Soviet stages. The first stage (1991–1996) is characterized by the ascension to power in the city by democratic forces, led by Mayor Anatolii Sobchak. They have attempted to integrate the city into European economic and cultural arenas, and have tried to make the city attractive to foreign investors, tourists, artists, and scientists.

The second stage (1996–1999) is characterized by Governor Vladimir Yakovlev’s administration lowering the priority of the development of international cooperation, and enhancing the city’s special role in Russian foreign policy as a kind of “icebreaker,” formulating and testing on itself new forms of cooperation with foreign partners of Russia.

The current third stage started in autumn 1999, when former politicians and bureaucrats from St Petersburg (who left the city after the defeat of Sobchak in the

governor elections in May 1996) began to play a prominent role in Russian political life. Since that time, St Petersburg – as it had at the beginning of 1990s – reconfirmed its image as a city where reforms go on and, even more importantly, its federal and city authorities have been trying to present the city to the outside world as “the diplomatic capital” of Russia. President Vladimir Putin, and ministers and leaders of parliament use the city for the most important summits, international conferences, and unofficial meetings. It is, of course, too early to speak of a new “St Petersburg’s stage” of Russian diplomatic history. But it should be mentioned that such important events for Russian diplomacy as the first unofficial meeting of Putin with British prime minister, Tony Blair, as well as the joint initiative of Russia and Germany to start the “St Petersburg’s dialog” between the political, economic, and cultural elites of the two countries were implemented in the city. The special status of the city in Russian diplomacy will be even more obvious in 2003, when the new presidential residence will be opened in St Petersburg (in Konstantinovskii Palace) for hosting summits and other diplomatic events of the highest order.

## Foreign and domestic issues related to St Petersburg's economy

### 1.1 *St Petersburg: general assessment of the economic situation*

According to Russia's Ministry of Foreign Affairs, it is possible to define two small regional constellations in Russia that have a significant effect on foreign economic relations. One group, with multiple and successful joint ventures, is small and consists of Moscow, the Moscow region, and St Petersburg. The second group unifies regions that are very dependent on foreign trade (i.e., the Yamalo-Nenets autonomous district and Tyumen Oblast, which export oil and natural gas), and near-to-border regions, such as Murmansk Oblast and the Republic of Karelia.<sup>5</sup>

Despite many difficulties in Russian–European relations during the past three centuries, St Petersburg has always cooperated with foreign countries during its entire history. It is worth mentioning that the first economic contacts between the USSR and European countries had been established via the seaport of Petrograd in 1918. During Soviet times, Leningrad – despite housing several military-industrial research and development centers – had always been opened for visits of heads of foreign states and governments, foreign journalists, tourists, academics, scientists and artists. Many industrial enterprises (e.g., “Elektrosila,” “Kirovskii Zavod,” “Leningradskii metallicheski Zavod,” and Leningrad Optical & Mechanical Enterprise/LOMO) oriented their production for export to the rest of the world. This is why, even in Soviet times, Leningrad industry was forced to increase production quality when participating in competitive international markets.

5 Orlov, V. “Vneshniaia politika i rossiiskie regiony” (Foreign Policy and Russian Regions). *Mezhdunarodnaia Zhizn'*, no. 10 (2000), p. 48.

St Petersburg is a “donor” city, which means that it contributes more funds to the federal budget than it receives from it. This is why the city’s authorities (the City Administration and the City Legislative Assembly) have greater independence in dealing with some economic questions, such as providing a favorable taxation regime for large foreign investors. According to official data, the taxation regime in St Petersburg is among the most friendly in Russia for both Russian producers and direct foreign investments.

## 1.2 *Strategic planning of socioeconomic development in St Petersburg*

A grant from the World Bank and the activity of local non-governmental organizations (NGOs) resulted in St Petersburg becoming a leader in territorial strategic planning.<sup>6</sup> In 1997, the St Petersburg Administration initiated the preparation of the *Strategic Plan for St Petersburg*.<sup>7</sup> European experts evaluated it as one of the best on the continent. It is important to note that this plan is based on liberal values and highlights important characteristics of the city’s future: multi-functionality, development of transport center features, and establishing itself as an interface between the Baltic region and northwestern Russia.<sup>8</sup> For example, the list of expected results of implementation of the strategic plan includes:

- Improve the quality of the environment, including the provision of high-quality drinking water and a reduction in air pollution; meet international ecological standards in these areas;
- Assistance for city enterprises in obtaining federal and international contacts, and in promoting competitive products on the global and Russian markets;
- Providing St Petersburg with not less than 20 million additional tons of cargo from the total volume of Russia’s foreign trade; the development of related industries; utilization of the city’s research potential; and reinforcement of St Petersburg’s role as a national center of innovation and high technology;
- Transformation of St Petersburg into a center of higher education for all regions of Russia, the countries of the Commonwealth of Independent States (CIS), and a number of developing countries, and into the major international center for the study of Russian language and culture;

6 “Vsemirnyi bank rassmatrivaet vozmozhnosti predostavleniia Peterburgu vtorogo zaima” (The World Bank is Thinking About the Opportunity to Give St Petersburg a Second Credit Facility), 7 December 2000, at [www.strana.ru](http://www.strana.ru).

7 *The Strategic Plan for St Petersburg*. Approved by the General Council on 1 December 1997. St Petersburg, 1998.

8 Zhiharevich, B. “Replika iz-za shirmy. Chto skrivaet ‘Strategicheskii Plan Sankt-Peterburga’” (Heckling Comment From Behind the Screen: What is Hidden Behind The Strategic Plan of St Petersburg). *Expert-Severo-Zapad*, no. 17 (2000), p. 28.

- Implementation of a program for making St Petersburg one of the world's cultural centers; planning of world-class events; attraction of visitors to the city; and transformation of cultural events into a tourism product;
- Integration of St Petersburg into the world information network; and development of modern communications and information systems in education, industry, and administration.<sup>9</sup>

The strategic plan for St Petersburg included *integration into the world economy* as the second strategic objective for the city (the first objective was *establishment of a favorable business climate*). Objectives that have to be implemented for successful integration of St Petersburg into the world economy include:

- Ensuring the adoption of federal legislative and regulatory documents to make St Petersburg competitive as a transport hub;
- Increasing coordination of transport activities in the St Petersburg region;
- Improving the competitiveness of business in foreign trade, of the seaport of St Petersburg (a limited company), and of other stevedore companies in St Petersburg;
- Reconstructing and modernizing the transport infrastructure;
- Encouraging regional cooperation and integration in the manufacturing industries (including through financial-industrial groups);
- Improving management skills; raising the level of technology and engineering at manufacturing companies;
- Enhancing the importance of St Petersburg as a cultural capital and venue for international public events;
- Creating a modern and efficient hotel infrastructure that meets international standards;
- Stimulating and maintaining in the media a permanent interest in St Petersburg as a unique center for international tourism.<sup>10</sup>

9 *The Strategic Plan for St Petersburg*, p. 103.

10 *Ibid.*, pp. 72–75.

### **1.3 Current economic situation in St Petersburg**

Since 1999, the Gross Regional Product (GRP) of St Petersburg has exhibited stable growth at a higher rate than the average for the Russian economy. The GRP growth in 1999 was 106%, mostly due to rapid growth of the communication (147%), construction (123%), and transport (106%) sectors. The growth of the GRP was even higher in 2000: a 110% increase on the results of 1999, with communication (140%), industry (126%), and retail trade (106%) sectors leading the growth of the city's economy.

According to data from the North-West Office of the State Custom Committee, in 2000 the turnover of foreign trade in St Petersburg companies and establishments was US\$5'014 million, which was 13.2% higher than the results of 1999. The growth of exports in 2000 was 20.3% (US\$2'527 million). The leading St Petersburg exports were machinery (47% of total export), and ferrous and non-ferrous metals.

The most important imports into St Petersburg in 2001 were: food and components for the food industry (45.6%), mechanical engineering products (26.2%), and oil products (11.6%). In 2000, the volume of imports into the St Petersburg market stabilized at the level of previous years. The geographical and market structure of export and import operations have been reasonably stable for several years. Food products are dominating imports to the local market, with Germany, the USA, and Finland as major trading countries.

The overall economic situation in St Petersburg has been reasonably stable since the beginning of economic reforms in post-Soviet Russia. According to official statistics and estimations by experts, the level of employment in the city is very high (with single-digit unemployment), and there is strong demand for specialists in many sectors of the industry and services sectors (especially in high-technology sectors of industry in private companies or joint ventures). However, despite the good situation in the labor market there is growing tension amongst those on low incomes and pensioners. Being one of the most developed regional markets in Russia, St Petersburg comprises a small number of very wealthy people, a growing middle class, and a still-significant number of people who are just able to survive in the city with high food and services prices. The general socioeconomic situation in St Petersburg is difficult, and changes for the better are very slow.

Retail prices in St Petersburg are among the highest in the country. Indeed, despite being a large international port, prices of imported goods in St Petersburg are higher than in many other regions, where goods and food products come from north-western Russia. St Petersburg occupies second place in terms of the cost of services and apartment rents. This can be explained by the high concentration of capital and the inflow of foreign investments, as well as the relatively high living standards of a significant portion of the city's population. But at the same time, the differentiation between high and low incomes is quite significant in St Petersburg, and there are no local programs of assistance to elderly people of the type that have been implemented in Moscow and several other regions. This results in additional social tension.

A brief overview of the development and implementation of several Internet-based projects can prove useful in understanding the special traits of the St Petersburg economy, since the majority of such projects in Russia originate from, and are implemented at the initial stages in St Petersburg. At one time St Petersburg demonstrated the same level of expertise in the field as Moscow. While explaining the reasons for St Petersburg's current leadership in Internet-related projects, the head of the PayCash project Mr. Dostov, made an important comment: "There are a lot of smart people in Petersburg, but lack of money. That is why people should be more inventive. It is much more difficult to earn money in Petersburg in traditional business compared to Moscow."<sup>11</sup> However, the experience of later stages in the realization of projects initiated in St Petersburg shows that all successful ideas eventually move to Moscow. Only in the capital, it is now possible to find venture capital to develop and transform projects into a nationwide size.

Despite the many economic problems, the rating of investment reliability in St Petersburg now rises constantly, putting it in the "b-zone" of major rating agencies in the USA and Western Europe (which means that the economy is stable but investments are still rather risky). Previously, St Petersburg was given the same credit rating as Russia due to the general rule that any region in a country may not have a credit rating higher than the country itself. Its drop coincided with the August 1998 economic crisis. However, even in the course of that crisis, St Petersburg's economy appeared to have suffered less than those of other regions have, with regular payments on internal and foreign loans continuing as usual. Therefore, the drop in the rating coincided mainly with developments in the Russian economy rather than with the situation in St Petersburg. In 1999 and 2000, the growth of the GRP was 5.6% and 10%, respectively.<sup>12</sup> In combination with the city budget being deficit-free during 1998–2000, this created favorable conditions for foreign investors and local businesses.

#### **1.4 St Petersburg as a player in the world economy**

From an economic viewpoint, St Petersburg has had mutually beneficial cooperation with foreign partners. Partners are attracted by the foodstuffs and non-foodstuffs markets of the city (amounting to US\$3–4 billion per year), infrastructure developments, the high level of education, and the city's experience in interactions with foreign partners over a period of many years. For example, despite the small size of the regional market, the St Petersburg company Piatyorchka became Russia's largest supermarket chain and one of St Petersburg's most successful retail companies.<sup>13</sup> This is a very good

11 Bessudnov, A. "Regionalnoe litso global'noi ekonomiki. Rossiiskii Internet prirastaet peterburgskimi proektami" (Regional Face of the Global Economy: Russian Internet is Being Cluttered with Petersburg Projects). *Ekspert-Severo-Zapad*, no. 17 (2000), p. 14.

12 Yakovlev, Vladimir. "Ekonomika Sankt-Peterburga" (Economy of St Petersburg). *Ekonomika, Politika, Investitsii* (St Petersburg), vol. 1, no. 7 (2001), pp. 10, 11.

13 Rymer, Thomas. "Piatyorchka Sets its Sights on the Capital." *The St Petersburg Times*, 13 July 2001, p. 7.

example of St Petersburg playing a very important and rather effective role in applying Western expertise in developing new forms of business in Russia.

