

**Regions of the “Red Belt”  
in the Process of Internationalization:  
The Case of Volgograd Oblast**

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Foreword	5
Introduction	7
1. Portrait of the region	9
1.1 The administrative-territorial system	9
1.2 The economic situation	9
1.3 Social life	15
2. The process of internationalization: formation of regional interests	27
2.1 Interest groups and power in the context of the region's international contacts	28
2.2 Geopolitics and security	38
2.3 Regional foreign economic policy	43
2.4 International contacts in other fields	50
2.5 Perceptions of internationalization in popular awareness	53
3. Interaction between the region and the center on international relations and security issues	57
3.1 Volgograd Oblast as a subject of federal relations	57

3.2	The main channels of interaction between the region and the federal center in the realm of international relations and security	59
3.3	Inter-regional factors in the international contacts of the oblast	63
	<b>Conclusion: Perspectives for the region's internationalization</b>	<b>67</b>

## Foreword

The case study of Volgograd Oblast, a region rich in natural resources, located in the southeast of the European part of Russia with an external border to Kazakhstan, illustrates the manifold security challenges that the regions in the “southern belt” of Russia have to deal with. Sergei Golunov, associate professor of International Relations at Volgograd State University, shows that geography can be both a source of economic opportunities and a threat to economic and sociopolitical stability. Cross-border cooperation is still rather underdeveloped in Russia’s south. Its vulnerability stems from a number of factors. Border regions, like Volgograd, are usually located in zones where a variety of ethnic groups and nations, cultures and religions meet. Such a situation can either stimulate contacts and economic development or can serve as potential for conflicts. The public authorities of border regions are confronted with sometimes very difficult tasks: regulating cross-border trade and customs practices, easing ethnic tensions, establishing border control regimes, fighting against immigration, international crime, illegal crossing of border and smuggling.

The case of Volgograd Oblasts also exemplifies the problem of regional political identity. Due to their exposed geographical situation, we find conservative and nationalist public attitudes dominating in many border provinces, and Volgograd is no exception. At the same time, Sergei Golunov’s paper shows that mobilizing local resources is an important part of the region’s strategy to adjust to the new geopolitical realities. Despite a distinctly pro-communist orientation, the regional authorities seem to understand the importance of using the region’s potential in developing international economic ties and to attract foreign investment. They actively try to support the development and maintenance of transport, communications and oil transportation infrastructures and weigh the different possibilities of making use of the region’s vast natural resources.

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## Introduction

The dissolution of the Soviet Union and the emergence of a new system of federal relations brought changes to the geopolitical situation of the regions of the southwestern part of the Russian Federation (now part of the Southern Federal District, created in 2000). Many of these regions, which had previously been located hundreds of kilometers away from the nearest national boundary, subsequently either became border regions themselves or turned into transit zones for important communications routes of international importance. The oblasts and republics that had previously not enjoyed any real independence in the sphere of international contacts now faced extensive opportunities. The realization of these opportunities could partially remedy the consequences of the current social and economic crisis. The post-Soviet period has also presented the southern regions with serious security problems. These are related to the social, ethnic and political situation in Russia, their closeness to the epicenters of instability in the territories of foreign countries, and, to a certain extent, the incorporation of these southern regions into the orbit of foreign geopolitical interests as well.

Volgograd Oblast is facing most of the problems mentioned above. Due to its extremely favorable strategic location, its powerful industrial and natural resource potential, and also its rich cultural and historical heritage, the region is likely to become one of the leaders in the sphere of developing international contacts within the framework of the Southern Federal District. Their present level of development can be explained by a number of factors (both objective and subjective) stemming from the situation in the economic, political, social, and other spheres. Judging by a number of key parameters, the situation in the oblast can be characterized as being specifically different from the situation in those Russian regions that are usually selected as case models in studies dealing with the international contacts of the Russian regions. Among such key parameters are the

oblast's industrial structure with a large share of heavy industry, the political situation, the historical memory, and other characteristics.

In the present article, the author would like to place a special emphasis on the interconnection between the political situation in the region and the specific features of the development of its international contacts. Volgograd Oblast is one of the regions of the so-called "Red Belt," where the electorate traditionally votes for representatives of the Communist Party of the Russian Federation in elections. The political outlook of the Communists embraces isolationist ideas and, above all, promotes a confrontational outlook regarding tendencies that lead to a strengthening of the Western influence in the economic and cultural spheres, as well as in other areas of the country's social life. The degree of such a confrontational attitude should, however, not be regarded as absolute. These individuals of the party establishment, who are engaged in the process of making authoritative decisions, generally take economic expediency into account. This factor outweighs the ideological considerations in many cases. From this point of view, foreign investments in assisting manufacturing, technological and humanitarian projects, and the development of export-import contacts, represent important conditions for the improvement of the economic situation of the Russian Federation and its individual subjects.

In general, regional policy in the sphere of developing international contacts and maintaining security is determined by a combination of factors of objective as well as subjective character. In many cases, the formation and implementation of such a policy requires interaction with the center. In turn, in order to understand the latter's foreign policy, one has to take into account the influence of the regional factor.

These considerations were used as the basis of the structure of the present article. Chapter 1 outlines the characteristics of those economic, social, political, and cultural conditions that provide the background and the conditions for the formation of regional policy in the field of international contacts. Chapter 2 is devoted to the analysis of the balance of the most significant interests that are taken into consideration while developing and implementing this policy. The interaction between the region and the center regarding the development of the region's international contact levels is examined in chapter 3 with the purpose of assessing the influence of such contacts on the formation of the respective policies at both the regional and the central levels. The concluding section makes some predictions regarding the perspectives for the oblast's integration into international networks. In our opinion, this structure will allow us to take the specific features of Volgograd Oblast into consideration, while also accounting for the complex nature of interrelated factors which influence the development of the oblast's international ties. The structure of this paper will also allow us to explain the influence of those ties on the development of the region and on the formation of the federal center's corresponding policy.



## Portrait of the region

### *1.1 The administrative-territorial system*

Volgograd Oblast is a subject of the Russian Federation, located in the southeast of the European part of Russia, more than 1000 kilometers from Moscow. Its territory extends over 113'900 square kilometers (0.67% of the entire territory of the Russian Federation). According to a decree of the president of the Russian Federation signed in May 2000, Volgograd Oblast was included in the Southern Federal District, with its center in Rostov. At the same time, within the framework of the system of economic regions, which has existed since the Soviet period, the oblast is a part of the Povolzhskii economic region, which also includes "economic heavyweights" such as the Saratov and Samara oblasts and the republics of Bashkortostan and Tatarstan. The administrative and territorial structure of the oblast comprises 33 districts, 19 cities (including 6 large cities), 27 settlements (the size of towns), and 1513 villages. Volgograd, with a population of approximately 1 million, is the administrative center of the region. Other large centers of the oblast are Volzhskii (about 290'000 inhabitants) and Kamyshin (130'000 inhabitants).

### *1.2 The economic situation*

#### *Natural resource potential*

Significant deposits of various natural mineral resources were discovered in the territory of the oblast. Petroleum, natural gas, bischofite (chlorine-magnesium salt), phosphorite, salt, construction sand, and mineral waters have been discovered and are currently being extracted. Two potassium ore deposits have been

prospected and discovered. The extraction of mineral resources in the oblast is being unevenly conducted. The oil and gas fields, for example, are being intensively developed, while clay deposits, carbonate raw materials, and phosphorite reserves for the chemical industry are being slowly developed. The oblast has over 280 sites of hard mineral deposits. Additional reserves of mineral water and medicinal mud were discovered in the area of the salt lake Elton. According to experts, the medicinal qualities of the local mud are much superior to the analogous mud of the famous Dead Sea in Israel. This fact could transform the region into a resort zone of international significance.

Especially remarkable are the extensive natural resources of hydrocarbons – over 500 million tons of petroleum, 1.2 trillion cubic meters of gas (with the majority of sources not containing hydrogen sulfide), and more than 450 million tons of gas condensate. As regards export opportunities, the exceptional volume (over 365 billion tons) of bischofite deposits that have been discovered represent substantial possibilities. Bischofite is a valuable natural mineral that contains almost all the elements of the periodic table. It is interesting that the volume of the Volgograd deposit significantly exceeds the total volume of all other bischofite deposits around the world. The extracted raw mineral can be used for the production of fertilizers, a number of rare metals (in particular, high quality bromine and magnesium), and also for pharmaceutical purposes. In addition, the oblast possesses one of the largest deposits of phosphorites in the world (by volume). Phosphorites are used for the production of mineral fertilizers.

The existing significant natural resources in the region may bring about some serious changes in the economic policy in the near future. According to some assessments, the value of the oblast's natural resources lies supposedly between 70 billion and 9 trillion dollars.<sup>1</sup> Of course, these figures look like an exaggeration and besides, the exploitation of the known and yet undiscovered new deposits would require a rather large investment, which could prove to be quite risky. Nevertheless, the known resources are so significant on a number of indicators that their extraction could result in a change of the market structure not only in the regional, but also in the national and, in some cases, even in the world market.

### *Agriculture*

Out of the oblast territory's 113'000 square kilometers, 87'000, or 84% are used in agriculture (65% of which is arable land producing grain, and 27.8% pastures). Approximately 600'000 people live in the rural area, 212'000 of which are occupied solely in agriculture.<sup>2</sup> The diversity of the soil and the climatic conditions of

1 *Delovoe Povolzh'e (Volgograd)*, no.1 (2001), p. 1, 5.

2 The information is received from the Volgograd Oblast Committee of State Statistics.

Volgograd Oblast permit the production of a wide range of agricultural products (grains, mustard, vegetables, fruits, and berries) and livestock (milk, livestock, breeding of hogs and lambs, and poultry farming).

A large part of the region's territory lies in a zone of arid savannas and semi-deserts, with a typical continental, semi-arid climate. The region therefore lies in a drought zone that jeopardizes agriculture. On average, every third year brings acute droughts, which lead to a loss of up to two thirds of the harvest. The consequences of the 1998 drought serve as an example:<sup>3</sup> the productivity of grain plantations decreased to less than one third of the previous year's amount (from 3'195'000 to 999'000 tons).

Such conditions notwithstanding, Volgograd Oblast is one of the main producers of agricultural products in Russia: it is one of the top ten regions of the country regarding the overall volume of agricultural production. The agriculture of the region fully satisfies the population's demand, and one quarter of the agricultural production is exported. The agricultural productivity in Volgograd Oblast (the average productivity is 14 hundredweight per hectare) is significantly higher (approximately one and a half times) than the average Russian agricultural productivity, yet at the same time many times lower than the productivity of European countries.

In the 1990s, the region's agriculture found itself in a difficult crisis. The financial state of enterprises belonging to the state sector had worsened sharply, and the volume of investment in agriculture, in comparison to all the investments in capital goods, had decreased by two thirds. As a consequence, over half of the technological means of agricultural production were lost, and the area of cultivated land decreased by 10%; the amount of mineral fertilizers applied to increase the productivity dropped by a factor of 59, and the productivity of labor fell by a factor of 1.5-2.<sup>4</sup> Efforts to create an institution of (private) farmers were not especially successful because of the absence of necessary support on the part of the government, and due to the impossibility of purchasing arable land as private property. In such conditions, taking into account the risky character of the agricultural production in the climatic zone of Volgograd Oblast, the majority of peasants were materially incapable of organizing their own production.

At the same time, in the post-Soviet period, a reorganization of the agricultural sector had taken place. 27 state enterprises, 150 joint-stock companies, 67 agricultural associations, and 12'765 farmers units were employed in the agriculture. A significant number of these existed only on paper. Definitive changes in the structure of production can be observed. Along with a significant decrease in the production of grain, meat, and milk, there has been an almost twofold expansion of the land used for the cultivation of sunflowers (from 250'000 hectares in

3 *Ibid.*

4 *Ibid.*

1990 to 453'000 hectares in 1998), the oil of which is exported outside the region and also exported abroad. There has been no substantial decrease in the production of vegetables, most of which are now produced on private plots of land.<sup>5</sup>

The agriculture of the region is currently to a large extent subsidized by the regional budget. In recent years, these subsidies have increased sharply. In 2000, the regional budget provided 550 million rubles (US\$19 million) just for the development of agriculture. This is three times more than in 1999. Such significant, and obviously not profitable investments (the growth of production in the agro-industrial complex for the same period of time was 18%),<sup>6</sup> can be explained both by the desire to alleviate social tensions in the rural areas, as well as the regional administration's desire to enlist the support of the rural electorate before the gubernatorial elections of 2000.