Since 2000, the St Petersburg Administration has annually published *The St Petersburg Developers' Handbook*, aimed at Russian and foreign investors who are planning to invest in construction in the city.<sup>14</sup> At the same time, a special permanent exhibition of investment projects was opened in the very center of the city – on the Nevskii prospect. The exhibition is visited regularly by foreign guests of the city as well as by delegations from other regions of Russia and countries of the CIS.

St Petersburg is among the national leaders in terms of joint ventures (total of 650, fourth place in Russia) and representative offices of foreign companies (276, second place in the country).<sup>15</sup> This demonstrates both the amount of foreign capital in the region and the relatively comfortable atmosphere for the operation of foreign investors. A good example of successful cooperation between the St Petersburg Administration and foreign investors is the first industrial zone in the city, which was established and managed by private, and mostly foreign investors. The project of *the North-Western TechnoPark* is a joint venture between the Finnish-owned NW TechnoPark and an alliance of Russian companies headed by St Petersburg's bank Inkasbank.<sup>16</sup> The idea of the project is to develop infrastructure to entice five or six foreign companies to move their production to St Petersburg. The first foreign investor – the Finnish company NordProfil that produces steel structures – has already started construction of a factory. Following the success of the project, regional authorities are now discussing opportunities to create several additional private industrial zones in different parts of St Petersburg.

The St Petersburg Economic Forum has become an important event for Russian external political life. Its unofficial name, “CIS economic Davos”, indicates the organizers' pride. Indeed, for a couple of days each year, St Petersburg turns into the economic capital of the post-Soviet era, where authorities of federal and regional government bodies of Russia, from CIS countries, representatives of international financial institutes, and intergovernmental organizations meet with each other.<sup>17</sup> This forum provides the city with an opportunity to attract the attention of a considerable number of key figures of world business to its economy. This enhances the city's reputation and yields considerable dividends to the city's economy in the form of investment in intergovernmental projects on both bilateral and multilateral bases.

Statistics for the first quarter of 2001 demonstrate that St Petersburg is maintaining its second place in Russia in terms of obtaining foreign portfolios and direct foreign investments. The main problem for St Petersburg is slow growth in foreign

14 *The St Petersburg Developers' Handbook*. First edition. St Petersburg, 2001. pp. 6, 7.

15 Orlov, *Vneshniaia politika i rossiiskie regiony*, p. 48.

16 Krom, Elena. “Finskoe ‘okno’ dlia investorov” (Finnish “Window for Investors”). *Ekspert-Severo-Zapad*, no. 10 (2001), p. 6.

17 “Peterburgskii Davos: piataia vstrecha na Neve” (Petersburg's Davos: Fifth Meeting on Neva). *Ekonomika, Politika, Investitsii*, St Petersburg, no. 1 (7), 2001, p. 5.



investment: 2.7% in January–March 2001, compared to Moscow’s 11.8% and the Sverdlovsk region’s 3.7%.<sup>18</sup>

Table 1: Regional structure of foreign investments in 2001.

Region	Share of total foreign investments into Russia
City of Moscow	40.3%
St Petersburg	13.3%
Krasnoyarsk Krai	6.9%
Chelyabinsk Oblast	6.7%
Sverdlovsk Oblast	4.5%
Orenburg Oblast	2.8%
Sakhalin Oblast	2.1%
Moscow Oblast	2.0%
Samara Oblast	1.9%
Republic of Sakha (Yakutia)	1.9%
Others	17.6%

Source: Goskomstat 2001.

According to the opinion of Zbigniew Brzezinski, former national security advisor to President Carter, St Petersburg and Moscow are “the primary beneficiaries of Western financial inflows.”<sup>19</sup> Several foreign banks have already opened their offices and subsidiaries during the 1990s: Citibank, BNP-Dresdner, Deutsche bank, Bank of Austria, Credit Lyonnais, and most recently the Austrian Raiffeisen bank.<sup>20</sup> The St Petersburg economy has its own interests in the external market, which differ greatly from those of the majority of surrounding regions. The Pskov and Novgorod oblasts, lacking sufficient natural resources and for this reason having their industrial base developed, are the exceptions. The relatively small size of the city and an absence of natural resources means that St Petersburg has to exploit its qualified and inexpensive labor force when promoting cooperation with foreign partners, when attracting investment into its industry and when creating business structures. In this way, the interests of St Petersburg and the regions adjacent to the border with the Baltic states are coincident, which leads to a more intensive competition for investments and direction of trade routes.

It is worth noting that Pskov Oblast promotes friendly relations between Russia and the Baltic states, with Latvia coming first. The same role is played by St Petersburg, but not only in the sphere of Russian–Baltic relations but also in terms of the Council of Baltic States and the European Union (EU). The effects of its proximity to the border are also observed in the external policies of St Petersburg. The city regularly hosts meetings of representatives of states participating in various international

18 Butrina, Iulia. “Investory ne toropiatsia” (The Investors Are Not in a Hurry). *Kommersant Daily*, 9 July 2001, p. 6.

19 Brzezinski, Zbigniew. “Living with Russia.” *The National Interest*, no. 61 (Fall 2000), p. 6.

20 “Tomas Klestil otkryl v Peterburge filial avstriiskovo banka” (Thomas Klestil Has Opened in Petersburg Subsidiary of the Austrian Bank). Available at [www.strana.ru/state/foreign/2001/06/24/993380144.html](http://www.strana.ru/state/foreign/2001/06/24/993380144.html).

organizations (e.g., UN, Council of Europe, OSCE, CBSS, and Union of the Baltic Cities). The office of the TACIS program of the EU was established in St Petersburg in the early 1990s, and now it is one of the most active offices of the program in Russia due to the implementation of new TACIS priorities by the EU, making St Petersburg one of the most important regions for Brussels. The architectural beauty of the city might contribute to its popularity among international organizations, but there is a point that should not be missed: the city government actively supports these events and takes part in them. Not accidentally, it has been said by the famous Russian businessman Artyom Tarasov, “(...) St Petersburg is the most attractive city in Russia for foreign businessmen.”<sup>21</sup>

### **1.5 Problems of transit trade via St Petersburg**

Since its foundation, St Petersburg has always been a seaport, and hence trade has always been one of the most important components of the city's economy. In the globalizing economy, the role of trade is growing very quickly for the city.

The issue of oil transit is becoming more significant for the economic and political life of St Petersburg. Extraction of oil in the Russian Northwest started relatively recently, but it is there – not very far from St Petersburg – that one of the most promising oil and gas fields (Timano–Pechora) is situated. Its explored part alone is estimated to hold as much as 1.2 billion tons of crude oil. It is expected that it will produce more than 30 million tons of oil annually, which is about 10% of total Russian production.<sup>22</sup> However, the oil-producing facilities in the Russian Northwest are not yet sufficient; the only large oil refinery (owned by the “Surgutneftegaz” company of the “Kirishinefteorgsintez” joint enterprise – “KiNef”) is not able to cope with the volume of the oil extracted in the Russian Northwest, which has led to the oil being refined outside the region, particularly in Finland and Estonia, due to KiNef's proximity to these countries. All these factors have increased the role of the oil terminals of St Petersburg's seaport as transit points. The “St Petersburg Oil Terminal” company transferred less than 1 million tons of oil in 1995, but this has now increased to 3.5 million tons, and there are plans to extend it to 5 million tons.<sup>23</sup> This volume is still too small, but together with the capacity of sea ports in the Leningrad region it will create a new economic situation in the Baltic region with Russian sea ports becoming major players in the rapidly growing market of goods transit in the Baltic Sea.

21 Pipia, B. “Peterburg Ustal ...” (Petersburg is Worn Out). *Nezavisimaia gazeta*, 11 May 2000.

22 Chernitsyn, V. “Tranzitnaia zona” (Transit Zone). *Ekspert-Severo-Zapad*, no. 12 (2000), p. 8.

23 Kabanov, A. B. “Rost exporta nefteproduktov cherez Evropeiskie vorota Rossii” (The Increase of Oil-products Exported Across the European Gates of Russia). *Ekspert-Severo-Zapad*, no. 12 (2000), p.14.

The proposition of converting the city into a “contact center” included in the strategic plan for St Petersburg prevents its development as a military base.<sup>24</sup> First of all this concerns the navy, which traditionally considers the city as its “private domain.” Since its foundation, St Petersburg has been a stronghold of the Russian fleet. Even today, one in every five families in St Petersburg is directly engaged in shipbuilding, navigation or some other function of the St Petersburg port. This is why the city’s authorities actively use rhetoric about the glorious history of the Russian navy and commercial fleet. In the near future, the importance of the “closeness-to-sea factor” to the city’s economy will increase, first in an international context. The program of attracting investments entitled “Shipyards of St Petersburg” is being implemented. Another program of the city’s government is related to the development of ferryboats and sea-cruise tourism (aimed mainly at American and West-European tourists traveling around the Baltic Sea). The first St Petersburg international navy show is planned for the tercentenary celebrations in 2003, as well as a sea festival of sailing vessels, and the international yacht regatta “Cutty Sark.”

Although the importance of the St Petersburg port has grown considerably during the 1990s, Soviet foreign trade with the West was traditionally served by the ports of the Baltic republics and the Ukraine. Currently these ports are outside Russian territory, but their use is still economically profitable because of their well-developed infrastructure, relative inexpensiveness, and – most importantly – the lack of suitable infrastructure in the western part of Russia. Until the economic crisis of 1998, there was no political will for creating alternative port facilities within Russia, apart from the desire of some Russian politicians to exploit the transit problems as a political tool for pressurizing the Baltic states. New factors were born by the crisis:

- Rising prices for the transit of Russian goods through foreign ports;
- Paying more attention to the problems of the border regions in the northwestern part of Russia.

These factors have led to the growing importance of state and private investments in the development of transit trade and modernization of port facilities, which provide a strong boost to economic growth in this region. However, the use of these ports and the associated building of roads are less economical for the country’s budget and for private companies than the use of the ports of the Baltic states. Non-economic reasons are also currently important, compelling the government to provide significant investments for the modernization of the St Petersburg port and for constructing new ports in Primorsk, Ust’-Luga, and Batareianaia Bay.

24 Zhikhrevich. “Replika iz-za shirmy”. Chto skryvaet strategicheskii plan Sankt-Peterburga” (Heckling Comment From Behind the Screen: What is Hidden Behind The Strategic Plan of St Petersburg). *Ekspert-Severo-Zapad*, no. 17 (2000), p. 28.

## 1.6 The European Union and other partners of St Petersburg's economy

According to a number of official statements, the Russian Ministry of Foreign Affairs was trying to promote the interests of St Petersburg and northwestern Russia when a new Russian strategy towards the EU (compared to the Partnership and Cooperation Agreement between the EU and Russia, which was signed in June 1994) was discussed and officially presented in 1999. Russia has welcomed the “Northern Dimension” program, which was put forward in 1997 by Finland and later supported by institutions and member states of the EU. As it has been noted by the deputy minister of foreign affairs of Russia, Ivan Ivanov, “interests of the North-Western regions were taken into account in the northern dimension of the EU.”<sup>25</sup> It is necessary to mention that the question concerns economic interests only. As Ivanov stated, the most important paper regulating Russian policy on the EU – “Strategy of Development of Relations Between Russia and the EU for the Mid-Term Perspective (Years 2000–2010) – was an example of “the Ministry of Foreign Affairs’ economic activities.”<sup>26</sup> Practically, this viewpoint is not completely true, but it is viewed as a canon for the regional policy implemented by Russian diplomats. Another idea of the Russian government, which was probably designed for Kaliningrad but potentially may also have a great impact on the economic situation in St Petersburg, is the suggestion to the EU that the PHARE program for applicant countries of Central and Eastern Europe could also apply to northwestern Russia.<sup>27</sup> The INTERREG program of the EU may have the same impact on St Petersburg.<sup>28</sup> Russia has suggested that the EU should extend to the Russia-Baltic states border the same programs, which are used in the EU’s Finnish border with Russia.<sup>29</sup> This would allow use of the INTERREG projects and financing from the European investment bank in the region.

An increasing number of leading Russian companies are moving to the northwest and particularly to St Petersburg due to their proximity to the EU. As an example, we could take the project of the largest Russian oil company LUKOIL, which has interests in the local economy. The Project of The Baltic Holding was designed to establish a giant international company, combining the exploration of oil in northwestern Russia, transporting it to St Petersburg or Lithuania, and then exporting it from the Lithuanian Butinga terminal. Another option was to produce petrol at the largest

25 Ivanov, I. D. “Rossiiskaia diplomatiia v usloviiakh otkrytoi rynochnoi ekonomiki” (Russian Diplomacy in an Open Market Economy). *Mezhdunarodnaya zhizn'*, no. 8 and 9 (2000), p. 25.

26 *Ibid.*, p. 26.

27 Joenniemi, Pertti. “Kaliningrad: A Pilot Region in the Russia/EU Relations?” In *The Northern Dimension: Fuel for the EU?* ed. Hanna Ojanen, p. 151. Helsinki, Berlin: Program on the Northern Dimension of the CFSP, no. 12.

28 Baltic Sea region INTERREG III 2000, pp. 41–48.

29 Fairlie, Lyndelle D. “Will the EU Use the Northern Dimension to Solve its Kaliningrad Dilemma?” In *Northern Dimensions. Yearbook 2000*. Helsinki: The Finnish Institute of International Relations, 2000, p. 97.

oil-refining company in the Baltic states, Mazeikiu Nafta. But due to the “purely political” decision of the leadership of Lithuania, this oil refinery – according to LUKOIL CEO Vagit Alikperov – was put under the control of the US company Williams International. Instead of implementing this ambitious project, LUKOIL established its regional branch in St Petersburg: “LUKoil-Severo-Zapad-nefteprodukt,” which is essentially a smaller enterprise.<sup>30</sup> Its interests are limited to northwestern Russia, and it has no plans to enlarge into the Baltic and Nordic countries.

The transport infrastructure is probably the most money-consuming sector of the St Petersburg economy, since the federal and regional budgets are not able to provide sufficient funding for development of roads, airports, and seaports. However, transport infrastructure is only a minor sector of St Petersburg’s economy where direct foreign investments are badly needed. The ability to attract foreign investment is viewed almost as the main condition for the country’s way out of crisis. As the Russian first deputy minister of foreign affairs Aleksandr Avdeev stated, “attraction of the foreign capital lies among the current government’s priorities.”<sup>31</sup> During the last two years, St Petersburg has become one of the Russian leaders in this sphere – foreign investments into city’s economy are growing and their structure is rather auspicious. These have mainly comprised capital investments. The St Petersburg economy has drawn the steadfast attention of the Center of Strategic Research lead by German Gref. As *Nezavisimaia gazeta* reported, “[the] economic development of St Petersburg and northwestern regions of Russia is a top-ranked part of a general plan being worked out in Gref’s Center.”

For a number of large enterprises in St Petersburg, the preservation (or the reconstruction) of their economic ties with China, India, Iran, and some other non-democratic (or countries criticized by the West) countries has much more significance rather than their proximity to the EU. As an example, one of the city’s economic giants (“Izhorskie Zavodi”) has no possibility of entering European markets with its products either now or in the near future, since it produces equipment for the elaborate nuclear reactors in USSR/Russian nuclear power plants. After ten years of complete inactivity, at the end of 1990s Izhorskie Zavodi again started to manufacture its products, not for Russian but for Iranian (at Busher) and Chinese (“Lian’unbgan”) nuclear power plants.<sup>32</sup> The visit by Iranian President Khatami to St Petersburg, which took place in March 2001, only confirmed the significance of Iran as a promising region for the city’s industry. Khatami stated his country’s desire to build several nuclear reactors on its territory, and named Russia as a very probable provider of this order.

30 Chernitsyn V. “LUKoil ne otstupaet ot Peterburga” (LUKoil Doesn’t Go Back on Petersburg). *Ekspert-Severo-Zapad*, no. 9 (2000), p. 6.

31 Avdeev, A. A. “Mezhdunarodnye i vneshne-ekonomicheskie sviazi rossiiskikh regionov” (International and Foreign-Economic Links of Russian Regions). *Mezhdunarodnaia zhizn’*, no. 4 (2000), p. 92.

32 Ageev, E., Pravosudov S. V. “Petersburg perenesut vse?” (Is Everything to Move to Petersburg?). *Nezavisimaia gazeta*, 10 March 2000.

In the case of St Petersburg's heavy industry, the European factor is not a very important matter at present, but for its rapidly growing food industry this factor is undoubtedly one of the most important. The main threat for the food industry had been imports before the Russian economic crisis in August 1998, which comprised 40–60% of the city's market according to different estimates. In 1997, the pivotal year for imported-foodstuffs dominance on the local market, 1.2 million tonnes of foreign nutrition products were imported into the city. As a result local production of nutrition products has been shrinking. However, the situation has changed dramatically in this sector of economy following August 1998. Already by 1999, for example, the share of foreign meat products dropped to 4%, and by 2000 formed no more than 1.5% of this segment of the market. These dramatic shifts became possible due to not only ruble devaluation and the lowering of the purchasing power of the population, but also to a general change of policy, which had been set at the beginning of 1990s. At that time, E. Gaidar's government implemented a soft regime of custom privileges and custom control for supplying Russia with nutrition products, which European countries capitalized on to the maximum extent. Starting from 1995, in other words after the signing of the Partnership and Cooperation Agreement between Russia and the EU and its implementation on a temporary basis (until then all European countries ratified this agreement), the government started to raise import duties, and imposed additional taxes upon food importers. This policy had a huge effect on St Petersburg, so that local companies not only returned to the market, but also even started to expand to other regions of Russia.

Large-scale investment programs, such as that between the USA and Russia (TUSRIF) and from the European Bank of Reconstruction and Development (EBRD), started in St Petersburg during the mid-1990s. The idea of these programs was the development of small business in St Petersburg in accordance with the USA and European experience in this sphere. In the first five years of these programs, small businesses in the city have gained US\$9 million in the form of credits from TUSRIF, and US\$48 million from EBRD. Another important field of economic cooperation between St Petersburg and foreign countries was related to the difficult financial situation in the city during 1996–1998.<sup>33</sup>

The vice-president of Investment Fund USA, Russian I. Karasev, has noted that the experience of investing in St Petersburg is successful and the repayment rate of given credits is very high. But it is necessary to mention that the contribution of small businesses to the GRP is only 15%, which is 3–4 times less than in most neighboring European countries. This represents a major obstacle for the future stable development of St Petersburg's economy. Leading industrial enterprises of the city are highly dependent on the situation in the world market or on bilateral relations of Russia with other countries (especially with China and India). Small and medium-sized enterprises may provide stability to the socioeconomic situation in the city, but there are few examples

33 Demin S. V. *Vykhod iz finansovogo krizisa: opyt Sankt-Peterburga 1996–98 (Exit From Financial Crisis: St Petersburg's Experience of 1996–98)*. St Petersburg: The Leontieff Center, 1999.

of policies – at the level of both federal and regional authorities – that are oriented towards growth of this sector of the economy.

The influence of the European market on St Petersburg may be easily found in current plans to establish one of the largest aluminum holdings in Russia on the periphery of St Petersburg and in the Leningrad region. In summer 2001, the raw-metals refiner Glinozyom and the aluminum producer Volkhovskii decided to merge. One of the largest owners of the new company is Aimet UK, which owns 32% of Glinozyom and 50% of Volkhovskii Aluminum.<sup>34</sup> Investment in the implementation of the project and the markets for goods produced by the holding are predominantly European. Another project is designed to develop the production of aluminum in Gatchina (near St Petersburg), with an investment of approximately US\$16.8 million.<sup>35</sup> The peculiarities of the northwestern regional market make it possible to obtain a higher level of utilization of aluminum and the production of more products, than in some other Russian regions. The aluminum sector of Russian metallurgy is one of the most prosperous of the national economy, and the growing level of technological development in the sector will be beneficial for the whole Russian economy.

### **1.7 The future impact of tourism on St Petersburg's economy**

Tourism is potentially the biggest (together with transport services and industry) and the most underdeveloped sectors of the St Petersburg economy. According to UNESCO, St Petersburg is in eighth place in the world in terms of tourist visitors, who total 30 million annually. The number of foreign tourists who come to the city by sea (the most popular route for tourists is to visit Helsinki, St Petersburg, Tallinn, Stockholm, and Copenhagen on a sea cruise) is much smaller: 2.7 million in 1998, 2.1 million in 2000, and about 3 million in 2003.<sup>36</sup> However, St Petersburg's tourist industry is still unable to provide the required level of services. The same situation applies to the only international airport of the city, Pulkovo II, which was constructed about 20 years ago and is now simply too small.

The World Heritage Committee has stated that the historical center of St Petersburg is the unique and perfect realization of the European idea of a city that is in harmony with the landscape. However, the corresponding huge tourism potential has not yet been realized, as currently only 3 million tourists visit the city every year. Many of them are disappointed by the lack of high-quality tourist facilities. There are not enough hotels of high and medium class in the city, and the level of service at most

34 Ostrovsky, Simon. "Merger to Solidify Aluminium Giant." *The St Petersburg Times*, 13 July 2001, p. 5.

35 Motylkov, Dmitrii. "Bolshe aliuminiia...." (More aluminium....). *Ekspert-Severo-Zapad*, no. 10 (2001), p. 6.

36 "Turizm kak element strategii" (Tourism As an Element of Strategy). *Ekspert-Severo-Zapad*, no. 10 (2001), pp. 20, 21.

hotels does not conform to the declared number of stars. The forthcoming tercentenary of St Petersburg will draw considerable investment into the tourism infrastructure, but it is worth remembering that the demand on tourist services in the city from Russian as well as foreign tourists will not be satisfied for many years. Only large amounts of foreign investment in high-class hotels would help to diminish this problem.

A small but symbolically important move in “opening” Russia was initiated by the St Petersburg Administration in May 2001. Before that, the official procedure for obtaining a Russian entry visa for foreign citizens was time-consuming and expensive. Since then, St Petersburg, Moscow, and Kaliningrad have implemented a type of “visa-free” regime, in which foreign tourists coming to these three cities may apply for a Russian visa at the border, and for only US\$25 they may obtain a 3-day entry visa.<sup>37</sup> This regime is very favorable for those foreign tourists who visit St Petersburg during ferry cruises for 2–3 days. The hope of St Petersburg Administration is that it may lead to significant growth in the visits by foreign tourists, but it may also assist businessmen and academics and – eventually – to opening up Russia to citizens of other countries.

The discussion on what is more important for the city’s economy – the tourist sector or a modern export-oriented industry – will probably continue for many decades, but there can be little doubt that both are currently very important to St Petersburg. Foreign investment in tourism infrastructure are risky due to the long time taken to achieve a return on investment, even compared to direct foreign investment in the industrial sector. However, the capacity of St Petersburg to attract foreign tourists is so large that even now there is competition in the market between world-leading hotel chains, private Russian companies, and institutions of federal power.<sup>38</sup>

37 Gornostaev, Dmitrii. “Vizovyi eksperiment poidet v Moskve, Peterburge i Kaliningrade” (Visa Experiment Will Be Organized in Moscow, Petersburg and Kaliningrad). Available at <http://www.strana.ru>, 15May 2001.

38 According to a number of publications, it is the Presidential Administration of Russia, which is now the leading buyer of infrastructure (including hotels) in St Petersburg. One of the biggest projects of the administration is finishing the now 20 year-old construction of a five-star hotel on the Karpovka Embankment in St Petersburg’s historical center. The construction site was bought by the administration in 2000.



## Foreign and security policy actors and institutions in St Petersburg

### *2.1 Introduction: the legal status of St Petersburg*

Like those of many other Russian regions, the political system of St Petersburg is still in the process of construction. The unique situation in St Petersburg is that the political model under creation is oriented, with some reservations, on values of Western types of democracy.<sup>39</sup> In the majority of Russian regions, where political systems are more or less established, less democratic and more authoritarian orientations dominate. These authoritarian tendencies predominate both in regions with developed market institutions (e.g., Moscow, Vladivostok, and Novgorod), and in regions (e.g., Tatarstan and Bashkortostan) whose leaders follow their own models of development in a market economy. Their ideal is not defined by state “rules of the game” in the economy, as is the case by St Petersburg’s Administration, but by the direct involvement of regional authorities in economic processes (e.g., Tatarstan, Bashkortostan, and many other Russian regions, including Moscow).