### *Industry*

Volgograd Oblast has a powerful industrial potential with diversified industrial branches and extensive infrastructure. In terms of the volume of industrial production, the region was 19<sup>th</sup> in all of Russia in 1999.<sup>7</sup> Large enterprises are located in the region's territory. These include: chemical and oil processing enterprises, fuel and energy complexes (including the extraction of oil and gas, and the processing of oil), and enterprises producing construction materials. Other enterprises in the territory are active in ferrous and non-ferrous metallurgy, machinery construction, instrument making, the consumer industry, the construction industry, and the food and food-processing industry. On 1 January 1999, the Unified Register of Enterprises and Organizations showed 52'100 entries for all forms of property and production of the oblast. Among these were 384 large and medium-sized industrial enterprises, which produce 87% of the industrial production (goods and services). Industrial enterprises provide 43% of the tax income in the consolidated budget.<sup>8</sup>

Within the general structure of the industrial production the enterprises in the chemical and petrochemical industry are particularly well represented with 19.4%; the electrical energy industry forms 18.7% of the industrial base; the machine-building and metalworking sectors represent 13.4% of industrial production; the fuel and food industry contribute 12% each to overall productivity; and non-ferrous metallurgy accounts for 8%. Less than 6% of the general volume of goods is produced by the non-ferrous metals industry, the industry of construction materials, the consumer industry, and other sectors.<sup>9</sup> The region exports

5 Volgograd Oblast Committee of State Statistics.

6 *Ibid.*

7 *Ibid.*

8 *Ibid.*

tractors and engines, rolled ferrous metals and aluminum, steel pipes and cables, drill plants and oil extracting machinery, fishing vessels, bearings, and cotton fabrics to the Russian and foreign markets. Chemical and petrochemical enterprises produce automobile tires, petroleum products, synthetic resin and plastics, fiber and yarn, hydrate of sodium, and so on.

In the 1990s, a clear tendency towards increasing the share of the chemical industry and the fuel and energy complex was evident. Compared to neighboring regions, the oblast inherited a hamstrung industrial structure from the Soviet period, which was primarily oriented towards the output of means of production rather than consumer goods. It is precisely the heavy industry that experienced the deepest crisis during the Soviet period. This was caused by the shrinking market, the wear of the equipment, and a number of other causes that led to crises in other industries as well. By 1997, the steel production had shrunk to one fifth of its 1991 volume, the production of rolled metal to one twentieth, steel pipes to one fifth, tractors by a factor of 21, bearings to one fifth, fabrics to one fifteenth, and chemical fibers to one sixth. In the same year, the volume of production of all the region's industrial enterprises only reached US\$348 million (or US\$208 per capita).<sup>10</sup>

The economic crisis also caused problems in the defense industry. As a result, according to some estimates, the region's volume of military production dropped by a factor of over 15 in the period from 1991 to 1998. This led to a reduction in the number of personnel employed in this industry by approximately two thirds, and resulted in long delays in salary payments for the remaining employees.

The financial crisis of August 1998 became the point of departure for a change in the economic situation. The sharp drop in the value of Russian currency led to an increasing competitiveness among the Russian industries, and at the same time to a decrease in the burdensome tax payments at different levels, as well as in payments for electrical power. The changes in the financial market had a positive effect, because they made investment in manufacturing seem more attractive than it had been before the crisis.

As a result, the regional economy has demonstrated steady growth tendencies since the spring of 1999. The sharp drop in importing food products has allowed local producers to increase the production of food and other consumer goods. Due to the increase of world petroleum prices, the fuel energy complex has begun to show high growth rates. This, in turn, has affected the petrochemical industry positively, as well as some other branches within the machine-building

9 *Ibid.*

10 *Ibid.*

industry. The growth of investment activity has also promoted positive changes in the area of metallurgy.

The positive tendencies in the economic development of Volgograd Oblast continued throughout 2000. From January to November 2000, the volume of industrial production increased by 13% in comparison to the corresponding time period of the previous year; this is above the Russian average. The growth of production in ferrous metallurgy was 38%; in machine-building, 41%; in non-ferrous metallurgy, 9%; in the fuel industry, 4%; in the chemical and petrochemical industry, 6%; and in the food industry, 2%. In the consumer industry the production increased by a factor of 2.2. Investment in the capital goods increased by 45%, and tax payments to the budgets at all levels increased by a factor of 1.8.<sup>11</sup>

It is clear that the further development of the regional economy will depend in many respects on the level of investment in the capital goods. Despite the emerging positive tendencies, the investment activity in the oblast's economy at present remains relatively low. During the period of structural reorganization of the region's economy, the volume of investment in capital goods decreased by almost two thirds in comparable prices. Approximately 70% of the assets were invested in industrial objects, which had an average level of productive use of only 47% of their capacity. The development of transportation networks and other infrastructure of the region, such as the reconstruction of the Volga-Don navigable channel, the building of a bridge across the Volga River, the construction and repair of highways, and supplying the region with gas all require serious investment. Meanwhile, in 2000, only 30 kilometers of hard surface roads were completed and entered into service.<sup>12</sup>

The support of large-scale industry and agriculture remains the policy priority of the regional government. This is, however, not always justified by considerations of profitability, but is determined by the structure of employment of the region's population, which is as follows. According to 1998 data, 26% of the total number of employed individuals (869'000) were working in the industrial sectors, 13% in agriculture, approximately 11% in education, 9% in trade and trade-related spheres, 8.5% in the sphere of public health and social security, 7% in transportation, 6% in the service sphere, and 4.9% in the administrative apparatus.<sup>13</sup> The above-mentioned policy is expressed through loans for big businesses and the creation of zones with privileged taxation for a number of heavy industry enterprises. During the present poor development of the service sectors and consumer goods production, less support is being given to sectors oriented towards satisfying popular demand for these goods and services, which could

11 Volgograd Oblast Committee of State Statistics.

12 *Ibid.*

13 *Sotsial'no-kul'turnyi' potentsial Volgogradskoi' oblasti* (Social and Cultural Potential of Volgograd Oblast). Volgograd: Komitet statistiki OOP, 1999, p. 3.

provide the highest number of new jobs if serious social and economic reforms were implemented. The tax burden is therefore being shifted to small and medium-sized businesses, which are developing more slowly than in the neighboring regions. At the same time, the production generated by the region's large-scale industries could return the region back into its former leading position in Povolzh'e and in Southern Russia. This would, however, only happen if the economic situation in all of Russia experienced some radical improvements.

### **1.3 Social life**

#### *Demographic situation*

The population of the Volgograd region amounts to approximately 2'700'000 people. Of these, 1'999'000, or 74% of the total population, live in the city. Approximately 1 million people reside in the regional center Volgograd, 288'000 in Volzhskii, and 129'000 in Kamyshin.<sup>14</sup>

In the post-Soviet period, the demographic tendencies in the region were generally unfavorable. Since the end of 1991, the population has been undergoing a natural decline. Until 1996, this decline was matched by migration, and in general the region's population increased. From 1996 onwards, however, migration flows into the region have decreased substantially, and do not make up for the natural decline of the population anymore, which accounted for 16'200 people in 1998 alone. In November 2000, 24'000 people who had the status of forced migrants were registered and resident in the region.<sup>15</sup>

The region's population is multi-national; over 100 ethnic groups reside in the territory. According to the census of 1989, 89% of the population are Russian, 3% are Ukrainian, 2% are Kazakh; 1% are Tatar, and less than 1% are Belarusian, Chechen, Chuvash, Azeri, Mari, Armenian, Roma, Mordvinian, Moldavian, Udmurt, Jewish, or Kalmyk.<sup>16</sup> The migratory processes of the post-Soviet period led to significant increases in the numbers of several ethnic groups, above all, the Kazakhs, Chechens, Azeris, Avars, and some others. Unofficial estimates regarding these groups differ significantly: the estimates regarding the size of the Chechen community, for example, differ from 1.5% to 3% of the entire population of the region.

#### *Politics*

14 Volgograd Oblast Committee of State Statistics.

15 *Ibid.*

16 *Natsional'nyi' sostav naseleniya SSSR po dannym Vsesoyuznoi' perepisi naseleniya 1989 g.* (National Composition of the Population of the USSR According to the Data of the All-Union Census of Population in 1989). Moskva: Gosudarstvennyi komitet statistiki SSSR, 1991, p. 56.

Like other regions of the Russian Federation, Volgograd Oblast has undergone a process of transformation of its political system in the recent decade. Today, new democratic institutions of power, based on free choice, have formed. At the same time, the process of forming political organizations, most of them on a national scale, is continuing.

The highest organs of government in the region are the Head of Administration (governor) of Volgograd Oblast and the Volgograd Oblast Duma. According to the local legislation, the highest executive of the region is elected by direct secret ballot (since 2000, the elections have been held on a single-round basis) for four years; the deputies are elected for the same term on the principle of rotation.

The head of the executive branch, and the administration as a whole, possess powers that make this branch of government the strongest in practice. The governor is a plenipotentiary representative of the oblast in all the external (including international) and internal contacts. He appoints half of the members of the electoral commission of Volgograd Oblast, coordinates appointments of the officials of the territorial branches of federal executive organs, calls for regional referenda, and issues executive and legal acts in the form of resolutions, and individual acts in the form of instructions within the framework of his powers. The head of administration has very extensive opportunities for influencing the process of legislative decision-making. He has, for example, the right to take part in the sessions of the Oblast Duma with a consultative voice, or he can appoint his representatives. He can also introduce proposals on convening extraordinary sessions of the Oblast Duma, propose questions for the agenda of Duma sessions, postpone a veto where necessary, introduce oblast budget drafts for the approval of the Oblast Duma, and present social and economic development plans and programs to the Oblast Duma for approval. Finally, the head of the executive branch can control both the personnel policy of the administration (practically without consultations with the Duma), as well as the structural changes occurring within the Duma to a large extent.<sup>17</sup> Taking into account the fact that the administration has control over the current governing of the region, one could argue that the governor's power, as well as his right to influence the political life of the region, substantially exceeds even the authority and privileges of the president of Russia in his interactions with other branches of the national government and other subjects of political life.

At the same time, the highest legislative organ of the region, the Oblast Duma, as a rule makes decisions concerning the main parameters of regional policy. In particular, it has the power to adopt the Statute of Volgograd Oblast and

17 *Ustav (Osnovnoi zakon) Volgogradskoi oblasti. Pritnyat oblastnoi Dumoi 11 iyulya 1996 goda (v redaktsii zakonov Volgogradskoi oblasti ot 26.11.97 N 146-OD, ot 16.01.99 N 238-OD)* (Statute (Basic Law) of Volgograd Oblast. It was passed by the Oblast Duma on July 11, 1996 (in edition of the Laws of Volgograd Oblast of November 26, 1997 N 146-OD, of January 6, 1999 N 238-OD). Chapter 2.



the laws of Volgograd Oblast, to introduce changes and amendments to the laws, to ratify and repeal agreements concluded by Volgograd Oblast, to give consideration to and approve the oblast's draft budget, to approve of programs and plans for the social and economic development of the region, to hold regional referenda, to determine the order of administration and management of regional property, to levy regional taxes, dues, and tariffs, to develop schedules of payments, to coordinate of candidacies for positions of oblast prosecutor and other leaders of federal organs for Volgograd Oblast (if that is specified by the federal legislation), and to appoint and remove half of the members of the electoral commission of Volgograd Oblast. The Duma also has significant powers of control over the implementation of laws and other normative acts, over financial operations within the jurisdiction of the executive organs, and over regional property. Legislators can pass a vote of no confidence in regional officials; the final decision in such a case, however, is left to the governor.<sup>18</sup> The powers of the Duma, therefore, allow it to control a number of key regional decision-making processes to a substantial degree; the deputies, however, clearly lack effective leverage for influencing the current policy of the administration and its head.

The municipal authorities of Volgograd, headed by the mayor, represent an important part of the political system of the region. The special position of the regional center – which houses practically all the main administrative structures of the region, the major part of its economic potential, its media and communications infrastructure, and many public organizations – gives the Volgograd authorities significant resources with which to exert serious influence over the regional political life. It is not surprising that the competition for these resources, primarily for the distribution of financial resources between the regional and city budgets, and for real estate, represent the main obstacle in the relations between the municipal and regional authorities. The rivalry between the regional center and the region has, as a rule, been present to some degree in the electoral campaigns held in the region at the federal, regional, and municipal levels; these campaigns, however, have not led to a substantial change in the structure of forces so far.

In such a competition, the economic interests (which will be discussed in chapter two) are superimposed on ideological contradictions. During the period of perestroika, Volgograd was one of the centers of democratic rallies that led to the resignation of the then de facto head of the region, First Secretary of the Regional Committee of the Communist Party of the USSR Vladimir Kalashnikov, in 1989. The leadership of the region, led by Ivan Shabunin, took the side of Russian President Boris Yeltsin in August 1991 and condemned the pro-Communist putsch attempt. Immediately after these events, Yeltsin appointed Shabunin, who served as head of the agro-industrial complex of the region during the Soviet period, as the new head of the regional administration.

18 *Ustav (Osnovnoi zakon) Volgogradskoi oblasti*, Chapter 3.

The severe economic crisis of the post-Soviet period, accompanied by a sharp decline in the production of both the industrial and the agricultural sectors, substantially undermined the positions of the proponents of liberal economic reforms, and, in contrast, strengthened the influence of the political forces of the left and of those of nationalist orientation. Whereas, in the elections to the State Duma in 1993, 23.3% of the region's population voted for the Communists and their allies, their support base increased to 40% in 1995.<sup>19</sup> In the same year, the Communists obtained control of the highest legislative organs of Volgograd Oblast and of the city of Volgograd. In the same elections, democratic politician Yurii Chekhov retained his position as the mayor of the regional center.