For our analysis, we considered all major players in regional political life. Their influence on the future of St Petersburg in Russian and European politics is different, from the key role played by the Legislative Assembly and the governor, to the very small part played by NGOs and the court system. However, together these institutions create a complex balance of power in St Petersburg, which is why analysis of them is important.

39 McAuley, Mary. *Russia’s Politics of Uncertainty*. Cambridge: Cambridge University Press, 1997, p. 221.

There are several factors, which have led to the development of pro-democratic political life in St Petersburg. The first is related to historical mission of St Petersburg – to be the “window into Europe” for the whole of Russia. The second relates to the democratic traditions of the city, secured from pre-Soviet times and revived when the reforms of Mikhail Gorbachev began. The third factor is the positive experience of the cooperation of public authorities, private companies, and NGOs of St Petersburg with foreign partners in the 1990s. The fourth and final factor is the high level of education and culture in St Petersburg, which makes it easier for the citizens of St Petersburg to establish and develop cooperation with partners in different parts of the world.

The level of education and culture in the city is significantly higher than the average throughout Russia. Approximately one-third of the population of St Petersburg has a diploma or higher level qualification. During Soviet rule, St Petersburg (Leningrad) was able to maintain its place as an international center of culture, art, and science. Despite the communist repression against the intelligentsia of St Petersburg, a significant portion of the local population maintained the democratic traditions of previous centuries of Russian history. This is the main reason why it was St Petersburg that led the democratic movement between Soviet and Russian regions during the 1980s and 1990s.

The basic document defining the political structure of the city is the Charter of St Petersburg passed by the Legislative Assembly at the beginning of 1998 after several years of intensive discussions between it and the City Administration. The charter also became subject to a persistent struggle at the federal level. Representatives of federal authorities located in St Petersburg argued against it, or at least for significant changes in the original version prepared by the Legislative Assembly. According to the opinion of the plenipotentiary representative of the Russian president in St Petersburg, a number of charter provisions contradicted the constitution of Russia. From the other side, some of the governor’s supporters believed that the charter was too restrictive on the governor in favor of the Legislative Assembly. However, the charter was adopted and later (in summer 2000) the Charter Court was established (with chairman Nikolai Kropachev, the dean of the Faculty of Law of St Petersburg State University) with the majority task of interpreting its provisions and harmonizing it with other legislation passed by St Petersburg authorities.

For the first time in the long Russian history, the constitution of 1993 extended federalist principles to the sphere of international relations and created real opportunities for the regions to enhance their activity at the international level.<sup>40</sup> The “treaty on limitation of powers between federal authorities of Russia and the city of federal status St Petersburg” was signed on 13 June 1996. The City Administration headed by Sobchak worked out this treaty, but it was signed by newly-elected governor Yakovlev.

This document has much in common with the analogous agreements signed by President Boris Yeltsin and heads of other Russian regions. Among the objectives men-

40 Orlov, “Vneshniaia politika i rossiiskie regiony”, p. 45

tioned in the preamble, we find “preserving of the territorial integrity of Russia, the unity of its economic space.” Article 2 of the treaty, dealing with the areas of shared competence between Moscow and St Petersburg, refers also to the “functioning of enterprises of military complex (...), except production of armaments and military equipment, conversion of these enterprises and participation in the selling of their production.”

Transport, that is “issues of the development of St Petersburg transport complex as an international transport center of federal significance including sea, river, railroad, automobile, and air transport” is referred to as an area of common interest in the same article. As history demonstrates, there is growing discussion about the role of transport and transit in the city’s economy. According to the former deputy chairman of the Legislative Assembly, Sergei Mironov, who just few months ago was appointed as a member to the Council of Federation representing the “federal center” in relation to St Petersburg, “St Petersburg should not become the transit center for someone else’s goods.”<sup>41</sup> Instead of “narrow specialization” of the city’s economy on transit, St Petersburg has followed the examples of Rotterdam and Antwerp by paying special attention to development of the newest branches of industry and production of exportable goods. Many representatives of the political and business elite in St Petersburg see the future of the city’s industry and economy in these two sectors.

It is important to notice that long before Putin launched policies aimed at harmonization of legislation in the regions with the federal law, Article 6 of the Treaty already contained a provision stating, “laws and other legal standard acts of St Petersburg cannot be applied if they contradict federal legislation.”

The crucial significance for analysis of international aspects of St Petersburg politics is in Article 16 of the Treaty, covering the limitation of powers in international activities between St Petersburg and the federal center. It is mentioned, in particular, that, “St Petersburg has a right to establish international and external economic links on its own initiative, or on the request of federal authorities of Russia (...) has a right to conclude respective treaties (agreements) with subjects of foreign federal states, administrative units of foreign states, and ministries and departments of foreign states.” However, this article ends with an eloquent proviso that “federal authorities of Russia, in accordance with federal legislation, coordinate the international and external economic links of St Petersburg.”

The rights that St Petersburg obtained after signing this treaty are only partly realized in the economic sphere. St Petersburg’s Administration defines rates of taxes for foreign investors, assigns land for construction, and organizes negotiations on conditions of activity of foreign companies in St Petersburg. The administration is often a partner with foreign investors in industrial and infrastructure projects. Indeed, scores of regions, cities, states, and departments of quite different countries became economic

41 Piiia, Besik. “Spravedlivost cherez kompiuter” (Justice Via Computer). *Nezavisimaia gazeta*, 16 March 2001.

partners of St Petersburg. The principle of seeking partners only at the sub-national level is very strictly followed, with the single exception of Belarus. However, certain agreements can obviously be signed with Belarus regions and not with its central authorities. In addition, when St Petersburg and many other Russian regions violate treaties on power limitations, they do so with Moscow's consent. This demonstrates the presence of special relations between Moscow and Minsk, and the success of the integration process within the Russia–Belarus union.

We conclude that the responsibilities for international activities, which were given to St Petersburg by the Treaty – especially by Article 16 –, are now limiting the Administration and the Legislative Assembly in their attempts to promote the interests of the city in the international arena. The city's authorities are thereby limited in their ability to solve the complex economic and social problems of St Petersburg via cooperation with foreign countries, regions, and private companies. In practice, each step of the City Administration and the Legislative Assembly of St Petersburg has to be coordinated with federal institutions in Moscow, firstly with the Ministry of Foreign Affairs. Very often, this rigorous control by Moscow provokes dissatisfaction from the St Petersburg elite.

## ***2.2 The Legislative Assembly of St Petersburg***

According to the charter of St Petersburg, the Legislative Assembly is the permanent legislative body. It consists of 50 members and is elected through a direct secret voting procedure. The Legislative Assembly has a 4-year term, which cannot be terminated early. Members of the Assembly receive a salary from the local budget and may not be involved in any other activity except academic or teaching roles.

The scale of responsibilities of the Legislative Assembly's members is large, and the Assembly uses them in its day-to-day activities. According to a member of the Legislative Assembly from the Yabloko party, Mikhail Amosov, "St Petersburg's budget legislation is the most developed in Russia, and the St Petersburg budget is very close to the criteria of transparency to the world's highest standards."<sup>42</sup> Through the chamber of control and audit, the Assembly receives full information concerning the budget of St Petersburg and how public money is spent by the government of St Petersburg. In practice, there are no limitations on legislative initiative at the local level. The only exception is the power of the Assembly to influence the appointment of members of the city government. We may therefore conclude that in distinction to the majority of Russian regions, where local dumas and legislative assemblies were transformed into departments of local executive power institutions, the principle of division of powers is respected. It is important to underline that all members of the Legislative Assembly have a wide experience of participation in official visits to foreign countries. St Petersburg currently has "twin-city" relations with 52 cities in different parts of the world.

42 Amosov, Michail. "Eshche raz o kollektivnoi popravke" (Once More About Collective Amendment). *Ekspert-Severo-Zapad*, no. 14 (2001), p. 32.

Very often large delegations of the Legislative Assembly visit these cities, and in some very special cases *practically all members* of the Assembly visit the most important partner cities of St Petersburg for joint sessions with regional legislators (e.g., visits to Hamburg and Milan). During the visits and after them, members of the Assembly have opportunities to present their opinions, the official position of the Assembly, and meet journalists for interviews and TV programs both abroad and in St Petersburg. Thus, the special “St Petersburg point of view” on many international and internal Russian events is formulated and becomes widely known. Some members of the Assembly (i.e., Vataniar Iagia, Mikhail Amosov, Vladimir Ieremenko, and Mikhail Tolstoi) have regular columns in leading local newspapers: *Nevskoe Vremia*, *St Petersburgskie Vedomosti*, *Smena*, and *Chas Pik*.

### **2.3 Government and governor of St Petersburg**

In reality, the power of the Legislative Assembly of St Petersburg is significantly less than that of the institutions of *executive power*. The governor of St Petersburg is elected every 4 years by direct secret ballot by all citizens of the city. In the structure of the government of St Petersburg headed by the governor, the Committee of Foreign Relations plays a very important role. Partly it may be explained by the fact that before his departure to Moscow, Putin was the chairman of the committee. Since Sobchak was person number two in the administration, Putin simultaneously occupied the position of the chairman and the position of the first vice-mayor of St Petersburg, which lead to significant growth in the power of the committee. Gennadii Tkachev, who replaced Putin as the chairman of the Committee of Foreign Relations, became vice-governor but not first vice-governor as his predecessor had been. However, currently the position occupied by the committee and its head is less important to the political life of St Petersburg than before 1996, when Sobchak lost in elections to Yakovlev. This is despite the fact that the committee is one of the largest structures of the St Petersburg government both in terms of staff and areas of activities. The “personal factor” in the politics of the St Petersburg Administration was obvious under Sobchak (1991–1996). Yakovlev, after being elected governor, was not able to secure Sobchak’s team or to invite well-known politicians and effective bureaucrats to work for him. As a result, the quality of management in the City Administration deteriorated after May 1996. But rigorous control by political opponents over all activities of the City Administration as well as control of independent media (e.g., newspapers and TV channels) forced Yakovlev to conduct transparent politics, by explaining all his major decisions made inside the city as well as during his regular official visits to other Russian regions and abroad. The control of the media and opposition to activities of the City Administration reduced the influence of the personal factor in political life of St Petersburg.

It is important to mention that when Yakovlev became the governor of St Petersburg, he declared that his main duty would be to solve ordinary problems of the city rather than to continue the numerous foreign visits undertaken by Sobchak as mayor. However, this statement by the new governor was strongly criticized by politicians

and the media. The main criticism was that to secure St Petersburg's status as a great European city, the governor would have to pay attention to raising St Petersburg's prestige via contacts in the international arena. The only way of obtaining positive results would be "governor diplomacy." This resulted in Yakovlev becoming one of the most frequent "travelers" among Russian governors, visiting Canada, Australia, South Africa, Japan, and practically all countries of the EU and the CIS.

## ***2.4 Presidential representative in St Petersburg***

A relatively minor role in the political life of St Petersburg belonged in the 1990s to the plenipotentiary representative of the president of Russia. Dr. Sergei Tsipliyev held this position throughout this period. The ambiguity of his position was related to the fact that his power was very limited in the city, as was his influence in the Presidential Administration in Moscow. However, Tsipliyev actively participated in discussions on international politics and on many occasions was the only politician in the city who made immediate comments on international events at academic conferences, on TV programs, and in local newspapers. It is unclear to what extent he coordinated his statements with the Presidential Administration, but in many of his public presentations and interviews he spoke about the need for a priority to be placed on the development of relations between Russia and the EU, and was one of only a few Russian politicians who openly discussed the importance of positive and growing relations between Russia and the Baltic states.

The reform of federal institutions started in May 2000, and St Petersburg was proclaimed the capital of the Northwestern Federal District. One of the closest friends of Putin, General Viktor Cherkosov, became the plenipotentiary representative of the president in this district. There is much evidence of his influence in the Kremlin and on the Presidential Administration in particular. One of the results of that is the transfer of an impressive amount of money from the federal budget to St Petersburg in 2000, mostly for infrastructure projects and tercentenary celebrations in 2003. However, during his first year in office, Cherkosov tried to avoid any comments on the issues related to Russian foreign policies, even about Kaliningrad, which is part of his federal district. His interest towards foreign countries was traditional for the St Petersburg political elite of the 1990s, including foreign investments and big geoeconomic initiatives, such as the "North-South" transport corridor designed to connect the EU and India, and in which St Petersburg should be one of the most important connection points.

Yakovlev won the May 2000 governor elections with an even greater majority than in 1996, but the introduction in the same month of plenipotentiary representatives of the Russian president in seven federal districts (including the North-West) created one more power center in the region. In fact, the governor and the plenipotentiary representative are competitors in exerting influence on regional elites. Competition is also directed at dominance in the representation of St Petersburg in its contacts with the federal center in Moscow. Formerly the position of governor was indisputable, but

that situation has changed profoundly. Cherkesov invented a practice of regular meetings with leading businessmen of northwestern Russia, as well as rather frequently meeting governors of the region in his official residence in St Petersburg or in one of the region's capitals. It should be noted that for several years Yakovlev was the head of the association of northwestern regions, but the association's activities were in practice paralyzed because of the rivalry of regional governors with Yakovlev over his leadership. Yakovlev was unable to unite the business elite of St Petersburg around himself and his administration. After his victory, he promoted the interests of a very narrow group of companies, including Promstroibank of St Petersburg, the trading company *Soiuzkontrakt*, and the petroleum trading company *Peterburgskaia Toplivnaia Kompaniia*. Another feature of Cherkesov's contacts with the regional business elite is that he engaged the CEOs of northwestern companies in regular dialog, oriented mostly towards the internal Russian market. This explains why his few comments on Russian foreign economic strategies were characterized by skepticism towards liberalization of foreign trade and the negative consequences of Russia's membership in the World Trade Organization (WTO). Several times in his official speeches during the spring and summer of 2001 he mentioned that membership in the WTO may have a dangerous effect on industrial companies and banks of northwestern Russia.

Besides regular bilateral meetings with the Russian president, plenipotentiary representatives became members of the Security Council, which is the key center for elaboration of Russia's foreign and domestic policies. This ranks them higher than governors in Russia's power hierarchy. The long-lasting friendship that allegedly existed (according to the mass media) between Putin, Secretary of Security Council Sergei Ivanov, and Cherkesov is also worth noting.

## **2.5 *The court system of St Petersburg***

The court system of St Petersburg retains both the positive and negative features of the Russian court system. The current Russian court system is more democratic and transparent than during Soviet times, but reforms have touched it only slightly, especially compared to the changes that have occurred in legislative and executive power. The decision to appoint judges of courts for life gives them a more independent status, but also protects this profession from newcomers. As everywhere in Russia, the profession of judge in St Petersburg is not prestigious, and their salaries are well below the level of other law-enforcement professionals.

Its relative independence from other branches of power and the positive results of the democratization of the court system in St Petersburg was demonstrated during the trial of Aleksandr Nikitin, an expert of the Norwegian ecological NGO Bellona. Despite evident pressure on the court from officials of the Federal Security Services, the court rejected all accusations of spying and discharged Nikitin.

Another important contribution of St Petersburg to the Russian legal system was the establishment of the charter court of St Petersburg in 2000 – a local replica of the

constitutional court of Russia. The main task of the court is controlling the implementation of the charter of St Petersburg by all institutions in the city. The first major problem of the court was conflict between the governor and the Legislative Assembly of St Petersburg about the date of the next elections to the Legislative Assembly. The decisions of the court must be respected by all institutions, which is why its role in the power structure of the city has grown since its creation. The chairman of the charter court is currently Professor Nikolai Kropachev.

## ***2.6 The political party system in St Petersburg***

The party system in St Petersburg is largely a copy of the Russian system. The only significant difference is that the influence of democratic parties and groups is stronger than the Russian average. All major Russian political parties and movements have branches in St Petersburg. Usually there are tensions between the local and federal leaderships, which reflect the traditional rivalry between Moscow and St Petersburg.

Democratic political parties and groups became less popular and politically weaker during the second part of the 1990s. The leading democratic parties in St Petersburg are currently the Yabloko party and the Union of Right Forces. In St Petersburg, the Union of Right Forces consists of several hundred active members. According to opinion polls, the Union may receive support from 10–15% of the city electorate, and is one of the few political organizations in St Petersburg that has its own representation in the Legislative Assembly. Political allies of the Union of Right Forces are the Democratic Choice of Russia, a political party under the leadership of Egor Gaidar, and supporters of the “New Force” political movement, whose leader is Sergei Kirienko. One of the biggest challenges for the Union of Right Forces is the generation gap, since many of its members come from the older generation of political dissidents from the Soviet era, and who are unable to find common ground with young leaders whose political career started in post-Soviet Russia.

During the mid-1990s, the strongest position among political parties in St Petersburg was held by the Yabloko party. However, in the late 1990s the influence of the Yabloko party declined, both in Russia and in St Petersburg. The Yabloko party still has an active representation in the Legislative Assembly, as well as 300–400 active party members working in all sectors of political and social life in St Petersburg. However, an attempt to obtain control over the Legislative Assembly and establish itself as the leading political party in the city failed. The declining influence of this party in St Petersburg can probably be explained by the dynamics of the relationship between the party and Yakovlev. Initially the Yabloko party supported Yakovlev in the governor elections in 1996, and this was enough to guarantee the defeat of incumbent Mayor Sobchak. However, by 1998 the relations between the Yabloko party and Yakovlev deteriorated, and the party headed political opposition to the governor. Members of the Yabloko party are very active in discussions in the federal and local media on the problems of the foreign policies of Russia and St Petersburg. Vladimir Lukin, one of founders and current leaders of the party, frequently visits St Petersburg, delivering



lectures and interviews on problems of Russian foreign policy. One of the key elements of his foreign political thinking is the strategic importance of the EU to the future of Russian democracy, and the key role of St Petersburg in the establishment and maintenance of good relations with major European partners of Russia.

Unification of the Union of Right Forces and the Yabloko party dominated discussion during the late 1990s, both at the federal level and in St Petersburg in particular. However, both political parties failed to use an opportunity for cooperation during the parliamentary elections of 1999 for establishing better relations between them. All attempts to divide parliamentary districts and avoid competition were unsuccessful, as well as cooperation during elections of the governor of St Petersburg in 2000. Their common candidates received less votes compared to the combined votes for both parties in previous elections, when they participated separately.

Right wing and liberal political groups lost their influence in St Petersburg during the late 1990s. One reason was a growing disappointment of the citizens in reforms, which are still associated with right-wing political forces. Another reason is the weakness of the private sector, which would be expected to be the most interested in cooperation with these types of political parties and movements.

Centrist groups are now much more active in the political life of St Petersburg. The "Unity" (*Edinstvo*) political party, created by the Kremlin in 1999, achieved excellent results both in Russia and in St Petersburg in the parliamentary elections in December 1999. The majority of voters closely associate the movement with Putin, even if after the elections the president tried to avoid sending any signals about his proximity to the movement. It is also important to underline that in 2000 the decline in the popularity of the Unity party in St Petersburg was very modest.

The foreign policy priorities of the Unity party are still not clearly defined. The only well-known leader of the Unity party, Boris Gryzlov, moved to Moscow from St Petersburg where he was a businessman with significant contacts with Western partners. Now he frequently visits foreign countries, trying to promote the Unity movement as a center-right party. For outsiders the Unity movement is a very united party with strong discipline, but it still has many internal problems. One of the most important of these problems is in defining priorities for reforming the national economy and political life in Russia. The Unity leadership proclaimed support of the reform program, elaborated by the group of Gref, the liberal economist from St Petersburg and now the Russian minister of economic policy and trade. Gref's program is oriented towards continuation of economic reforms and deeper integration of the Russian economy into the global economy and greater adherence to the principles of democracy. Cooperation with Western partners has a clear influence, which Gref received when he was one of the key members of the government in St Petersburg. However, the real problem for the leadership of the Unity party is that, despite the pro-market thinking of the party leadership, the majority of its members is more oriented toward leftist political ideas and sees the real power of the party in its proximity to the Kremlin.

A new and important political movement in St Petersburg is the “Will of St Petersburg.” This movement has the democratic intelligentsia of St Petersburg as its electoral base. Leaders of the Will of St Petersburg are studying the experiences of the Baltic neighbors of the city, and see the EU countries and three Baltic states as the most important political and economic partners of St Petersburg and the northwestern part of Russia.

Leftist political forces have been weak in St Petersburg since the early 1990s, despite the Communist party of Russia having more supporters and members in St Petersburg than any other political party or movement, with their numbers reaching approximately 6’000 according to estimates by specialists. The majority of Communist party members are elderly, and it is important to underline that this party is very unpopular among the younger citizens of St Petersburg. Foreign policy issues are not popular for leaders of the local Communist Party organization, and they usually reflect anti-American and anti-NATO rhetoric of party leaders in Moscow. The issues of Russian-speaking minorities in Latvia and Estonia are the most popular foreign policy theme for local communists.

According to popular opinion, St Petersburg politics is weakened by an outflow of leading local politicians to Moscow.<sup>43</sup> There are few prominent politicians of either right wing or left-wing orientation among the local political elite.<sup>44</sup> In political discussions concerning regional and local issues, foreign policy issues appear very seldom and the quality of foreign policy analysis and commentaries is usually very low, frequently at the level of political slogans. In the early 1990s, we witnessed increasing interest in the possibility of sovereign existence of St Petersburg outside of other Russian regions; support for this has been especially strong among radical democratic movements. Their priority has been the rapid integration of St Petersburg and the Leningrad region into a “common European space.” However, the political elite of St Petersburg rapidly began to regard this topic as outdated and impossible to implement. Other foreign policy discussions need special and in-depth knowledge, which the local political elite frequently does not possess.

## ***2.7 The influence of St Petersburg’s mass media on foreign policy***

Another political force in St Petersburg, which is able to influence both the populace and the political elite in foreign policy issues, is the mass media. There are eight local and regional TV channels in St Petersburg, and at least three of them include international reports in their programs. Four federal channels (ORT, RTR, NTV and TV-

43 Bessudnov, A. “Posle Yakovleva. Otkuda peterburgtsam zhdad ‘gubernatora 2004’” (After Yakovlev: Where the People of St Petersburg Have to Expect the ‘Governor 2004’ to Come From). *Ekspert-Severo-Zapad*, no. 8 (2000), p. 26.

44 Kostrov, Vladimir. “Pravye golodaiut. V Pitere im ne khvataet politichaskikh kadrov” (The Rights Are Starving: They Lack Political Personnel in Petersburg). *Izvestiia*, 31 January 2001, p. 1.

6) broadcast regional news programs 2–5 times per day. These channels pay special attention to visits of foreign delegations to St Petersburg, and produce rather extensive analyses of high-level visits and other international events organized in the city. Among the most popular and frequent topics of analysis on local and federal channels (in their St Petersburg's editions) during 2000–2001 were issues relating to the enlargement of the EU and NATO to Baltic states, the Middle East conflict, relations between Russia and the USA, the conflicts in Kosovo and Macedonia, the presidency of Sweden in the EU, and the introduction of the single European currency (the Euro). One of the most popular TV news program in St Petersburg is the Sunday evening weekly program “International Review with Innokentyi Ivanov” on the “Petersburg” TV channel.

There are six daily sociopolitical newspapers in St Petersburg, and each of them has an “international” page or section. Usually these newspapers reproduce news and comments of leading international and Russian news agencies, but regularly their journalists visit foreign countries and some of them have correspondents abroad (e.g., in Finland, Estonia, Sweden, and Germany). Many leading St Petersburg politicians and scholars publish comments on international events in local newspapers.