The gubernatorial elections of 1996 became a turning point in the political life of the region. Shabunin and Chekhov were the main candidates, and their differing positions had been thrown into sharp relief by that time. Differences regarding the distribution of the regional budgets, resources, and control over property were predominant in the clearly defined conflict between the oblast and the regional center.

The competition between the candidates of democratic orientation played out in favor of the Communist candidate Nikolai Maksiuta, a former director of a shipbuilding factory who became the winner in the end. Rural voters and voters from the regional cities delivered Maksiuta his victory, while the majority of Volgograd city residents voted for Shabunin. The gubernatorial elections of 1996 shifted Volgograd Oblast into the category of regions of the so-called "Red Belt", which is controlled by the Communists and their allies.

The coming to power of the Communists, which led to significant personnel changes in the governing organs of the region, did not, however, have any major impact on the economic and the political life, or lead to any improvement of the social and economic situation. The economic conditions and the growing dependence on the federal center forced the new governor to implement a pragmatic and autonomous course regarding the Communist Party of the Russian Federation. This resulted in some fairly serious contradictions with the leadership of the regional party organization. Meanwhile, the absence of any improvements in the region's economy, as well as the lack of charismatic political figures at the oblast level, which characterized both the pro-Communist and the democratic forces, led to a noticeable dissatisfaction of the electorate. A tendency has emerged where voters' sympathies have started to turn towards charismatic leaders who demonstrate the ability to resolve the problems facing the oblast. To a certain extent, the rotation elections to the Oblast Duma of 1997-1998, in which the directors of the enterprises of the fuel and energy complex won 9 seats in the highest representative institution of the oblast, serve as an illustration of this tendency.

19 *Rossia nakanune dumskih vyborov 1999 goda* (Russia on the Eve of Elections to the State Duma in 1999), Moskva: Gendal'f, 1999, p. 308.

The voters' first sign of dissatisfaction regarding the course of the pro-Communist leadership was the Communists' defeat in the elections of 1999. The Communist candidate finished only third in the competition for the mayor's position (Chekhov, who not long ago became member of the political council of the "Fatherland" (*Otechestvo*) movement, retained this position), and the CPRF (Communist Party of the Russian Federation) faction in the City Soviet (the Soviet name of the representative institution was reinstated by the Communists) lost the majority, retaining only 6 seats out of 22. An even more noticeable defeat was awaiting the Communists in the parliamentary elections, which took place in December of the same year. For the first time, a charismatic leader of the regional organization of the CPRF, Alevtina Aparina, lost in her district, while the pro-government movement "Unity" (*Yedinstvo*) finished ahead of the communists. Volgograd Oblast's membership in the "Red Belt" was even more seriously put in question by the results of the presidential elections of March 2000, when a candidate from the "party of power" (*partiiia vlasti*), Vladimir Putin, scored a persuasive victory over the leader of the Communist Party of Russia, Gennadii Ziuganov, both in the oblast center and in the rural areas. It is characteristic that in the course of the parliamentary and presidential elections, Maksiuta assumed a pretty favorable stance toward the candidates of the center, which underscored the conflict between his followers and the proponents of a hard line led by Aparina.

The second half of 1999 was characterized by the emergence of a new serious force without a clear ideological orientation on the regional political arena. This force was represented by candidates of the financial group led by the bank *Moskovskii Delovoi Mir* (MBM – "Moscow Business World"–) and other structures connected with it that took part in the elections for the posts of mayor, deputies of the State Duma, and governor (in 2000). The rather aggressive and expensive campaign resulted in a second place for the former LDPR (Liberal Democratic Party of Russia) member, banker Yevgenii Ishchenko, in the contest for the mayor's position, and in his election (in competition with Aparina) as deputy of the State Duma. The campaign furthermore resulted in a second place for another MBM candidate, Oleg Savchenko (director of the Volzhskii Bearing Plant, which was purchased by the MBW group) in the gubernatorial elections in December 2000. Notwithstanding Savchenko's victory in Volgograd, Acting Governor Maksiuta won the first place after receiving, as in 1996, the support of the electorate of the rural areas and the regional cities. The image of the "new Russian" and his reputation of being a protégé of such well-known oligarchs as Boris Berezovskii and Roman Abramovich played against Savchenko in this case. Meanwhile, Maksiuta's electoral campaign was practically devoid of ideological content. At the same time, the governor used indirect evidence that Putin and representatives of his team supported his policy as one of the main trumps of his campaign.

During the most recent period, there has been a significant change in the structure of the region's political forces. Given the weakness of the electoral base and of the organizational structure of the democratic organizations, a tendency of

weakening support for the CPRF is noticeable. This creates a vacuum that could be filled by the presidential camp (in particular, by organizations such as “Unity” (*Yedinstvo*) and “Fatherland” (*Otechestvo*) and by the “third force” representing the interests of large Moscow commercial structures that work for the redistribution of property in the region. The insufficient depth of structure of the regional actors’ economic, political, and other interests is aggravated by the lack of charismatic leaders with whom the regional electorate can link its expectations. It seems that the emergence of such a leader (most likely inspired by the center) could change the political situation in the region quite substantially.

### *Science and education*

The oblast possesses considerable scientific and educational potential. This satisfies, to a large degree, the region’s demand for scientific, engineering, and technology workers. There are 56 research and design institutes in the territory of the oblast. Higher education is available through 25 public and 14 private institutions of higher education, in which 50’000 students are enrolled. In addition, the oblast has 51 institutions of vocational training, which teach 50’000 students. Primary vocational training is offered by 63 trade schools, which enroll 27’000 students. There are 1336 public schools in the region, which have 500’000 students and employ 27’000 teachers.<sup>20</sup>

The region’s research and higher education infrastructure, established in the Soviet period, was characterized by a certain bias toward technological and other specialties that were required for industrial and agricultural production. It is characteristic that, during the Soviet period, a large part of the oblast’s managerial elite was trained in polytechnic and agricultural institutes, and also at the Higher Communist Party School located in the adjacent oblast center Saratov. The majority of research institutes located in the region are still oriented towards the needs of industry and agriculture.

Until 1980, the teacher training college was practically the only large center for training specialists in the humanities. A university was finally founded in Volgograd in 1980, which in time became one of the main centers in the region for training specialists in such promising spheres as economy, jurisprudence, and information technologies.

The tendencies in the specialization of institutions of higher and professional education had changed substantially by 1990. The number of institutions (including branches of Moscow institutes of higher education and those of other regions) that received a license for educational activities in the region had increased sharply, and the status of practically all of the region’s institutes of higher education was raised to university or academy level. In terms of the

20 Volgograd Oblast Committee of State Statistics.

number of enrolled students, and the quality of education offered, however, nine institutes stand out: the Volgograd Technical University, the Volgograd Architect and Construction Academy, the Volgograd State University, the Volgograd Agricultural Academy, the Volgograd State Pedagogical University, the Volgograd Medical Academy, the Volgograd Academy of Physical Culture, the Volgograd Academy of State Service, and the Volgograd Law Institute of the Ministry of Internal Affairs of Russia.

The new economic situation of the 1990s led to a certain reorientation of the regional market in the area of education. The majority of institutions of higher and professional education have, to some extent, made a commitment to develop their students' economic and legal skills. Such a rapid development has, however, not been matched by the presence of a sufficient number of highly qualified professors and instructors, and it is not surprising that the education of the majority of new lawyers and economists has turned out to be quite low. An anecdotal example that illustrates both the excessive attentiveness to the market by the educational institutions and the quality of education is the qualification description called "lawyer-economist", a course offered in one of the regional colleges. As a result, the supply of those graduating in this field has considerably exceeded the demand, which complicates the job search even for highly qualified specialists.

At the present time, professions that are both prestigious and offer good employment perspectives have grown. This explains the predicted tendencies in the development of the job market. Among such professions are computer science, psychology, and sociology. An interest in engineering and technological professions is also resurfacing.

Specializations and courses in which training is related to the development of international contacts are in high and quite stable demand. Regardless of the sometimes uncertain employment perspectives for the graduates, the competition for institutions that train translators remains constantly high. Legal training includes courses in international law; training of economists includes courses in international economic relations (these specializations are offered at the Volgograd State University and the Volgograd Academy of State Service, respectively). Considerable attention is given to the political aspects of contemporary international relations within the programs in the major subjects of "History" and "Political Science." Finally, at the Volgograd State University, the training of analytical international relations specialists is done within the framework of the major subject of "Area Studies" (specialization can be chosen in regions such as North America or in states belonging to the Commonwealth of Independent States [CIS]). The university plans to offer a specialization in "International Relations" in 2001 with the assistance of the Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the Russian Federation. Volgograd University has research centers devoted to international issues, in particular, the

Center of American Studies “Americana,” and the Center for Eurasian Research “Ra” that specialize in the USA and Canada, and the countries of CIS respectively.

The changing market in the sphere of education may lead, in our opinion, to a “personnel revolution” in the administrative apparatus, in the leadership of enterprises, the elite of regional business, and in other managerial structures in the middle-term. Specialists who were trained in the territory of the oblast during the Soviet period in primarily technical specialties will leave their positions to the graduates of the 1990s who have received legal, economic or other humanitarian education at the Academy of State Service, the State University, and other institutions of higher education, and who are better adapted to the realities of a market economy. Taking into account the emergence of research schools in the spheres of economy, law, sociology, and political science in the 1990s, it is likely that the role of science in the formulation of regional policies will grow. We do not exclude the possibility that such growth could be, to a large extent, linked to the above mentioned “personnel revolution”.

### *Culture and sport*

Before the revolution of 1917, what is presently Volgograd was a small district city in the Saratov province called Tsaritsyn. The region’s cultural traditions, therefore, do not have as solid roots as those in other centers (such as Saratov and Astrakhan). Essentially, the entire cultural potential had to be created anew after the Second World War, during which the city, which became the focus of a vicious battle, suffered terrible destruction. At the same time, it is the Battle of Stalingrad (Volgograd was called “Stalingrad” between 1925-1961) that now serves as the main historical and cultural symbol of the region and of its center. The main points of interest of the latter, for example, are the memorial complex on the Mamaev Barrow with the 85-meter sculpture Motherland is Calling, which was completed in 1967, and also the museum-panorama The Battle of Stalingrad. The appreciation of the city’s special historical role during the Second World War has created an international reputation for Volgograd and made it a center for visits of high-level foreign delegations.

The reconstruction of the cultural potential of the region after the war took place over several decades. Stable traditions, which have made Volgograd an important cultural center in Southern Russia and which have allowed it to present a number of cultural achievements in the international arena in the recent decade, have only emerged recently, in the period from the second half of the 1960s to the 1990s.

At present, Volgograd Oblast has 9 functioning state theaters, 7 of which are located in the city of Volgograd (including the drama theater, the new experimental theater and the opera enterprise), 4 state concert organizations, and regional branches of the Unions of Artists, Writers, Composers, and Theater

Actors of the Russian Federation. There are 90 educational institutions in the sphere of culture and arts in the region, and also 87 children's educational institutions relating to art and culture, 832 functioning libraries, and 187 museums.<sup>21</sup> At the same time, the region still does not have some of the attributes of a large cultural center; in particular, it does not have its own ballet company.

The Volgograd State Academic Symphony Orchestra, with a repertoire of 450 pieces, plays a central role in the musical culture of the region. In the 1990s, the Orchestra became one of most important features of the cultural image of Volgograd, representing the city in numerous performances in Russia and abroad.

Recently, children's creative arts have been very successful both in Russia and abroad. The choreographic ensemble "Ulybka" (Smile) of the Volgograd Children's Philharmonic Society, students of the Volgograd Children's Art Gallery, and representatives of a number of other children's collectives have won prominent recognition far beyond the borders of the region, repeatedly becoming winners of the titles of laureates of All-Russia and international festivals and competitions. The manifold success of children's arts, which is now being stimulated by the possibility of entering in the international arena, shows that the regional culture incorporates continuing traditions. Under favorable conditions, it could be elevated to a qualitatively new level.

The last decade was characterized by processes of an ethno-cultural renaissance. Such processes find expression in the search for self-identification at different levels, including culture, politics and other spheres of public life. The processes mentioned above have not bypassed the titular nation, especially the sub-ethnic group of Cossacks. Efforts to use the factor of ethno-cultural originality in politics have not achieved substantial success so far, mainly because the organizations involved do not have sufficient financial resources and do not enjoy the support of the majority of the local population.

At the same time, the creation of national-cultural organizations in the present conditions serves as an effective means of expressing not only ethno-cultural uniqueness, but also the interests of the ethnic elites. These organizations allow them to lobby for such interests in the administrative and other structures, to claim substantial financial support, and to establish connections with fellow citizens abroad. It is not surprising that while the region does not have a clearly formulated national policy, it already has 19 national-cultural centers, representing the Russian (including the Cossacks), Armenian, Azeri, Belarusian, Jewish, Kazakh, Kalmyk, German, Polish, Ukrainian, and Chechen people, as well as other ethnic groups. The region holds an annual festival of Ukrainian culture and a festival of national cultures of the Volga peoples at the "Sarepta Meetings" which take place at the Historical Ethnographic Museum-Refuge "Staraia

21 Volgograd Oblast Committee of State Statistics.

Sarepta”, and which also publishes an original newspaper of inter-ethnic communication. As was already mentioned above, the absence for all practical purposes of a clearly formulated and implemented national policy remains an obstacle for the development of the region’s national cultures.