The leading English-language newspaper “The St Petersburg Times” plays a very important role in discussions on foreign policy issues. The newspaper was founded by a group of American journalists in the early 1990s. In 1999, this newspaper was mentioned by former Secretary of State Madeleine Albright as clear evidence of freedom of speech in Russia. The newspaper has a group of very professional journalists, both Russian and American, who cover all-important international events in their reports. The newspaper was one of the first in Russia to provide a Web edition (in 1994).<sup>45</sup> The newspaper was very skeptical about Yeltsin's foreign and internal policies, and partly due to the popularity in St Petersburg of the newspaper's American journalist, Brian Whitmore, is the leading local newspaper writing about real processes in local political life. Nowadays the newspaper is very critical of the government of Vladimir Yakovlev. The newspaper has a circulation about 25'000 copies, making it one of five leading local newspapers (and it is the only one in a foreign language).

## **2.8 Channels of communication with the centers of power in Russia**

Through their representatives in the Council of Federation (Russia's parliament), Russia's regions (including St Petersburg) can exert a profound influence on the formation and implementation of Russia's foreign policy. As a Russian region, St Petersburg has two representatives in the upper house of the Council. Now these representatives are Yakovlev and the vice-chairman of the Legislative Assembly of St Petersburg, Sergei Mironov, who replaced the chairman of the Legislative Assembly Sergei Tarasov in spring 2001. However, due to the “deadline” of the reform of the Council (January 2002),

45 The Web site of the newspaper is [www.sptimesrussia.com](http://www.sptimesrussia.com).

Yakovlev will be replaced and his influence on the country's domestic and foreign policies will decline even further.

St Petersburg houses the representative offices or committees of practically all bodies of Russian federal power. There is representation of all "power ministries" of Russia: Ministry of Defense, Ministry of Internal Affairs, Federal Security Service, and Ministry on Emergency Situations (MChS). Via their St Petersburg branches, these ministries control their spheres of responsibilities in the Russian Northwest. St Petersburg also houses the headquarters of the Leningrad Military District and the Leningrad Naval Base (Ministry of Defense). The main agency of Civil Defense and Emergency Situations of St Petersburg represents interests of the Russian MChS. One of nine regional centers of MChS (Northwestern) is located in St Petersburg,<sup>46</sup> as well as the territorial office of the Ministry of Federation Affairs, National, and Migration policy. There is very limited information available on the activities of the Federal Security Service, Federal Agency of Governmental Communication and Information, and Foreign Intelligence Service in St Petersburg, but it is known that all these federal agencies have significant structures in the city. They act under total control of Moscow's headquarters, but occasionally their press services organize press conferences, or their heads take part in seminars and congresses.

In the field of foreign policy, an activity of the representative office of the Russian Ministry of Foreign Affairs establishes an important channel of communication between St Petersburg and federal authorities. According to the president's decree no. 375 (12 March 1996), the Ministry of Foreign Affairs is responsible for coordinating an implementation of the unified foreign policy of Russia, with regional levels included. The representative of Russia's Foreign Ministry in St Petersburg is Ambassador Extraordinary and Plenipotentiary Viktor Lopatnikov. He and his staff are working on many issues associated with Russian foreign policy, paying special attention to the three Baltic states and Nordic countries, as well as on issues of participation of Russia in regional international organizations (e.g., Council of Baltic Sea States, Barents/Euro Arctic Region, and Arctic Council).

Other federal institutions whose offices are located in St Petersburg include the St Petersburg Committee of State Statistics of Russia's Goskomstat, State Committee on the Environment of the St Petersburg and Leningrad region, St Petersburg Department of Federal State Service of Employment, and State Committee on Land Resources. There are also offices of the Ministry of Finance, the Bank of Russia, and the State Custom Committee.

The role of St Petersburg was extremely important in the political life of Russia during the 1990s. Democratic forces in the city established their political power at the regional level, firstly in the legislative body (Lensovnet), and after that in the regional government. More recently, St Petersburg demonstrates other directions: toward

46 "Karta regionalnykh tsentrov MChS Rossii" (Map of Regional Centers of the Ministry on Emergency Situation of Russia). Available at [www.emercom.gov.ru/MIN/strukt/sredstva/rc/index.htm](http://www.emercom.gov.ru/MIN/strukt/sredstva/rc/index.htm).

stability of regional elite and depolitization of executive powers, and toward the growing role of legislative power relative to executive power of regional leaders (e.g., presidents and governors).

The Foreign Ministry of Russia thinks that: “the remote regions bordering on developed countries and countries with fast growth are the most vulnerable in terms of disintegration processes.”<sup>47</sup> St Petersburg fits these criteria, so we can suppose that the Russian Foreign Ministry keeps an eye on the situation within the city and around it. Under such conditions, estimating the risk of separatism is rather urgent for the representatives of the federal authorities.

The Russian Foreign Ministry can only control the international activity of regions in the economic sphere, but the risks run by regions because of the development of economic contacts with their neighbors are manifold. According to Avdeev, “the cross-border cooperation should be regarded warily. We have to build it so as to avoid the economic, demographic, cultural, and religious expansion of neighboring countries onto Russian territory.”<sup>48</sup>

We can conclude from the information in this chapter that practically all-institutional elements involved in the formulation, implementation, and control of foreign policy of the democratic state were established during the 1990s, and they exist now in St Petersburg. Many of the above-mentioned institutions are too young and have little experience in foreign policy. Others are still under indirect control by the federal government. However, the current situation may be seen as transitional, and the trend is for the civilized formulation of regional priorities of Russian federal foreign policy, especially in northwestern Russia due to the proximity of the region to the most important foreign policy partner of Russia – the EU.

47 Orlov, “Vneshniaia politika i rossiiskie regioni,” p. 48.

48 Avdeev, “Mezhdunarodnye i vneshneekonomicheskie sviazi rossiiskikh regionov,” p. 96.



## Regional social awareness

St Petersburg is one of the leading centers of world and Russian culture. The city has a unique cultural and historic heritage, where about 80% of all monuments are originals. The first Russian libraries were opened in St Petersburg, at the beginning of the 18<sup>th</sup> century. In the city there are now 1270 libraries housing 250 million volumes, unique manuscripts, rare editions, foreign academic literature, and archive documents. Two of these libraries are unique: the Russian National Library, which was founded in 1795 as the Imperial Public Library; and the Library of the Russian Academy of Science, founded in 1714 on the basis of a private library of Peter the Great. These two libraries house approximately 16 million volumes, a third of them in foreign languages.

The city has approximately 150 museums. The two largest of them – Hermitage and Russian Museum – make St Petersburg one of the leading museum centers of the world. The collection of world art at the Hermitage is larger than at the Louvre. It is one of the oldest museums of the world, and is located in the former imperial residence – the Winter Palace. The collection of the Russian Museum is the largest collection of Russian art, representing approximately one millennium of the country's history. Other museums that are among the best in Russia are: Saint Isaac's Cathedral, Museum of St Petersburg's History, Museum of Ethnography, Museum of Naval Fleet, Museum of Theatre Art, and Museum of Ballet. Currently there are also approximately 40 galleries and exhibition halls of modern art in the city.

St Petersburg houses approximately 100 theatres. Among them are the world-famous theaters built for former emperors: Mariinskii Opera and Ballet Theatre, Malyi Opera and Ballet Theatre, Aleksandrinskii Theatre, Malyi Drama Theatre (director, Lev Dodin), Academy Bol'shoi Drama Theatre (named after Georgii Tovstonogov), Ballet Theatre of Boris Eifman, and the Children's Opera House "Zazerkal'e."

The city is trying to maintain its status as the capital of Russia's musical culture. Apart from the above-mentioned musical and opera theatres, there are many concert halls in the city. Among the most famous are St Petersburg Academic Philharmonic Society, Academic Cappella (named after Mikhail Glinka), Children Philharmonic Society, and the State Philharmonic of Jazz Music, which is unique in Russia.

St Petersburg is the second largest educational and research center in Russia. There are 46 state universities and institutes, as well as 30 private institutions of higher education. The quality of education in St Petersburg's universities is excellent, and the best students of the natural sciences and technological faculties and institutions are often recruited by Western companies. This represents a very important problem for the city's economy, and the St Petersburg Administration has asked the Russian Government to initiate a number of economic measures aimed at keeping young specialists in Russia.

The media provides St Petersburg with a potentially powerful instrument for influencing the whole of Russia. There are six daily newspapers with a combined circulation of 300'000, and 66 weekly newspapers with a circulation of 6'000'000. There are also 12 TV channels in St Petersburg, comprising four federal and eight local channels, about 20 radio stations, six information agencies, as well as the offices of many leading world information agencies. Since the late 1980s, the local TV channel "Peterburg Piatyi Kanal" has enjoyed federal status. Its programs could be watched by those in the European part of Russia as well as some parts of West Siberia. However, in the autumn of 1998, a new channel (Kultura) began broadcasting on the same frequencies, which represented a very sensitive blow to the federal ambitions of the St Petersburg elite. In late spring 2001, Putin and Yakovlev discussed restoring the previous *status quo* and enabling the leading local TV channel "Peterburg" to be received in at least the European regions of Russia.<sup>49</sup> If the idea is implemented, it will enlarge significantly the role of the city in the political life of Russia, especially in Russian foreign policy fulfilling the desire of the political, academic, and business elites of St Petersburg to cooperate with European countries.

The political elite and officials of St Petersburg readily use a "capital" image of the city in their day-to-day activities. This becomes especially evidently in their international contacts. Such policies turn out to be an obstacle to the formation of a strong regional identity, first toward St Petersburg itself and only after that towards the Leningrad region and whole of northwestern Russia. We could discuss "St Petersburg patriotism," but feelings of that kind could hardly be associated with the surrounding region or northwestern Russia as a whole. At the same time, "St Petersburg patriotism" contains significant "anti-Moscow" ingredients. The influence of the city is clearly noticeable in other sectors of Russia's life. For example, decades ago the St Petersburg style of pronunciation was accepted as standard for broadcasting agencies,

49 Smirnov, Artemii. "Eshche odin Troianskii kon?" (One More Trojan Horse?). *Ekspert-Severo-Zapad*, no. 10 (2001), p. 8.



and the city's TV stations served as the best example of openness and *glasnost* at the beginning of the 1990s.

According to St Petersburg sociologist Tat'iana Protasenko, "Petersburg citizens are ready to accept invasion from Europe, but they do not want to accept it from Moscow."<sup>50</sup> The city is seen by its citizens not merely as a "window to Europe," but actually as a part of Europe, albeit slightly remote from the core.

Nevertheless, the city's cosmopolitanism – inherited from the times of Peter the Great – prevents "St Petersburg patriotism" from obtaining a clear-cut profile and becoming a significant phenomenon in the city's life. It will probably be a significant problem for the future federalization of Russian political life. The region has its history, glorious past, and a desire to reinvent itself in the new international situation in which interstate borders are losing their significance and the new "invented" history of St Petersburg should be a history of cooperation with European neighbors rather than history of territorial disputes, wars, and Iron Curtains. Key partners of St Petersburg are located in Europe, which is why it has to be a long-term strategy for both politicians and NGOs in St Petersburg to develop new forms of cooperation and reestablish St Petersburg as one of the political and cultural centers of Northern Europe. St Petersburg, even though it is *the Northern capital* of Russia, should not use the idea of North in its search for identity. In Russia "North" has a very uncivilized and unfriendly connotation. Moreover, local politicians and intelligentsia prefer not to name the city the *Northwestern Capital* – simply because it is possible to have at least seven other capitals of the type (e.g., Northeastern, Eastern, and Southeastern). The only acceptable type of status is as a quasi-capital, which the city authorities are ready to use in their search for the identity as *the European Capital* of Russia (or perhaps *the Second Capital*, representing a poor version of the previous one).

Being considered as the "cultural capital" of Russia is very important for St Petersburg when the City Administration is searching for foreign-partner regions and countries. Quite often St Petersburg officials have to make statements that "the museum and theatre" image of the city represents only part of St Petersburg.

At the same time, they believe that despite its attractiveness for the city's economy, tourism will not become the most important branch of the economy of St Petersburg in the near future. Influxes of investment from other Russian regions as well as from abroad, and export–import operations are more important for the city in a short-term perspective, compared to long-term investments in tourism infrastructure.

Even in the pre-Soviet era, St Petersburg was a unique center, where temples of different religions were concentrated and in which citizens, who practiced different religions coexisted. One of the largest mosques in Europe is situated in the city, and there are many Catholic, Lutheran, and other Christian churches, and synagogues and a Buddhist temple. A mass invasion of representatives of missionary organizations

50 Bessudnov, "Posle Yakovleva", p. 26

from the East and the West presented certain difficulties at the beginning of the 1990s. Today, their presence in the city is hardly noticeable, and they are not pursued by either regional authorities or the Russian Orthodox Church.

According to a member of the Legislative Assembly of St Petersburg, Mikhail Tolstoi, the problem for St Petersburg – as well as for the whole of Russia – is the weakness of civil society: “It is important to create a number of different public associations – cultural, intellectual, philosophical, and entrepreneurial – to form the city’s philosophy.”<sup>51</sup> This philosophy, taking shape since 1996, thus far without any success, will be more democratic and friendly toward Western countries than toward other Russian regions.

There are hundreds of Russian NGOs in St Petersburg, as well as research centers and representations of international NGOs from many countries of the world. The epistemic community of the city, which is made up of people studying politics, the economy, legal systems, the protection of human rights, and the ecological situation, and freely expressing their opinions, is increasing in size and improving in quality. Currently this community has only a limited influence on regional politics. The opportunities to define major activities of the federal government are in practice very limited. However, there is much evidence that their influence is growing. In particular, they play a role in the creation of expert and social councils within the frameworks of different political institutions, in bringing the attention of the local press to political debates, and in opening representative offices of the largest Russian research centers in St Petersburg (e.g., the opening of the Northwestern Office of Gref’s Center of Strategic Research). There is also The Leontieff Center in St Petersburg, which was established in the early 1990s and is now one of the leading institutions in St Petersburg in the field of complex socioeconomic problems. The European University in the city is trying to develop a very interesting and new program for PhD students, mostly thanks to support from European sponsors. The Strategy Foundation was established in Moscow by one of the leaders of Russian democratic reforms, Gennadii Burbulis. The St Petersburg branch of the Strategy Foundation was rather active in cooperation with the academic community and federal governmental institutions in Moscow and St Petersburg. Nowadays both the Leontieff Center and the Strategy Foundation are losing their special status in St Petersburg due to the very intensive activity of Gref’s Center. Some of the NGOs in St Petersburg are branches of large Moscow-based Russian or international non-governmental organizations (INGOs) (e.g., The Committee of Soldier’s Mothers, and Greenpeace). St Petersburg’s NGOs are comparatively small, but they are very active in the Caucasus region (e.g., in the protection of the human rights of the local population suffering from the war in Chechnya), in the field of environmental protection (e.g., The Green World organization), and in many other spheres.

51 *Ibid.*, p. 27

One further distinctive trait of St Petersburg is its image as the crime capital of Russia. According to the mass media, organized crime has some degree of control over the City Administration,<sup>52</sup> and local police are not able to control order on the streets, especially when dealing with contract killings. Indeed, statistics demonstrate that the level of criminal incidents on the streets of St Petersburg, the number of undisclosed contract killings, and other similar events are the highest among the 89 Russian regions. The level of corruption by regional authorities is well illustrated by the estimation – which appeared in the media – that “in St Petersburg two times more public money is disappearing compared to the average for the country.”<sup>53</sup> Another topic of constant speculation in local media is the close relations between the organized crime groups and the St Petersburg Administration. For many years, this was only speculation, but a significant change occurred in July 2001 when Vice-Governor Valerii Malyshev “[was] charged in connection with a criminal case over receiving a particularly large bribe.”<sup>54</sup> Seen as Yakovlev’s closest ally, Malyshev has been viewed as the governor’s likely successor when his term expires in 2004 or if Yakovlev is appointed to a position in Moscow. Malyshev was reappointed as one of city’s 13 vice-governors in October 2000, and is the chair of the Sports, Transport, and Communications Committee. He held these posts before being elected to the State Duma on the Fatherland-All Russia party list in December 1999, but resigned his seat to take the St Petersburg position. This episode may be just one example of the fight against corruption in Russia, but another and more popular explanation in St Petersburg is that it is the beginning of a campaign by Cherkesov against Yakovlev.

Despite the speculation of an alliance between the political elite of St Petersburg and organized crime, the role of the city in Russia’s political life grew slowly during the 1990s. According to some journalists, “St Petersburg is gradually gaining the status of the unofficial political capital [of Russia].”<sup>55</sup> Such a statement is certainly an exaggeration of the role that the present Russian president assigns to his native city. However, a certain political demand exists in St Petersburg, and it is possible that Putin will implement a number of unpopular actions for Russian foreign policy in this city (e.g., bilateral and multilateral summits with the most important political leaders of the world, and initiatives on radical improvement in relations with leading Western countries).

52 “Kriminalnaia stolitsa” (Criminal Capital). De Groene Amsterdammer. Russian edition: *Sankt-Peterburg, Stolitsa bez strany*, January 2001, p. 22.

53 Pipiia, B. “Peterburg ustal...” (Petersburg is Worn Out). *Nezavisimaia gazeta*, 11 May 2000.

54 Kaminskaia, Masha, and Vladimir Koval’ev. “Vice Governor Faces Bribery Accusations.” *The St Petersburg Times*, 13 July 2001, pp. 1, 2.

55 Bessudnov, “Posle Yakovleva,” p. 26



## St Petersburg in its international environment

### *4.1 Does St Petersburg have a foreign policy?*

The regional interests of St Petersburg in the sphere of international relations are primarily determined by its geographical location, and by its geoeconomic and geopolitical status. When in December 1997 the strategic plan for St Petersburg was adopted by an alliance of political institutions of St Petersburg, the immediate reaction of many skeptics was that the document was not very radical. As journalist Elena Zdravomyslova suggested, much more attention would be paid to the document if its authors included the idea of the city-state being outside the direct control of Russia's federal government, or within membership in the EU.<sup>56</sup> The suggestion was presented with irony, but openness about a European option for St Petersburg is rather common for many politicians and journalists in the city. Another idea quite popular in the city, is related to strengthening the regional position of the city in the Baltic rim outside of Moscow's control, and participation in Baltic politics as an equal and independent player. It is too early to say whether these ideas are popular in St Petersburg, but the search for an identity by the Northwest region and city may easily lead to growing acceptance of ideas related to independence of the region and city. The fact that St Petersburg followed other major Baltic-rim cities (i.e., Gdynia, Gdansk, Vilnius, Riga, and Tallinn) in preparing strategic plans, reflects the intention of the city's political

56 Zdravomyslova, Elena. "Helsinki dlia nas vazhnee chem Moskva. Simvolicheskii peterburgskii separatizm mozhnet stat real'noi mestnoi politikoï" (Helsinki is More Important for Us Than Moscow. Symbolic Patriotism of St Petersburg May Become Our Real Local Policy). *Chas Pik*, 17 December 1997.

elite to be in line with regional trends for better coordination in socioeconomic development.<sup>57</sup>

Generally speaking, there are no discussions in St Petersburg on alternative foreign policy strategies for the city. Among the political elite, academics, and journalists there is a consensus that St Petersburg is and should continue to be an integral part of Russia, while Russia should have friendly relations with European countries and the USA. The growing development of industrial production in St Petersburg since the late 1990s (in heavy industry, production of equipment for hydro-electrical and nuclear power stations, production of naval and commercial ships, and in the food industry) has resulted in the formulation of less cooperative ideas concerning the development of links with the EU, Russia's membership in the WTO, and especially in the creation of a free trade zone between Russia and the European Economic Area. The message from different forums of St Petersburg's industrialists is the following: we need a rather long transitional period for deep integration into the world economy, and the federal government of Russia should keep the internal market out of destructive processes of growing competition and practically free movement of goods, services, and capital. Despite the fact that St Petersburg is still very dependent on the importation of industrial equipment, food, and goods, the viewpoint of large local industrial companies is starting to dominate in discourses about alternative socioeconomic strategies for Russia in general, and for northwestern Russia in particular.

An important element of the foreign policy of St Petersburg is visits by foreign delegations to St Petersburg and visits of official delegations of St Petersburg to foreign countries. According to tradition, inherited from Soviet times, leaders of foreign countries usually visit St Petersburg during state and official visits to Russia. The number of visits of foreign leaders, ministers, and official business delegations solely to St Petersburg is growing.<sup>58</sup> Quite a new form of promotion of economic interests of the city is the "Days of St Petersburg" exhibition in major cities of the world as well as in the twin cities of St Petersburg.<sup>59</sup> The St Petersburg Administration organized the following international events in 2000: "Days of St Petersburg" in Scotland, Helsinki, and Budapest; "Days of Scottish Culture" in St Petersburg; "Window to Netherlands" festival; "Days of St Petersburg's Business" in Orkhus; "Days of Switzerland" in St Petersburg; "Results of Millennium" international congress; "St Petersburg 1703–2003" exhibition in Nice and Lyon; "Days of Bulgaria" in St Petersburg; "Weeks of South Korea, Singapore, and Japan" in St Petersburg; "East Asia-St Petersburg-Europe" international conference; and "Perspectives of Economic Cooperation of St Peters-

57 Zhikharevich, Boris, ed. *Osobennosti strategicheskogo planirovaniia razvitiia gorodov v postsovetskikh stranakh (Peculiarities of Strategic Planning in the Cities of Post-Soviet Countries)*. St Petersburg: The Leontieff Center, 2000, p. 55.

58 "Ministr vneshnei torgovli Finliandii pribyl s vizitom v Sankt-Peterburg" (Minister of Foreign Trade of Finland Came to St Petersburg). Available at <http://www.strana.ru>, 13 November 2000.

59 "Dni Sankt-Peterburga v Shveitsarii proshli uspeshno" (Days of St Petersburg in Switzerland Were Successful). Available at <http://www.strana.ru>, 9 March 2001.

burg and Latin America” seminar. Since 1998, St Petersburg started another tradition, of opening “Offices of St Petersburg” in cities such as Hamburg and London. These “embassies” of the city perform several important functions: assisting local enterprises in creating cooperative links with foreign companies, and organizing “days of culture” of St Petersburg and exhibitions of investment projects of the city.<sup>60</sup>

The problem of an independent foreign policy for the city is rarely discussed either in business circles or in the city’s mass media. However, it is possible to strengthen the concept that the city and the Russian Northwest (which the city authorities try to be a voice of) have their own view on the Russian model of “high policies.” We have already stated the essence of this model above, now it is necessary to stress the importance of the consensus-reaching mechanism in the discussion about priorities in the foreign policy. According to A. Bessudnov: “The decision-making mechanisms [in St Petersburg] are hidden from the electorate, and citizens do not know a lot of influential people. There are no structures in the city which can produce outstanding leaders.”<sup>61</sup> But despite that, many political parties and their leaders, newspapers and magazines, and TV and radio channels with their analytical programs, produce enough information to finally create a sort of “St Petersburg” view on all major events and processes in the international arena.

At the beginning of the 1990s, the attention of the St Petersburg populace was attracted by the possible territorial claims of Finland regarding Karelia, and of Estonia to Leningrad Oblast. In the case of Estonia this attention was valid. At this time, the territorial claims of Russia consolidated the formation of an anti-Russian political elite. However, Russia’s firm position denying the existence of problems of this kind at the intergovernmental level finally (by the mid-1990s) forced Estonia to disavow officially any territorial claims to Russia. During negotiations between Russia and Estonia, which were particularly heated in the first half of the 1990s, St Petersburg representatives always constituted a core of the Russian delegation. They have also dominated in the negotiations working groups discussing particular issues of Russia-Estonia bilateral relations.

Karelia has not been the issue of the utmost importance in relations of between Russia and Finland. The activities of Finnish associations inclined to revise the results of World War II, including a new Russian-Finnish border, were carefully observed from St Petersburg. But local academics, journalists, and politicians noted the small size of such associations and the negative attitude of Finnish governmental and (the majority of) academic circles towards them. Nevertheless, the problem of Karelia is still topical. Although it remains largely in the background, it appears when the press and politicians start discussing the territorial claims of Japan over Kuril Islands and

60 Interview with Dr. Grigori Rozhkov, Representative in London of the Non-Commercial Association “St Petersburg-London 2003,” St Petersburg City Administration.