The possibility of entering the international arena, therefore, offers a serious stimulus for the regional culture, encouraging the development of its individual spheres. An example of a cultural art that presently enjoys the highest demand abroad is children’s arts in combination with symphonic and folkloric music. Because of financial difficulties and limited potential the oblast’s international cultural contacts remain, however, predominantly unregulated and mainly sporadic.

Volgograd’s sports achievements became one of the main symbols of the region’s identity in the 1990s. The dissolution of the Soviet Union and the resulting weakening of the competition on the national level allowed some Volgograd sportsmen to make a breakthrough into the Russian sports elite and, in some cases, the world sports elite. In the initial stage, such successes were encouraged by considerable financial support on the part of the regional authorities and a number of commercial structures.

The first significant international success of Volgograd came with the victories of the swimmers in the first half of the 1990s. They were reliably winning the majority of medals in this sport for the Russian team, and were, therefore, placing the city among the big sports centers of the world. During the 1990s, the Volgograd swim school continued to be one of the best schools in the world. Its leaders, in particular Aleksandr Popov and Denis Pankratov, joined the elite of world sports. Great international achievements were also demonstrated in other disciplines, such as boxing, track and field, rowing, and karate.

The serious breakthrough of the regional sports came mainly from the team sports. In the 1990’s, the Volgograd handball teams (men’s and women’s teams), water polo teams, and soccer teams achieved leading positions at the national level, and obtained the right to represent the country on the international arena. Success in such a popular sport as soccer became a subject of special pride for the residents of Volgograd. In the period from 1992 to 1997, the Volgograd team “Rotor” was competing for the first place in the Russian championship, and played against leading European and world soccer teams, achieving success in the international cup competitions and winning quite a prominent rating by the UEFA (Union of European Football Associations). During this period, the Volgograd soccer team became one of the important features of the region’s image both in Russia and abroad, as well as a factor in the regional political life.<sup>22</sup>

<sup>22</sup> For example, the president of the club, V. Goriunov, was deputy of the State Duma from 1995 to 1999, and candidates running for the highest administrative positions of the region in their electoral campaigns regularly use the club’s support. A good illustration of the political role of the Volgograd soccer team was the statement made by the soccer team members during the



The sudden weakening of support for the club on the part of the regional authorities, in combination with the financial crisis of 1998, ended the team's winning streak. Nevertheless, Volgograd continues to remain one of the biggest centers of Russian sports, which still play a certain role in the formation of the new image of the region far beyond its borders.

As becomes clear from this information, the Volgograd region possesses a rather significant and, by some indicators, unique potential, which theoretically gives it extensive opportunities for variations in regional politics. At the same time, this potential (consisting primarily of production potential) seems to be lopsided, and the resources for its realization are limited and dependent on the economic and political situation. These factors have had a serious effect on the character of the region's international contacts, which have become an important ingredient in the region's politics over the last decade.



## **The process of internationalization: formation of regional interests**

During the 1990s, extensive perspectives arose for the region regarding the development of international contacts. The “iron curtain” separating the Soviet Union from the rest of the world had fallen, and the population of the oblast had the opportunity to use many goods and services of foreign origin. The extensive privileges in the sphere of international contacts, granted by the center, became an important attribute of regional sovereignty for the political elites, as well as a precondition for the successful development of the region’s economy. The integration into the international community and assistance from the leading countries of the world were initially seen by the population and by the elite as the main motivation for overcoming the economic crisis.

Even during the Soviet period, the region was involved in international contacts encompassing various spheres. Much of the industrial potential was created with foreign assistance. This included the Volgograd Tractor Plant (built in the 1930s with US assistance) and the Volzhskii Pipe Plant (built in the 1970s with Italian assistance). The industrial products were mainly exported to socialist countries and countries friendly to the USSR. A considerable part of the foreign contacts of the post-war period was related to Volgograd’s role as the site of the terrible Battle of Stalingrad (1942-1943), which signified the turning point in World War II. As one of the key symbols of the main role of the USSR in the victory over fascist Germany, the city of Volgograd (which received the highest state award of the USSR – the gold star of the Hero of the Soviet Union) became a place that foreign delegations from the states of many different political orientations visited. Twin-city ties between Volgograd and cities of several other countries were established. Foreign students were educated in Volgograd institutions of

higher education, the majority of them coming from countries of the Third World which were friendly to the USSR.

International contacts of that kind had a limited character, however, covering only a rather narrow circle of institutions and persons. It was only in the 1990s that the processes of the region's internationalization, that is, its engagement in international contacts, reached all the spheres of public life to some extent. As a result, direct or indirect interaction with the foreign world, and primarily with Western countries, became a necessary condition for social, economic, political, and cultural development of the region.

Communist victories in the majority of the regional electoral campaigns in the period of 1996-1999 signified the dissatisfaction of a considerable part of the population with the liberal model of reforms of Western orientation. The election of the CPRF representatives had, however, not led to a radical change of policy in the sphere of international contacts. The need for foreign investments, imports, markets, as well as for assistance in the social sphere, education and culture, encouraged a pragmatic course that was directed at the expansion of profitable contacts for the region with representatives of foreign states of different political orientations. At the same time, subjective factors, including ideology, have a serious influence both on the general climate in which the international contacts develop, and on decision-making regarding most important questions in concrete situations. Decisions of this kind are often based on economic needs and geopolitical factors, the balance of interests of the elite, institutions, and other forces; the interests of the region as a system are formed as a result of the interaction between the above forces. The process of this interaction deserves a more detailed analysis.

### *2.1 Interest groups and power in the context of the region's international contacts*

The current situation in the economic, political, social and other spheres has led to major changes, not only in the policy conducted by the government, but also in the structure of the forces that influence that policy. Such forces include the elites of the administrative units of the oblast, as well as leaders of big industrial and agricultural enterprises of the region, financial and industrial structures on a national scale, and a number of regional social and political organizations. The interaction between these forces, which in some cases goes beyond conventional ideas about political and economic logic, could have various consequences (concentration of effort, achievement of compromise, strengthening of one side's influence over others) that would be reflected in the politics of the regional government, the federal center, the public opinion of the region, and so on. This section looks primarily at the interests that define the oblast's policy in the sphere of international contacts. For the time being we shall leave aside the issues of the

region's interaction with the center, as the next chapter will be devoted to this issue.

The present system of interaction between the political and economic elites was mainly formed in the Soviet period, being to a large extent determined by the special features of the region's economic development. According to Russian political scientist Vladimir Gel'man, the most influential forces in the regional political elites were the agrarian, industrial, and urban groups (the latter representing the interests of the regional center). Within the top party echelons (the regional committee of the CPSU), which essentially governed the region, the agrarian group was dominant, while the industrial group (which was not united in its interests) had an extraterritorial status, representing enterprises of ministerial, rather than regional administrative hierarchy. According to Gel'man, the interaction between the regional committee and the industrial group was mainly conducted within the framework of the system of coordination between the ministerial and regional party leadership and did not lead to the creation of stable informal connections.<sup>23</sup>

The liberalization of economic relations and the democratization of the political system strengthened the influence of the agro-industrial lobby even more. Financial and other forms of support to the industrial group on the part of the center have considerably weakened. This put the industrialists in a subservient situation in relation to both the regional and the municipal authorities.

The new head of the region, Shabunin (who was formerly the leader of the region's agro-industrial complex), emphasized the development of agriculture with the purpose of increasing its profitability. He planned to achieve this by reorganizing the collective farms and by providing support to individual farmers. The Volgograd Agro-Industrial Financial Corporation, which financed agricultural enterprises, obtained a de facto monopoly on the use of the appropriated budget funds and on the central purchases of agricultural produce, including imports. This led to numerous large-scale abuses of power. All this occurred against a background of further deterioration of the economic situation in the region. To a large extent, the declining economic situation was related to the excesses of the process of internationalization, namely the consequences of competition from cheap foreign imports to food products, which led to difficulties for the villages. As a result, a considerable part of the agrarian elite turned their eyes to the Communists as potential promoters of their interests in the sphere of fighting the financial abuses in the distribution of aid, and also in defending the local manufacturer. The victory of CPRF member Maksiuta in the gubernatorial elections of 1996 was achieved due to the support of the electorate of the rural areas and the regional cities, while the majority of Volgograd residents voted for Shabunin.

23 Gel'man, V. "Demokratizatsiia, strukturnyi pliuralizm i neustoi'chivyi bitsentrizm: Volgogradskaiia oblast'" (Democratization, Structural Pluralism and Unstable Bicentrism: Volgograd Oblast). *Polis*, no. 2 (2000), pp. 116-117.

The election of a Communist, who formerly represented (using Gel'man's terminology) the interests of the industrial group (Maksiuta came into politics from a shipbuilding factory, where he rose from foreman to director), did not lead to any cardinal changes in the structure of the dominating forces. As in the past, the administration gave priority to the agricultural sphere, making significant subsidies available from the regional budget for agricultural purposes. As was mentioned above, such subsidies were increased threefold in 2000, before the new gubernatorial elections and, as a result, the votes of the rural residents allowed Maksiuta to keep his post.

At the same time, in the period after 1996, changes occurred in the interaction between the government and the industrial group. In the second half of the 1990s, control over the region's biggest enterprises was practically transferred into the hands of the financial-industrial structures based in Moscow, among them the oligarchic groups on the national scale. This increased the level of independence of such enterprises from the regional and municipal leadership. As a result, the oblast, and especially Volgograd city, often received a relatively insignificant share of tax revenue in the territory in which the enterprises were located. These changes decreased the effectiveness of an important lever of influence over the respective structures, and narrowed the financial base of the local budgets.

At present, the most influential company representing the industrial lobby in the region is "LUKoil" with its subsidiaries – "LUKoil-Volgogradnizhnevolvzhskneft" and "LUKoil-Volgogradneftpererabotka". "LUKoil" is not only a monopolist in the sphere of petroleum extraction and processing, sales of gasoline, and other petroleum products, but is also the biggest creditor of the region, and one of the main sources of agricultural subsidies. Over the years of its work in the region, "LUKoil" has managed to concentrate control over the most powerful and dynamic sector of the industry in its hands, represented by the fuel and petrochemical enterprises (producing about 30% of the gross regional product). It is not surprising that, according to expert estimates, the same "LUKoil" enterprises are leaders in the sphere of developing international contacts. At the same time, the financial dependence of the administration, and the monopolization by "LUKoil" of the most profitable sectors of the regional economy, seriously complicate the implementation of reforms aimed at the development of competition in the spheres directly or indirectly controlled by the petroleum giant or related to its interests. It is characteristic that the directorate of enterprises of the fuel-energy complex (belonging first of all to "LUKoil" and "Gazprom") controls 9 out of 24 seats in the regional Duma, and has the capacity to block any inconvenient decisions.

The considerations mentioned above are fully relevant to the sphere of international contacts of the region. While, for example, the French company "Elf Aquitaine" and the Russian-German company "Deminex" expressed consider-

able interest in developing the oil fields of the oblast in the first part of the 1990s, the former company would eventually abandon its plans, and the latter would severely limit its activities. The presence of other Russian petroleum companies (in particular, "YUKOS", which occupies a major position in the Saratov market) in the sphere of oil extraction and sales of petroleum products is also very limited.

The emergence of new financial industrial structures taking control over the large regional enterprises is capable of changing the existing relationship between "LUKoil" and the government. Among the most influential structures of such kind are: "SIBUR" (a subsidiary of "Gazprom"), "MAIR" (a financial-industrial group, controlling a significant part of Russia's ferrous metallurgy), and MBM bank controlled by prominent entrepreneurs Aleksandr Mamut and Roman Abramovich. Having acquired two big enterprises in Volzhskii city – Volzhskii Bearing and Volzhskii Pipe plants – MBM bank supported its candidates in running for the position of mayor of Volgograd (former board member Deputy of State Duma Yevgenii Ishchenko was a candidate for the position), and the position of governor of the Volgograd region (Oleg Savchenko, who became director of the Volzhskii Bearing plant in 2000, after the control packet of shares was transferred to MBM). In the gubernatorial campaign, Savchenko's image-makers put their bets on their candidate in his struggle against "LUKoil's" baneful monopolization of the regional economy with the acting head of the administration as his protégé. A similar approach also determined the electoral campaign of the leader of the Center of Economic Strategy of the Volgograd region, Anatolii Popov, who was backed, according to media reports, by "LUKoil's" competitor, namely the petroleum company "YUKOS". In their turn, Maksiuta's spin doctors emphasized "LUKoil's" favorable influence in the region wherever possible.

Notwithstanding the fact that in both cases the leaders of the "party of power", Chekhov and Maksiuta, scored a victory, Ishchenko and Savchenko continued to be influential political figures, with a high recognition factor among voters. The former was re-elected deputy of the State Duma, and the latter, having lost the election, announced his intention on television of becoming the main opposition leader against the existing government. It is clear that the struggle for influence in the region has entered a new phase, and that the involvement of the center in this struggle, which is what the nascent opposition is appealing to, could possibly bring crucial changes to the situation. The strengthening of influence of certain structures connected with MBM could possibly lead to a redistribution of property along with a de-monopolization of the sector controlled by "LUKoil". It could also result in the concentration of control over some of the most profitable enterprises of the region, and lead to a possible reorientation of regional economic policy.