61 Bessudnov, “Posle Yakovleva,” p. 26.

the different scenarios related to member-states of the EU (e.g., Germany taking over Kaliningrad). There is an obvious conclusion: if Russia gives up its territory to Japan (or Germany), the problem of Karelia will immediately emerge on the political scene.

Regarding bilateral relations of Russia with major world powers, St Petersburg does not have a foreign policy position that contradicts the “general line” of the Russian Ministry of Foreign Affairs or policies of the Presidential Administration. But a mechanism is now under construction so that the interests of St Petersburg will be taken very seriously by federal institutions if the interests are related to cooperation with the EU, countries of Central and Eastern Europe, or India or China. The process is still going on, but the first results (e.g., improvement of relations with the three Baltic states, and Moscow’s positive approach to the Northern Dimension Initiative) give cause for optimism.

#### **4.2 The CIS factor for St Petersburg**

Discussions have been continuing for many years on moving all major institutions of the CIS to St Petersburg, not just the Inter-Parliamentary Assembly.<sup>62</sup> Thus, the main idea of the dispute is about the status of the capital of the CIS, or emerging Euro-Asian Economic Community. But in the discussion on the status of the CIS capital or arguments about transference of federal institutions from Moscow (e.g., the Federal Assembly, the Russian Academy of Sciences, the Ministry of Culture, and the Central Bank) intentions dominate that have are unrelated to the consequences of such a move. An example is the idea of the speaker of the State Duma, Gennadii Seleznev, that movement of the Federal Assembly to St Petersburg will be a powerful tool in the fight against Russian corruption: “Divorce of executive and legislative powers is also one of the forms of the fight [against] corruption.”<sup>63</sup> We believe that there are less expensive ways to fight corruption than moving the parliament to another city, even if the city is very important to Russia.

It is possible that having St Petersburg rather than Moscow as the capital of the CIS would be better for the former Soviet republics. The image of Moscow as capital of the Soviet Empire is probably hindering reintegration in the post-Soviet area. It is crucial for Russian prestige to have the headquarters of the CIS institutions on its territory, as well as other integration blocks of post-Soviet states (i.e., the Union of Russia and Belarus, the Custom Union, and the Euro-Asian Economic Community). The only competition that St Petersburg faces in Russia in its attempts to invite all these institutions is, as usual, from Moscow, but the prospects for these changes are still quite good.

62 “Mezhparlamentskaia assambleia SNG (Inter-Parliamentary Assembly of the CIS).” *Ekonomika, Politika, Investitsii*, St Petersburg, no. 1 (7), 2001, p. 7.

63 Pipiia, B. “Petersburg – vozmoznaia stolitsa SNG” *Nezavisimaya gazeta*, 7 March 2000.



Despite all these facts, the economic interests of local companies connected to the CIS countries are insignificant, except in relation to local companies in Belarus. St Petersburg companies are investing in the Belarus economy (e.g., the Baltika brewery), or developing cooperation with leading Belarus industrial enterprises. Among all foreign countries, Belarus was the fifth-largest trading partner of St Petersburg in 2000, and bilateral trade and economic cooperation is very high. Some Ukrainian regions are trying to recreate economic links with St Petersburg that existed in Soviet times. For example, a delegation of the Republic of Crimea visited St Petersburg in February 2001 to discuss the prospects for investment by local companies into agriculture and resorts in that republic.

### **4.3 “Europe” as St Petersburg’s most important neighbor**

The CIS factor is mostly political for St Petersburg, whereas a very different situation exists in relations between the city and partners (countries and regions) in Europe and some other Western countries. Here relations are mostly economic in nature, with the only exceptions being the three Baltic states for which politics and the economy are very closely interconnected with St Petersburg.

There have been many discussions in recent years about the profitability of economic cooperation between the EU and Russia, as well as about the economic consequences for Russia of eastward EU enlargement. In bilateral EU-Russia dialogs, issues of “high politics” are still dominant. As Russian Ambassador to the EU Vasili Likhachev put it: “The more deep and developed relations are between the EU and Russia, the more real and concrete are opportunities for behavior as interconnected poles of the modern world order.”<sup>64</sup> Another of his ideas concerns the essence of cooperation: “It is exactly in the role of ‘legislators’ of political fashion that the EU and Russia need each other.”<sup>65</sup> However, as previous experience demonstrates, the more ambitious that Russian plans are for development of relations with foreign partners, the less concrete are the results that will be reached. This is why regional factors are defining the foreign policy of St Petersburg. The city is much more concerned about development of relations with the EU than is any other Russian region, except perhaps Kaliningrad. However, St Petersburg will maintain interest in cooperation with the EU only if this cooperation consists of concrete projects, and is assisted by appropriate legislation at the federal level. Until now, both federal government and local legislators<sup>66</sup> are not trying to follow the interests of St Petersburg in Russian implementation of the Finnish initiative on the Northern Dimension of the EU. In Russia’s strategy for developing relations with the EU (for 2000–2010), there are ten priorities for development

64 Likhachev, V. “Rossiia i Evropeiskii Soyuz v strategicheskoi perspektive” (Russia and the European Union in Strategic Perspective). *Mezhdunarodnaia zhizn*, no. 1 (January 2000), p. 40.

65 *Ibid.*, p. 41.

66 For example, the Northern Dimension program of the European Union has never been discussed at the sessions of the Legislative Assembly of St Petersburg. Telephone interview with a member of the Legislative Assembly Vatanar Iagia.

and strengthening bilateral relations, but only one of them (number 8) relates to the problem of trans-border cooperation, and even that is in very general terms. At the same time, according to official texts, the “essence” of this cooperation should consist of problems of “(...) security, ecology, struggle with organized crime, and others.”<sup>67</sup> Under “others,” St Petersburg should probably understand opportunities for developing economic, cultural, and political links with European partners.

The EU and countries of Central and Eastern Europe are not the only possible partners of St Petersburg on the international arena. However, this region and its countries and regions are the most important partners of the city, at least potentially, at present. The example of Kaliningrad demonstrates that proximity to the EU is becoming a factor that changes the foreign and internal policies of the federal government in Moscow, making it more transparent and cooperative towards Europe. The future integration of St Petersburg into the European economic and cultural space is a question of the near future, and it may become a milestone of Russia’s path towards a society of democratic European nations.

#### ***4.4. Military and security interests of St Petersburg***

In terms of the military security of Russia, the northwest part of the country tends to be one of the most quiet and stable areas. All contentious issues of bilateral relations in this region have been resolved by political dialog, except for the threat to launch sanctions against Latvia in 1998 (its practical implementation has never followed). The process of reduction in armed forces and weapons continues steadily and even outstrips the original tempo. Despite the high level of the populace’s involvement in politics, the reaction to the Kosovo bombing was more reserved in St Petersburg than in any other Russian city. This can be explained partly by the exceptional interest in a stable political situation in the European direction. The growing attention that Russia pays to the USA North-European Initiative<sup>68</sup> and the Northern Dimension of the EU is reflected in the forums that are regularly held in St Petersburg, which discuss the prospects of collaboration between the Russian Northwest and the leading powers of Europe. Moscow research centers, such as the Council on Foreign and Defense Policy, also participate in the discussion, but it is St Petersburg, which is more often chosen for such discussions. This also reflects the city authorities’ and public interest in fostering amicable Russia-Europe and Russia-USA relations.

The possible accession of Baltic states to NATO might be a serious problem for such relations. The abrupt reaction of Russia on this prospect may not have anything to do with the increasing military danger to St Petersburg and the entire northwestern region. However, significant psychological losses, as well as the deterioration of the Russian image as a great power, forces Moscow to prepare for the decisive confronta-

67 Likhachev, “Rossiia i Evropeiskii Soyuz v strategicheskoi perspective”, p. 48.

68 Gfoeller, Tatiana. *The Northern European Initiative*. St Petersburg, 1999, pp. 9, 10.

tion. It is most probable that Russian foreign policy in the near future will be built on a single Moscow-St Petersburg basis, with the European continent as the most important, both politically and economically, and therefore St Petersburg now intends preparing for the future steps, tied to improving relations with NATO and Baltic states in certain areas. With that in mind, it is the St Petersburg unit of the Russian foreign police that would help to make future Russian measures more moderate. It is also possible that the first signals aimed at rebuilding Russia-NATO relations on a new, more relaxed basis will also come from St Petersburg.



## Conclusion

St Petersburg, being simultaneously part of Russia and the capital of the Northwestern Federal District, occupies a highly visible place in global economic and political processes. Being one of the most politically and economically stable regions of Russia, it plays an important function in presenting a more “civilized” political and cultural image of Russia, competing in these spheres with news from Chechnya and evidence of economic disaster in Primor’e. We think that the federal government of Russia likes to use the positive image of St Petersburg in contacts with foreign partners. As one observer wrote: “With Putin’s advent to power, the center of political life (in Russia) began to shift more and more towards the northern capital.”<sup>69</sup>

Putin’s next step after the introduction of seven federal districts will probably be the consolidation of some Russian regions. St Petersburg and the Leningrad region are the most obvious candidates for the process. This idea has been discussed at both regional and federal levels for many years.<sup>70</sup> It is important to mention that taxation reform, started in Russia since 2001, demonstrated that there is a distinction between these two close neighbors: Leningrad Oblast is “always subsidized” by the federal budget, and St Petersburg “always donates” to the same budget.<sup>71</sup> An important new factor in northwestern Russia for unification of these two regions is the growing economic power of Leningrad, with prospects to avoid donations from the state budget in the near future due to development of several industrial projects by Russian companies, direct foreign investments, and construction of sea ports in the Finnish Gulf. It is

69 *Kommersant Daily*, 13 January 2001, p. 10.

70 Bessudnov, A. “Sem bogatyrei” (Seven Heroes). *Ekspert-Severo-Zapad*, no. 9 (2000), p. 10.

71 Klepikov, A. “Reforma ‘v polzu bednykh.’ V rezultate nalogovykh novovvedenyi naibolshie poteri ponesut regiony-donory” (Reform ‘in Favour of the Poor.’” As a Result of Tax Innovations the Donor Regions Are at a Loss). *Ekspert-Severo-Zapad*, no. 17 (2000), p. 8.

quite clear that their unification will be a reasonable decision given the growing role of transport in the regional economy. In this case, it will be an alliance of equal regions that are very dependent on each other, especially in the fields of foreign economic and political relations.

From the economic viewpoint, St Petersburg will be hardly able to compete with Moscow in the near future. As a representative of the Russian Internet community, the technical director of the Reksoft company said: “Generally speaking, St Petersburg is a province. In addition, the majority of people living in the city like it for that reason. Moscow provides very different opportunities, including those related to wealth creation, and a faster rate of decision-making. From the business point of view, there are no advantages of St Petersburg over Moscow, just cheapness and a good system of education.<sup>72</sup> Nevertheless, politically and culturally St Petersburg is a competitor of Moscow, and future analysis of Russian internal and foreign policies will be impossible without studying the “St Petersburg factor.” This “factor” is now in the process of transformation. Well known in Soviet times as “the great city with the destiny of a small region’s center,” St Petersburg is reestablishing itself as a “great city” – the most important process in the history of St Petersburg since February 1918, when it lost its status as capital to Moscow.

This study shows that the major source of regional internationalization for St Petersburg is its proximity to Europe and confirmation of its historical mission – to be “the contact point” between European and Russian cultures. The international contacts of St Petersburg are of great importance from both economic and sociopolitical viewpoints. The strategic purpose of regional government, lawmakers, and politicians is to emphasize the city’s attractiveness to foreign investors and partners, fostering intense technical, scientific, and cultural cooperation. There is no official policy in St Petersburg for obtaining considerable political independence from the federal center, but this study shows that the local elite would like to have more “space” in establishing contacts with all kinds of partners abroad: regional authorities of foreign countries, private companies, IGOs, and INGOs. The investigation of regionalization shows that St Petersburg is emerging as an important subject of Russian foreign policy.

72 Bessudnov, “Regionalnoe litso globalnoi ekonomiki,” p. 14.

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