"LUKoil," along with other economic groups with substantial informal influence on regional politics, has a vested interest in the development of the region's international contacts both in the direction of the Western markets

(investments, modernization of equipment), as well as the Eastern ones. Groups that make more use of Western technologies and management strategies than others apparently take a relatively neutral stand towards globalization of the economy as long as their own niche in the global market is preserved. As a rule, tensions emerge when the development of foreign contacts threatens the privileged positions of certain groups, by creating or disproportionately strengthening the position of the competitors. Under the present conditions, in which a rather benevolent or at least neutral attitude prevails regarding the expansion of foreign presence in the region's economy (as long as such presence does not create direct competition), none of the influential economic groups is interested in the emergence of a foreign actor who could become a force capable of exerting serious influence on the regional authorities, or on the formation of regional policy.

It is characteristic that in the struggle with competitors, representatives of these economic groups often pay lip service to patriotic motives, accusing the opponents of engaging in activities that undermine the national interests of the country. This approach became the core of Savchenko's gubernatorial campaign, where the media, which were controlled by him, made an effort to persuade the voters that "LUKoil" activities clearly went against the interests, not only of the region, but also of Russia as a whole. Savchenko's opponents did not remain silent, however; they denounced him as a protégé of oligarchs Berezovskii and Abramovich, who were allegedly planning to establish control over the region with the purpose of selling the obtained resources abroad.

This kind of argumentation fully correlates with the mood of the electorate in a region called the "Red Belt." The majority of residents, who do not perceive any significant benefits from the development of international contacts, and who often associate the decline of the industrial and agricultural production with the competition of foreign goods and with the implementation of the model of economic reform imposed by the West, see the Communists and their allies as the force that best expresses their interests. For the majority of voters (among them Communist supporters) the issues of developing the region's international contacts, of improving the perspectives of its integration into the global economy, and other similar questions are seen as secondary in comparison to the pressing social problems. Communist victories in the majority of the electoral campaigns at the local level are explained not so much by the stable preference for their program among the majority of the population of the region. Rather, the Communist victories can be explained by the protest of the population against the existing social and economic conditions, the more efficient organization of the forces of the left-wing and nationalist orientation, the contradictions among the proponents of democratic reforms, and the more active stand of the pro-Communist voters, the majority of whom are of middle and older age (taking into account the relative passivity of the young people), as well as migrants from rural areas. Nevertheless, the Communists are only a minority in Volgograd (proper), winning only within the single-round voting system and, as a rule, with an insignificant majority.



Under these conditions, which began in 1995-1996, a significant majority of government institutions, including the regional administration and the Oblast Duma, is under the control of the CPRF candidates. The Communists thus remain the most significant political force in the region, exerting both formalized and informal influence on the policies implemented by the government. These policies represent both the ideological principles and the tactical interests of the party. In neither of these cases is the position of the Communists always united. To a large extent, this can be explained by the discrepancy between hardliners and pragmatists among them. The head of the regional committee of the CPRF, Deputy of the State Duma Alevtina Aparina, is considered to be the leader of the hardliner group, while the pragmatists include Maksiuta and some of the directors of big enterprises who are party members.

The ideological positions of the local Communists (who in general hold a more radical position than the central leadership of the CPRF) exert influence on the development of international contacts. Without denying the usefulness of developing such connections in principle, the proponents of the hard line are very sensitive to the possibility of foreign control over large enterprises or land, which would strengthen the "pernicious" ideological influence of the West. A similar point of view is supported by a large section of the population in the rural areas, which is in full accord with the majority of the agrarian group's position against privatization of land.

This is illustrated by the case of German investors who proposed the construction of a sanatorium on the shore of the salt lake Elton in the Pallasovskii district for treating patients with the medicinal mud whose quality exceeds that of the famous Dead Sea mud. This proposal, which promised to bring additional investments and a flow of foreign tourists to the region, was rejected by the Volgograd and Pallasovska Communists, who decided that the implementation of the project would lead to a "sellout of national resources." As a result, the proposal was practically buried at the level of the Oblast Duma.

The debates about creating a cemetery and erecting a monument in honor of the German soldiers who died in the territory of the region in 1942-1943 during the Battle of Stalingrad can also serve as illustration. Considering the fact that Germany lost, according to some estimates, up to 1/4 of all its soldiers who died during World War II, in that battle, a positive resolution of this question could have become a serious stimulus in establishing the region's contacts with Germany, and in attracting German tourists. The Communists, however, with the support of some of the veterans' organizations, proclaimed that if such a monument were built, it would be blasphemous to the memory of the Soviet soldiers who had defended their country from the fascist invaders. By the end of 1998, a compromise was found: it was decided to erect a monument in the nearby town of Rossoshkii, rather than in Volgograd itself. The construction of the monument raised further controversy, however, in connection with the beginning of the

military campaign against Yugoslavia in the spring of 1999. As a result, the Oblast Duma, in which the influence of the hard-liners remained very powerful, decided to postpone the construction of the memorial, and, the issue was frozen for a long time.<sup>24</sup>

At the same time, part of the CPRF leadership that is represented by the governor holds quite a moderate position. Characteristically, in the parliamentary (1999) and the presidential (2000) elections, the head of the administration supported the party in power rather than the Communist candidates, subsequently demonstrating his loyalty to Putin and representatives of his team. It is also symptomatic that in 2000, Maksiuta based his re-election campaign on the region's economic successes (including the sphere of international contacts) during his period in power, rather than on ideological slogans. In spite of the fact that Maksiuta ultimately won, to a large extent, due to the support of the regional committee of CPRF headed by Aparina, the contradictions within the Communist camp are perceived to be quite significant.

Both groups within the CPRF practically unanimously perceive the development of contacts with countries that are seen as geopolitical alternatives to the West in a positive light; in particular with eastern states such as China, Iraq, Iran, and also with the countries of the CIS, primarily with Belarus, Ukraine and Kazakhstan. Relations with Belarus, even with the existing economic basis (connections between Volgograd and Belarusian enterprises established in the Soviet period), carry a certain ideological underlying theme. This fact corresponds with Lukashenko's aspirations to find support for his position regarding the issue of relations with Russia among the patriotic leadership of the regions of Russia. Lukashenko's visit to Volgograd, for example, which he made without stopping in Moscow on the eve of May 9, 1999, the day of the 44<sup>th</sup> anniversary of the end of the war between the USSR and the Nazi Germany, had quite an obvious political connotation. During the visit Lukashenko made a number of principal political statements associated with a deepening of Russian-Belarusian integration at the state level. It was not a coincidence that Maksiuta's visit to Minsk took place in November 2000, that is, at the peak of the electoral campaign. These actions fully correspond with the CPRF program regarding the restoration of ties with the republics of the CIS in order to revive the USSR.

The informal influence of other social and political organizations on the regional authorities seems to be much less significant. Because of the absence of any charismatic politicians in their ranks, even the national "parties of power" – "Choice of Russia" (*Vybor Rossii*), "Our Home is Russia" (*Nash Dom – Rossiia*), and "Unity" (*Yedinstvo*) – have not achieved any significant success. Chekhov's attempt to work with the "Fatherland" movement, which initially looked like a

24 Kurilla, Ivan. "Bombing postpones Commemoration of German Dead in Volgograd". *EWI Russian Regional Report*, vol. 4, no. 15 (1999).

potential winner in the 1999 campaign for election to the State Duma, was unsuccessful. The fact that Chekhov joined the political council of the movement and established strong informal ties with Moscow Mayor Yurii Luzhkov did not add any popularity or influence to either the mayor of Volgograd (in the end he only came third in the gubernatorial campaign) or to the regional branch of "Fatherland," whose activities are associated exclusively with the mayor himself.

To this day, it appears that the interests of the economic elites are still insufficiently represented in the political sphere. The result of this is a distinct shortage of charismatic politicians and influential social and political organizations. Only the CPRF has any real noticeable influence on the formation of regional policy. There is no "party of power" that is supported by the center at the regional level. Such support could have significant influence on the character of regional politics by stimulating the development of the region's international connections.

The influence of other elites on the formation of foreign policy is even less significant. This includes the influence of the scientific elite. Notwithstanding the fact that scientists formally take part in the development of various strategies and are an integral part of the governmental structures, one cannot trace any reliable connections between these structures and academic institutions. In many cases, academic and practical conferences do not lead to any serious results. At the same time, such conferences give scholars an opportunity to discuss pressing issues with representatives of institutions of higher education, the regional administration, ministries of foreign affairs, economic development and commerce, foreign organizations, and so on. One of the latest examples in this area was the scientific and practical seminar "Attraction of National and Foreign Investments to the Economy of Volgograd Oblast," which was held in June 2000.

The development of specialized curricula in law, economics and political science in the framework of regional institutions of higher education and, above all, at the Volgograd State University and the Volgograd Academy of State Service, is reason to hope for a stronger voice for the academic community. The great popularity of "Area Studies" (within which one can specialize in such regions as USA and Canada, and also countries of the CIS) at Volgograd University, as well as the opening of the department of "International Relations" at the same university, which is scheduled for 2001 (with assistance from the Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the Russian Federation) demonstrate the stable interest in such topics. At Volgograd University, there are research centers that focus on international issues, in particular, the Center of American Research "Americana" and the Center for Eurasian Studies "Ra", which specialize in US and Canadian studies, and CIS studies respectively. The surge of interest in international relations and related areas support the notion that a substantial strengthening of the influence of scholarly elites on the process of formation of relevant regional policy may become a real factor in the not so distant future.

Taking into account the above considerations, the interests of regionally influential policy groups appear to be ambiguous, even contradictory. We will try to demonstrate these interests schematically in the form of the following table.

*Interests of groups exerting the most significant informal influence on regional policy of Volgograd Oblast in the sphere of international relations:*

Interest group	Positive (from the point of view of the interests of a given group) results of development of international ties	Negative (from the point of view of the interests of a given group) results of development of international ties	Most important geographical directions in the development of international contacts	Attitude toward globalization
<b>1. Economic interest groups</b>				
1.1.) Industrial	Investment in manufacturing industries, technological assistance, markets.	Competition with foreign companies in the spheres of interests of given regional producers.	Fuel and energy companies in the countries of Western Europe and the CIS; chemical, machine-building and metal-processing companies in the countries of the CIS and the East; fuel, energy and food companies of the CIS countries.	Positive or tolerant, if an enterprise produces goods that are competitive in the world market, and has (or is trying to get) sufficiently stable markets for its products (example: the fuel and energy complex); negative, if for some reason the goods produced by a given company are not competitive on the world market (example: machine-building companies).
1.2.) Agrarian	Markets for products.	Competition from foreign agricultural products, the possibility of transfer of valuable real estate to foreigners.	Countries of the CIS.	

<p><b>2. Social and political organizations</b></p> <p>2.1.) Communists and their allies</p>	<p>Investment, technological assistance, export-import ties. Cooperation in the spheres of social security, science and culture are perceived as important conditions of improvement of the economic and social situation in the region governed by the Communists.</p>	<p>Purchase of important economic assets and real estate by foreigners, strengthening of the economic, cultural, and ideological influence of the West; intensification of the security threats related to the activities of extremist Muslim organizations, narcotics and weapons trafficking, uncontrolled migration.</p>	<p>Countries of the CIS and the Third World</p>	<p>Negative, for ideological reasons.</p>
<p>2.2.) Democratic political groups</p>	<p>Conditions for successful implementation of economic and political reforms; the region’s access to foreign economic, cultural, and other achievements; the opportunity of developing of the region’s international contacts to win votes.</p>	<p>Intensification of the security threats related to the activities of Muslim extremist organizations, trafficking in narcotics and weapons, strengthening of ideological influence of non-democratic and anti-Western regimes as a result of expansion of contacts with certain countries.</p>	<p>Western countries.</p>	<p>Generally positive, if regional interests are taken into account.</p>
<p><b>3. Scientific and cultural elites</b></p>	<p>Financial backing for programs to develop sciences and culture; access to scientific and cultural achievements.</p>	<p>Lowering of the overall cultural and educational level and declining of regional culture as a result of competition with Western mass culture.</p>	<p>Western countries, countries of the CIS, Third World countries (in the sphere of education).</p>	<p>Ambiguous, depending on political, and ideological positions and world-views of the individual actors.</p>

Of course this table cannot account for the entire variety of interests influencing the relevant government decisions. The interests named above may vary depending on changes in the market, tactical considerations, and so on.

## ***2.2 Geopolitics and security***

After the dissolution of the Soviet Union, Volgograd Oblast found itself in a new geopolitical situation. From having been a second-level administrative unit located deep in the heartland of an enormous state almost 1000 kilometers from the nearest state border, the oblast became a first-level subject of the Russian Federation and a frontier region. With this came extensive rights and privileges, as Volgograd was now located in the border zone at an intersection of very important railways and highways connecting the center and the north of the European part of Russia (as well as the countries located to the west) with the Transcaucasus and Central Asia. This location has opened up ample opportunities for the development of the region's international contacts. At the same time it has created serious security problems.

The uniqueness of the strategic situation of Volgograd Oblast is primarily determined by its role as a transport hub. A considerable portion of railway infrastructure from Central Asia, the Transcaucasus, and the Northern Caucasus regions of Russia (including the main resort zone of the country, the Krasnodar region) passes through Volgograd's territory. Northern routes play a very important role for the connections between the south-east of European Russia, including Moscow and St Petersburg, and the regions of Povolzh'e, the Urals and Siberia, the western countries of the CIS, Ukraine and Belarus, and potentially with other European states. Almost all railroads going through the region intersect at Volgograd, making it a key hub of communication, along with Rostov, for the south of Russia. Another important railroad connecting the southern regions of Russia and the countries of the CIS with Povolzh'e and the central Russia passes through the eastern part of the region close to the Russian-Kazakh border.

The highways passing through the region have a similar importance. The federal highways Volgograd-Moscow and Volgograd-Samara connect the south-east of the European part of Russia with central Russia and the regions of Povolzh'e located to the north, while the main southbound highways are connected to Rostov and Baku. Both the rail and the automobile communication routes are used more and more for the transportation of cargo from the Russian ports of the Black Sea and the Caspian Sea, Novorossiisk and Olia respectively.

The proposed construction of a bridge across the Volga is designed to strengthen the region's importance as a location of automobile communication routes. The existing bridge at the Volga hydroelectric dam is in bad repair and possesses only limited capacity. If the new bridge were built, however, the Volgograd region could become a link in the shortest transit route from Central Asian states (including the richest, Kazakhstan, with its enormous oil reserves in the Atyrau region) to Ukraine, and on to other European countries. As in the case of the Volga-Don Canal, the regional government managed to include this project in the 2001 federal budget.

The new geopolitical situation has also substantially increased the importance of waterways passing through the region. The Volga-Don Canal, connecting the two largest rivers of the European part of Russia, and therefore linking the Caspian and the Black Sea basins, has a unique importance in this context. In its turn, the Volga is connected with the Baltic water system, which makes it possible to use this route as a shorter water communication route between Northern Europe and the states of the Caspian Sea, the Black Sea, and even the Mediterranean. Due to the relatively low cost of waterway transportation in comparison with other kinds of travel, the Volga-Don Canal can become a key section of a very promising route.

The way to the Caspian Sea via the Volga was already actively used in the Middle Ages for trade between Russia, the Western countries and Iran. During the Soviet period, the route via the Volga and the Don was used to transport bulky cargoes for big enterprises in the Povolzh'e region: the Italian equipment for the Volga Automobile Plant in Togliatti, for example, was shipped this way. Shipments of this kind were not regular, however, and the transportation route via the Don and the Volga has lost its former international significance.

The political and economic realities of the 1990s put the issue of a revival of the former transit routes on the region's agenda. A proposed creation of a north-south transport corridor presupposes the use of railways as well as waterways for communications between Russia and the countries of Northern and Central Europe with Iran and also with the Gulf states and India. The implementation of this proposal, which received official support from the European Union in 2000, would cut delivery time by half compared to the traditional sea route through the Suez Canal. Regardless of which kind of cargo delivery is chosen (the railway, or the combined water-and-rail route), the transportation route (with an estimated overall turnover of tens of billions of dollars) would have to pass through Volgograd Oblast. The implementation of this proposal could become a serious stimulus for the region's economic development and the integration of the oblast in international networks.

Already now, the Caspian zone and the Middle East represent important priorities in the region's foreign economic contacts. The proximity to intensive oil extraction enables Volgograd enterprises (primarily the Volga Pipe Plant and the Volgograd Plant of Drill Technologies) to get orders for the delivery of their products, and also enables "LUKoil" subsidiaries to get orders for oil prospecting and extraction. Volgogradnizhnevolzhskneft', for example, has won a tender for the development of the Iraqi oil field "West Kurna." The realization of this agreement will only become possible after the international sanctions on Iraq are lifted.

Maintaining and giving priority to economic contacts with those states that are currently in confrontation with the West is a result of pragmatic considerations. Third World countries are increasingly becoming important markets for the Volgograd heavy industry production, including the machine-building industry.

China, Iran, and Iraq as well as other Arab countries, for example, buy Volgograd tractors. This market is important for the development of the region's heavy industry.

The border location of the region is becoming more and more of a serious geopolitical factor. Until now, the 240-kilometer section of the Russian-Kazakh border has remained transparent, and the negotiations on its delimitation are still in progress. Ironically, except for the Republic of Altai, Volgograd Oblast remains the only regional border province that does not have any significant cross-border communication routes. In addition, the density of population in the adjacent areas is very low.

Therefore, opportunities for developing cross-border cooperation in that zone are limited. Notwithstanding the existence of an agreement on friendship and cooperation with the neighboring West Kazakh region, regular economic and other contacts exist primarily at the level of the border areas, and are mainly limited to trade and assistance in agricultural projects. This kind of cooperation in combination with traditional cultural ties helps to ameliorate the economic and social problems facing the border administrative regions, where the standard of living is much lower than average in the respective regions.

The railroad passes through the border zone, and two of its sections pass over Kazakh territory; therefore, it plays an important role in the development of cross-border contacts. This kind of confusion, namely the railroad going through parts of territory of two republics, encourages communications between the settlements located on both sides of the border. At the same time, this situation creates problems regarding the determination of the status of the Kazakh sections of the railroad, organization of border and customs control, and delimitation.

Recently, the border zone has increasingly become the focus of attention in the context of problems related to the maintenance of security. Smuggling of weapons, drugs, food products, and fuel-lubricant materials as well as illegal migration pose the main threats. Because of its permeability, the Russian-Kazakh border has a tendency to turn into the main transit center of drug trafficking from Afghanistan and Tajikistan to Russia and further westwards. According to border and customs officials' estimates in conversations with the author of this paper, the main volume of drugs entering the territory of the region is carried by train passengers traveling from Central Asia. Cross-border trafficking by automobile is less significant because of the weaker system of highways connecting the adjacent border regions. In the future, however, if the power structures increase their control over the sections of the border where the system of communications is better developed, the route through Volgograd Oblast could become more attractive for potential traffickers. Meanwhile, coordination between the border and customs services and organs of the Ministry of Internal Affairs of Russia and Kazakhstan remains quite weak and is mainly limited to periodical operations to intercept illegal activities in the border zone.



The migration of people of Kazakh and Caucasian origin is becoming an increasingly acute problem in the border zone. Such migration has led to a serious change in the ethnic-demographic balance. Currently, according to unofficial estimates, Kazakhs make up 80-90% of the population of the southern part of the border, the Pallasov region. The situation has worsened because of a continuing migration from Northern Caucasus and Azerbaijan (due to a railroad passing through the border zone). In addition to everything else, the standard of living of the local population is very low, many times lower than the analogous indicators for Volgograd. Such a situation could create fertile soil for ethno-social conflicts, not excluding the possible emergence of irredentist demands.

The problem of uncontrolled migration remains one of the main challenges to the security of the border regions, as well as of the region as a whole. Again, due to the existence of a developed system of strategically important communication routes, Volgograd Oblast has become the preferred focus for migrants from Northern Caucasus, Transcaucasus, and Central Asia. According to unofficial information, the Chechen and Azeri communities have increased two- or three-fold in the last decade, reaching respectively 40'000 and 20'000 people. A significant portion of the new immigrants occupies a somewhat marginal status in relation to the surrounding social milieu, engaging in semi-criminal trade or having no stable sources of income. As a consequence, tension is growing in the relations between the immigrants and the local population; recently, this situation led to repeated spillovers of personal political conflicts into ethnic conflicts. The murder of a Russian resident by a group of Chechens for personal reasons in the Cossack village Kletskaia in July 2000, for example, led to pogroms which not only affected the Chechens, but also the Azeris, the Armenians, and even the Russians. A gubernatorial candidate, Oleg Savchenko, poured even more oil on the flames of the conflict by expelling all people of Caucasian origin who were living in the region without registration as a measure of retaliation. This decision did not secure for Savchenko any significant dividends, since he never used such nationalistic rhetoric again.

The situation in Chechnya plays a special role in the context of the region's security. The continuing military actions bring a constantly present threat of terrorist acts with them. Such acts could be committed by the separatists in revenge against the federal forces acting in Chechnya, among which Volgograd units have often been positively mentioned. Volgograd has many objects (the dam of the Volga hydroelectric power station, chemical oil processing, and other plants) where sabotage could lead to catastrophic consequences. Attempts to commit terrorist acts give rise to serious grounds for concern. On May 31, 2000, for example, three people were killed and over 15 were injured as a result of an explosion near a military station. In the same year, groups preparing explosive charges at a railroad terminal, an oil processing plant and a heating power station near the Volga hydroelectric power station were discovered and arrested. The strategic location of Volgograd Oblast in close proximity to the Chechen conflict, and the presence

of numerous high-risk targets for potential terrorist attacks in Volgograd, make the Chechen conflict one of the most serious threats to the regional security.

Within this context, the ethno-social dimension of the problem also plays an important role. The conflict in Chechnya has led to a rapidly increasing inflow of migrants, some of whom occupy a marginal niche relative to the surrounding social milieu. These migrants are engaged, among other things, in some criminal activities, and also supply recruits for the ethnic criminal groups. The uncontrolled migration leads to deterioration of relations with the local population, which is aggravated even more by the existence of a stable stereotype that designates the visitors as a “fifth column” of the Chechen separatists. Recently, this stereotype has been actively used in political struggles with the intention to compromise the opponents (the opponents being pronounced accomplices of the Chechen extremists who settled in the territory of the region), or to score political victories by putting forward radical populist demands such as expelling all Chechens living in the region without registration. At the same time, according to a widely accepted opinion, it is precisely the presence of the numerous Chechen Diaspora in the region and the region’s efforts as a mediator that deter the separatists from committing large-scale terrorist acts.

The unique strategic situation of the oblast, located at the intersection of numerous transit routes along the vectors North-South and East-West, therefore, creates a significant potential for the development of international cooperation, and, at the same time, also remains a source of equally significant problems in maintaining regional security. Due to the advanced system of communications, the region has steady contacts with the Black Sea and Caspian zones, which have in turn developed active economic cooperation with the dynamic oil-producing regions of West Kazakhstan, and with the industrial zone of Eastern Ukraine. The planned north-south transport corridor, aimed at shortening the transit from Northern and Central Europe to India and the Gulf States, could make Volgograd become a hub of communication of European significance.

The special strategic location of the region, however, creates serious problems for regional security. Volgograd Oblast is geographically close to Central Asia and the Caucasus. Negative consequences of such a location include the fact that the territory of the region has become a link in the transit route for drugs and weapons and that there also exists the threat of mass uncontrolled migration, the scale of which is likely to increase substantially if the ethnic conflicts in the south of the CIS worsen. The Chechen conflict, resolution of which remains the most important priority of regional security, also has a destabilizing influence on the situation in the region. It is obvious that the attractiveness of the region as a focus for foreign investments and as an intersection of international transit routes will, to a large extent, depend on the resolution of the above problems.

### **2.3 Regional foreign economic policy**

In the conditions of liberalization of the economic and political system, the development of foreign economic contacts has become one of the main conditions of effective regional policy. Modern foreign production technologies, foreign investors in Russian enterprises and markets for national products are seen as important pre-conditions for overcoming the difficult economic crisis.

The situation is aggravated by the existing structure of the Volgograd regional economic system, which is not ideal for the present conditions. The large enterprises of heavy industry, which form the basis of this structure, were oriented toward the internal market, which has rapidly shrunk during the crisis. At the same time, the production of such enterprises has not been competitive in the foreign markets. The existing structure of industry, which is less flexible than that in the neighboring regions, makes maneuvering and a reorientation toward establishing contacts with foreign partners more difficult.

These difficulties have found expression in the relatively low level of investment activity of foreign enterprises. On 1 January 2000, 335 enterprises with foreign investments<sup>25</sup> were registered in the region. Of these, only half were really functioning, according to unofficial estimates. According to Volgograd economist Levenson, the share of foreign participation in such enterprises from 1997 onwards amounted to less than 1.1% of the regional gross production; the total number of employees in enterprises with the participation of foreign capital was 4'900, or 0.6% of all employees occupied in the production of goods and services. At the same time, as Levenson noted, the ratio between gross production, produced with the participation of foreign capital, and the number of employed workers shows that the productivity of labor in this sector is 3.5 times higher than the average productivity in the oblast.<sup>26</sup>

Both Volgograd residents and foreign partners experienced a certain euphoria regarding the perspectives of Russian reforms in the first part of the 1990s. It was in this period that the highest interest of foreign partners in investment opportunities could be observed; subsequently, it weakened considerably. The following factors played a negative role: the continuing deterioration of the economic situation; social and political instability; the weakness of the legislative base; an unfavorable system of taxes and tariffs; the absence of infrastructure necessary for the organization of business; the absence of transportation and communications; organized crime and corruption in the system of state management; and a low level of business culture on the part of Russian partners.

25 *Vneshneekonomicheskie sviazi Volgogradskoi oblasti v 1999 godu. Informatsionnyi obzor* (Foreign Economic Relations of Volgograd Region in 1999. An Information Review). Volgograd: Department mezhdunarodnogo sotrudnichestva Administratsii Volgogradskoi oblasti. s.a., p. 6.

26 Levenson, S. *Volgogradskaiia oblast' v 1990-ye gody: peremeny i ozhidaniia* (Volgograd Oblast in 1990s: Changes and Expectations). A manuscript. s.l., s.a., p. 22.

A potential foreign investor would, for example, already experience serious difficulties during the opening stages of an enterprise. The procedure of opening a business is very complicated and also quite expensive. Eventually, the total cost of establishing a new firm sometimes turns out to be so high that investors decide not to carry out their plans.

One of the main risk factors involved is the lack of a system of investment insurance. Efforts to create such a system with the help of the Lower-Volzhsii Venture Fund of the European Bank of Reconstruction and Development ended in failure. During over 5 years of its existence, the fund provided support to only 2 proposals out of 200 applications. After having invested 2.5 million dollars it ceased to function in 1998 as a result of the national financial crisis of 1998.<sup>27</sup>

Consequently, investors prefer to invest their capital in areas that have a relatively short business cycle and that provide opportunities to make high profits. In 1997-2000, the volume of foreign investments fluctuated around US\$82'000-96'000 annually; direct investments, however, made up slightly over half of that figure. It is symptomatic that regarding the volume of direct foreign investments, the Volgograd Oblast fell behind Krasnodar Krai, another region of the "Red Belt"; the volume of Volgograd Oblast was almost four times smaller.<sup>28</sup>

According to the data for 1997, the highest volume of foreign investments (approximately 52%) was in the food producing industry; over 28% were invested in communications; approximately 17% of foreign investments were made in the fuel industries.<sup>29</sup> By the year 2000, the structure of investments had changed drastically (80.1% of which went to the fuel industry, 16.5% to the food industry, and 2.6% to communications)<sup>30</sup>. This can be explained both by the more active international contacts of "LUKoil" subsidiaries, and by the general reduction of investment activities of foreign partners after the national financial crisis of August 1998.

Notwithstanding the anti-Western rhetoric of the Communist party, which practically rules the oblast, the regional authorities fully understand that it would be extremely difficult to lead the regional economy out of its crisis without the support of foreign capital. Large long-term investments of capital are necessary to improve the financial health of machine building and metallurgy enterprises, for example. At the same time, according to some estimates, the capital assets of the entire machine-building industry shrank to approximately 50% of the normal

27 Levenson, *Op. cit.*, p. 22.

28 Vardomskii, L. "Prigranichnyi poias Rossii: problemy i tendentsii razvitiia" (Frontier Zone of Russia: Problems and Tendencies of Development). *Rossiiia i sovremennyyi mir*, no. 3 (2000), p. 142.

29 Volgograd Oblast Committee of State Statistics.

30 *Vneshneekonomicheskie sviazi Volgogradskoi oblasti v 1999 godu. Informatsionnyi obzor* (Foreign Economic Relations of Volgograd Region in 1999. An Information Review). Volgograd: Departament mezhdunarodnogo sotrudnichestva Anministratsii Volgogradskoi oblasti. s.a., p. 11.

standards; in the metallurgy industry to 30% . In spite of the region's weak legislative basis, its minimal activity in the sphere of developing investment proposals, its low level of professionalism in this sphere, and a number of objective obstacles (the economic situation in the entire country, insufficiently flexible structure of the local industry, narrowness of the markets, low profitability), the region does implement certain measures aimed at encouraging investment. Thirty programs for attracting investments were prepared at the official level. Among these is the construction of a bridge across the Volga River, which is considered a project that will advance other projects as well. It can be hoped that new employment opportunities in the construction industry will be created due to ambitious projects.

The laws On Tax Privileges for Investors in the Territory of Volgograd Oblast, On State Support for Investment Activity in the Territory of Volgograd Oblast, and On the Procedure of Creating Zones of Economic Development in the Territory of Volgograd Oblast comprise the basis of the regional legislation for stimulating investment activity. These laws regulate the investment activity of Russian and foreign investors alike. The main privileges included in the regional laws involve tax-exempt status for investors and a 5-year, 50% tax rebate for enterprises working on the reconstruction and modernization of existing production processes. At the same time, the sum of tax privileges granted an enterprise cannot exceed the sum of the investment.<sup>31</sup>

In their investment policy, the regional authorities put the primary emphasis on encouraging investments in large enterprises that produce goods for industrial needs. In particular, local legislation stimulates the creation of privileged zones in large enterprises. The law On the Procedure of Creating the Zones of Economic Development in the Territory of Volgograd Oblast presupposes tax privileges on profits, property, and real estate. Such zones were established in the territories of the enterprises of the PO (Production Cooperative) "Barricades", the OAO (Stockholders Group) "Volgograd Tractor Plant", the OAO "Metallurgic Plant Red October", and the OAO "Research Center Khimprom". When the law was passed, these enterprises had been bankrupt for a long time judging by their financial indicators – their bank accounts were blocked, and they did not pay taxes. The creation of the Zones of Economic Development allowed them to unblock the accounts, postpone the payments of old taxes, and to claim new tax breaks.

These were, however, not able to score big successes in attracting foreign investments to "crisis enterprises". As already mentioned, foreign partners (primarily from Great Britain, Germany, Greece, Italy, Poland, Turkey, and Ukraine),

31 *Zakon Volgogradskoi oblasti "O nalogovykh l'gotah investoram na territorii Volgogradskoi oblasti,"* no. 77-OD. Priniat Oblastnoi Dumoi 11 iulia 1996 goda (Law On Tax Privileges for Investors on the Territory of Volgograd Oblast. The Law of Volgograd Oblast no. 77-OD. It was accepted by the Oblast Duma on July 11, 1996).

preferred to invest their money in sectors which promised faster and more reliable profits, such as the fuel and energy complex, the chemical industry, the food industry, communications, and construction. Thus, according to the 1999 report of the Department of International Cooperation, the following joint ventures were the most active ones: "Volgo-Deminoil" (a Russian-German enterprise for the extraction of oil), "Columbus" (a Russian-Italian construction enterprise), "Coca Cola Inchcape" (a British soft drink producer), and the Volgograd Oxygen Plant (Russian-British enterprise). The program of cooperation between the plant "Orgsintez" (Volzhskii) and the French company "Rhône-Poulenc", whose investment made possible the production of a number of chemical compounds, remains one of the biggest investment projects in the oblast.

In some cases, foreign investors show interest in sectors that, as a rule, are not considered profitable in Russia. Attention is, for example, being given to the agro-industrial complex. Two corn-processing plants and a plant for processing fruit products into apple juice and fruit drinks are being built with the participation of foreign capital. In the Mikhailovskii region, a whole group of Russian-Greek enterprises are involved in hog farming and in mixed fodder plant and construction companies. The construction of a meat-processing plant and a butter extraction plant is included in the investment program. The Greek firm "Etipint" is represented by the foreign investor as the founder of the above mentioned enterprises. This firm also holds a majority of shares of grain elevators in the Mikhailovskii, Kamyshinskii, Olkhovskii and Kotovskii districts. Approximately 400 employees are working in enterprises under the control of this investor. In order to provide the livestock with feed, the above mentioned group of enterprises has rented several thousand hectares of land in the Ilovinskii and Mikhailovskii districts for the purpose of cultivating corn and sunflowers. The Greek investor, who invested over US\$60 million, was able to create an efficient technological chain: some enterprises are involved in production, and others in processing. The final product is mainly delivered to Western markets.

At the same time, foreign investors clearly prefer to put their money in enterprises located in Volgograd and in the neighboring industrial center Volzhskii. Enterprises of the towns Kamyshin and Mikhailovka attract foreign partners to a lesser degree. The level of involvement of the periphery in international economic connections is therefore still very low, which does not help to overcome some rather serious isolationist attitudes.

One of the main causes for the persistence of such attitudes is to be found in the unfavorable consequences of competition between Russian and imported agricultural products. This competition has resulted in a serious and, according to some indicators, catastrophic decrease in the local production of food products and other agricultural produce. As a result, the share of imported food products in the domestic market grew to over 30% by the beginning of 1998.

The situation changed as a result of the devaluation of the Russian ruble in August 1998. The sharp increase in the price of imported food products led to a drop in purchases and a reorientation towards national producers. At the end of 1998, the import of agricultural production amounted to only 49.8% of what it had been the previous year. This tendency continued in 1999, in which the analogous indicator dropped by another 18% from what it had been in 1998, and only represented 4.2% of the overall imports.<sup>32</sup>

The following represent the majority of imported goods: the chemical industry (41.8%), machines and equipment (24.9%), and metals and manufactured metal goods (6.8%). The import of these goods is primarily determined by production needs; the same goes for the import of services, which amounts to 3.8% (out of which 61% are engineering services). Food products and consumer goods make up slightly over 10% of the total import structure. The general picture in 1999 showed a sharp drop in the volume of imports compared to 1998 (US\$194 million compared to US\$285.7 million); this can be explained primarily by the consequences of the 1998 financial crisis.

The same consequences obviously played an important role in the increase of exports to foreign countries, which in 1999 reached 113.3% of the previous year's level. Even greater growth was achieved in 2000 (the increase of volume of foreign trade reached 177%; it was achieved mainly due to the increase of exports).<sup>33</sup>

The production of heavy industry and of the processing industry makes up a large portion in the structure of exports. Recently, metallurgical, fuel and energy enterprises as well as the chemical industry have shown the greatest activity. In 1999, for example, 90.5% of all Volgograd exports were divided between 4 production groups: chemical products and petroleum-chemical products (16.2%), raw aluminum (22.8%), oil and oil products (45.7%), and ferrous metals and products manufactured from ferrous metals (5.8%).<sup>34</sup> The enterprises "LUKoil-Nizhnevolzhskneft" (25% of all regional export), "Volgograd Aluminum" (22.8%), "Volzhskii Orgsintez" (5.5%), "Volgo-Deminoil" (5.5%), and "Volzhskii Pipe Plant" (2%) became the biggest participants in foreign economic activities. Compared to 1998, a rapid drop in the export of food products and raw materials took place (from 6.4% to 1.6%). These products were usually expected to be processed, especially grain and oil-containing crops.<sup>35</sup>

The backwardness of the manufacturing base of the oblast, in combination with the extremely low volume of investment in the manufacturing sector, has led

32 Volgograd Oblast Committee of State Statistics

33 *Delovoe Povolzh'e (Volgograd)*, no. 7 (2001), p. 2.

34 This tendency continued in 2000. According to data for 2000, the products of the fuel and energy complex made up 38,1%, and products of metallurgy – 34,1% of the regional exports. See: *Delovoe Povolzh'e (Volgograd)*, no. 7 (2001), p. 2.

35 Volgograd Oblast Committee of State Statistics.

to increased exports of raw materials that require little processing. At the same time, the share of machine-building products, which in the middle of the 1980s had made up approximately one quarter of the exports, amounted to 8.8% of overall exports in 1992 and 5.3% in 1999. This can be explained by the absence of competitiveness in or the lack of serious support for the previously traditional markets of the former socialist and developing countries. The new emphasis on raw materials sharply increases the region's dependency on the fluctuations of world market prices and, therefore, leads to the integration of the regional economy into the global economic system.

Serious changes are also occurring in the geographical structure of foreign connections. Because of numerous risk factors and the absence of a clear strategy for developing international cooperation on the part of the authorities, such a structure is quite unstable. The relevant indicators are determined mostly on the basis of single large contracts between Russian and foreign partners. While Germany had been the oblast's most important foreign economic partner in the early 1990s, its share had rapidly shrunk by the end of the decade. At the same time, new priorities have not fully evolved, and therefore the present structure of foreign economic relations is characterized by instability. It is characteristic that in 1999 the British Virgin Islands accounted for the highest volume of exports (US\$112.1 million, or 18.5%)<sup>36</sup> ahead of Greece (16.1%), the United States (7%), Germany (6.2%), Belarus (5.1%), and Ukraine (4.6%). The main share of imports came from Ukraine (14.7%), Belarus (11.2%), Greece (8.2%), and Germany (7.5%). The structure of foreign trade was somewhat different in 1998: Greece (17.16% of the total, US\$696.2 million), Ukraine (13.3%), Germany (11.4%), and the United States (10%) were the main players.<sup>37</sup>

During the last decade the region's foreign economic activity was reoriented towards distant countries. The breakdown of contacts that had developed during the Soviet period, and the shrinking of the import markets made such connections less profitable. Imports from CIS countries were negatively affected by the dominance of consumer goods. It is not surprising that after the Russian financial crisis of August 1998, which led to a sharp drop in the purchasing power of the Russian ruble, the volume of trade with former republics of the USSR shrank by a factor of 1.5 to 2. The same tendency continued in 1999, when the volume of trade with CIS countries reached only 52.9% of the previous year's level.<sup>38</sup>

From amongst the countries of the CIS, Ukraine, Belarus, Kazakhstan and Uzbekistan are priority partners for the oblast. These priorities can be explained

36 According to some information, in this case, they were simply transferring financial resources through the off-shore zone.

37 *Vneshneekonomicheskie svyazi Volgogradskoi oblasti v 1999 godu. Informatsionnyi obzor* (Foreign Economic Relations of Volgograd Region in 1999. An Information Review). Volgograd: Departament mezhdunarodnogo sotrudnichestva Anministratsii Volgogradskoi oblasti. s.a., p. 2.

38 *Ibid.*



by various factors: the structure of the traditionally developed contacts; the geopolitical location of the trading partners; and also the character of integration processes within the framework of the CIS, with the special role of the union between Russia and Belarus, and of the Customs union, which comprises Belarus and Kazakhstan. In the case of Belarus, as has already been mentioned, the economic relations carry the most obvious political connotations. These are evident, on the one hand, in the aspiration of the Russian Communists to pursue the integration (to the point of unification) of former Union republics of the CIS and, on the other hand, in Lukashenko's desire to find supporters for his position on integration in the Russian regions (especially the regions of the "Red Belt"). Profitability of economic cooperation (cooperation between machine-building enterprises, development of export-import contacts) is often linked to political ideas such as the "fraternal union of the Slavic people", and "overcoming the consequences of the criminal conspiracy which led to the dissolution of the Soviet Union". Reciprocal visits of the state leaders, during which they signed important agreements on economic cooperation and made political statements, have promoted the development of economic relations with obvious political connotations. Characteristic for the fairly close political ties between Volgograd Oblast and Belarus can be seen in the fact that Lukashenko, for example, visited Volgograd without stopping in Moscow in May 1999, and Maksiuta visited Minsk twice, in January 1999 and in November 2000.

Unlike Astrakhan Oblast, which sees neighboring Kazakhstan as its main partner, the authorities of Volgograd Oblast accord much less importance to Kazakhstan than to Belarus. It is characteristic that in January 1999, Maksiuta chose to make a trip to Minsk rather than to respond to the invitation to attend the inauguration of the Kazakh president, Nursultan Nazarbaev, who wanted to organize a meeting of the leaders of the Russian border regions.<sup>39</sup> After the signing of framework agreements on cooperation and other agreements with a number of border regions of Kazakhstan (in particular, of the West-Kazakhstan and Atyrauskaia regions), regional authorities have less of an interest in cross-border cooperation with the Eastern neighbor or in deepening integration with Kazakhstan at the inter-governmental level than in the direction of Belarus. This is due to economic as well as political considerations.

At the same time, traditionally developed connections, economic needs, and the geopolitical location of the partners play a more important role than political considerations. It is no coincidence that Ukraine, and not Belarus, is the main trade partner of Volgograd Oblast. The volume of foreign trade with Ukraine reached US\$63'390, while trade with Belarus amounted to US\$56'800. These contacts do not carry a particular political connotation. Ukraine provides food products, consumer goods, fuel and other goods for the regional market. The relative

39 Kurilla, Ivan. "Volgograd Governor Chooses Belarus over Kazakhstan". *EWI Russian Regional Report*, vol. 4, no. 1 (1999).

stability of the region's connections with Kazakhstan, to which exports even grew by 137.3% in 1999 compared to the previous year, deserves attention. It was primarily achieved because of the export of metallurgy products, which enjoy a stable demand, as well as chemicals and chemical equipment. At the same time, the volume of imported goods, which are mainly made up of agricultural products, had shrunk by half.<sup>40</sup>

It seems that one of the main tasks of the regional foreign economic policy will be to form development strategies for such contacts with a clear identification and support of given priorities. So far, strategies for defining priorities can only be traced episodically. Examples of such strategies are: the consistent development of connections with Belarus (with the participation of the central state structures), the similar (though hitherto unsuccessful) efforts to develop connections with Kazakhstan, and the visit of the delegation led by Maksiuta in the year 2000 to Egypt, which used to be a friendly country in the 1950s and 1960s. The favorable location of the region, from a geopolitical perspective, in relation to the northern part of the Caspian region – a zone of intensive oil extraction – was used, with the support of the oblast administration, by the Volzhskii Pipe Plant to secure a contract order from the Caspian Pipe Consortium, which consists of Russia, Kazakhstan, Oman and a number of well-known companies from around the world. As a result, they signed a contract for the delivery of large-diameter pipes valued at approximately US\$118 million. It should be especially noted that this was the first case where a Volgograd enterprise was able to win such a lucrative contract in harsh competition with seven prominent foreign companies and one Russian company. Taking into account the demand for Volzhskii pipes in the Caspian and the Middle Eastern markets, one can hypothesize that the “pipe factor” in combination with “LUKoil's” interests will encourage a more clear formulation of relevant priorities in the regional foreign economic policy. In all likelihood, the contacts with the region's western partners in the CIS – Ukraine and Belarus – will remain no less important.

## ***2.4 International contacts in other fields***

The post-Soviet period was characterized by a commercialization of international ties, as a result of which other forms of contacts were, to some extent, overlooked. Meanwhile, during the Soviet period, political and cultural ties were given primary importance. Special emphasis was placed on the unique role of Volgograd as a symbol of the Soviet people's heroism in the struggle against Nazi Germany, as the location of the grandiose battle that was the turning point in World War II. As mentioned above, Volgograd was included in foreign delegations' visits, which, in a number of cases, were led by leaders of Western countries, including the president of Egypt, Gamal Abdel-Nasser; the last Shah of Iran, Mohammed

40 Kurilla, *Op. cit.*, p. 19.

Reza Pahlevi; the president of Afghanistan, Mohammed Nadjibullah, and other leaders. Volgograd's special status was used to sign numerous twin-city agreements with cities representing countries of different political orientations. Volgograd's twin cities during the Soviet period included Ostrava (Czech Republic), Coventry (Great Britain), Dijon (France), Kemi (Finland), Liège (Belgium), Turin (Italy), Port Said (Egypt), Chennai (former Madras, India), Hiroshima (Japan), Cologne and Chemnitz (formerly Karl-Marx-Stadt, Germany), and Toronto (Canada). Volgograd also joined a number of international organizations such as the International Federation of Twin Cities; the International Association of Cities-Peace Envoys; the World Union of Cities-Victims, the Cities for Peace; the World Organization of Mayors for Peace Through International Solidarity of Cities. Volgograd higher educational institutions have trained technical, agricultural and other specialists for the countries of the Third World that were friendly to the USSR.

In the 1990s, the cost of maintaining contacts aimed at supporting Volgograd's image became too much of a burden. In addition, the cost of such contacts was, to a large extent, the city's responsibility, whose budget is not comparable to that of the oblast. Because of lacking funds, Volgograd's contacts with its twin-cities (joined also by Jilin and Chenda, both in China), and with members of the International Association of Twin Cities (the former Association of Twin Cities of the USSR, the president of which is Volgograd's mayor Chekhov) are irregular and sporadic. Efforts to add an economic dimension to these contacts have been unsuccessful because of the city's very modest financial resources when it comes to conducting its own foreign economic policy.

In general, the oblast's non-commercial contacts are primarily directed towards receiving financial assistance or implementing inter-state agreements. For the social institutions (public health, medicine, education and culture), which found themselves in a difficult situation, support from international organizations (among which are the TACIS Program of the European Union, the American Soros Fund and the Eurasia Foundation, the European Bank for Reconstruction and Development, and many other organizations and programs) was often necessary for their normal functioning. The biggest investment project of this kind is the joint construction of the Center for Rehabilitation of Kidney and Dialysis in cooperation with the German organization "Hospitals International".

Institutions of higher education play an especially active role in establishing and developing international contacts. The opportunities to participate in exchange programs, and to receive direct or indirect financing and income from educational services serve as serious incentives in the search for foreign partners. Branches of prominent foreign organizations, such as the Soros Fund, programs of the British Council, the International Research and Exchanges Board (IREX), and the German Academic Exchange Service (DAAD) were opened at various Volgograd institutions of higher education. The high level of activity of foreign

organizations in the educational sphere shows that they consider Volgograd an important milestone in their involvement in Russia.

Ethnic and religious factors also play a certain role in the international contacts of the region. Ethnic communities, represented by national cultural organizations, nearly always preserve close ties with their historic motherland.

The German community's ties with Germany provide the best example. The territory of Volgograd Oblast became a settlement area for German colonists in the 18<sup>th</sup> century. After the October Revolution and the creation of the Soviet Union in 1924, the Autonomous Republic of Povolzh'e Germans was created in the territory of today's Volgograd and Saratov oblasts. During World War II, however, this autonomy was liquidated and its population, accused of collaborating with Germany, was exiled to Siberia and Kazakhstan. Only in 1972 were the Germans permitted to return to their former place of residence.

The renaissance of the German culture, which began at the end of the 1980s, is proceeding with active financial and other kinds of support from Germany. This support became especially significant in the beginning of the 1990s, when the possibility of re-establishing German autonomy within the former borders was seriously considered. After the Russian authorities rejected this idea, the volume of assistance decreased. Nonetheless, several centers for studying German were opened in Volgograd with the support of Germany; German cultural centers operate in Volgograd and Kamyshin, and there are several programs for educational and cultural exchange.

The level of cooperation of other national-cultural organizations with the states representing their historical motherland is less significant, due to the more modest financial and organizational capacities of those states, and, as a rule, the smaller population of the respective communities. Nonetheless, national-cultural organizations play a significant role in the development of bilateral relations. As a rule, it is a leading member of such an organization (in particular, the Azeri and Armenian communities) residing in Volgograd Oblast who then becomes an official representative of that country in the region.

Religion has become another important socio-cultural factor in the development of international contacts since the end of the 1980s. The traditional religious minorities (Catholics, Lutherans, and Muslims) see external assistance as the most important condition for the stable functioning of religious institutions, religious education, and so on. The Catholic community, for example, receives assistance from faith-based organizations in traditional Catholic countries; the Lutheran Church in Volgograd is being reconstructed with support from Germany; courses in Arabic are organized with the assistance of Islamic organizations from Arab and European countries; and a mosque is being built in Volgograd. Due to financial assistance from abroad (primarily from the United States), religious organizations that are not indigenous to the region, representing mostly various

branches of Protestantism, have been able to establish themselves in the region. Such activities, however, are meeting with more and more serious opposition on the part of the Orthodox Church and nationalist forces, who perceive these other religious teachings as ideological sabotage and as an attempt to tear people away from their national roots, and as an effort to turn the masses into "zombies". An example of such opposition is the campaign against the construction of the Mormon Temple in Volgograd, which was financed by the United States; the Orthodox Church organized the campaign in the year 2000. As a result, the question of whether the temple will be built or not was still open when this paper went to print.

Another area of international contacts of organizations located in the region are the contacts in the military sphere. These are, as a rule, conducted under the leadership of the federal center. Several important military and Defense Ministry installations (including part of the training grounds Kapustin Yar, and enterprises producing military technology) are located in the territory of Volgograd Oblast; the administration of these organizations is covered by international agreements. These factors (as well as the perspectives of military and technological cooperation with enterprises of the defense complex) make Volgograd Oblast an important center for visits from high-level foreign military delegations.

## ***2.5 Perceptions of internationalization in popular awareness***

The removal of the iron curtain and the development of various forms of interaction of the country and the region with the external world could not but lead to changes in the population's perception of international contacts. Such perceptions play a certain role in the formation of the regional policy (even though in many cases indirectly). In Volgograd Oblast, these perceptions are determined by a number of specific factors.

One of these factors is the special role of the region's historical past and, in particular, the memory of the Battle of Stalingrad during World War II. This memory remains a basic component of the regional mindset even today. The Battle of Stalingrad symbolizes Volgograd's and the region's special role in world history, and functions as its business card both domestically and internationally. Symbols of this role are the main tourist sights of Volgograd: the world's tallest (at 85 meters) sculpture "The Motherland is Calling You" (the main symbol of Volgograd represented on the flag of the region) and also the museum-panorama "The Battle of Stalingrad". The majority of international contacts in the Soviet period were perceived by the public as attributes of the region's historic role in the war period. Notwithstanding the fact that the memory of the Battle of Stalingrad and the war with Nazi Germany is, no longer a universally cultivated element of patriotic education today, the above mentioned events of the World War II period still remain the main attribute of the region's identity.

It appears that such a clear appreciation of the region's place in the global arena plays a dual role in the context of internationalization. On the one hand, the international authority gained in this manner has become the subject of pride and the basis for a favorable attitude toward the development of international ties on the part of the residents. On the other hand, the memory of the Battle of Stalingrad is a factor that prepares a fertile ground for nationalist ideas. In a worsening social and economic situation, a certain part of the population perceives that the cause lies in the economic and cultural influence of the West, and therefore sees the Battle of Stalingrad as a symbol of resistance to foreign expansion which has continued up until now. The results of a sociological survey conducted by the Center of Sociological Studies of the Regional Problems (Moscow) in March 2000, attests to the degree of penetration of patriotic ideas in the public mindset. Asked "what do you think about foreign interference in the social life of Volgograd Oblast?" and "who among foreign politicians could, in your opinion, find solutions to local problems?" – respectively 95.6% and 76.4% out of 1000 respondents answered firmly in the negative to the first and answered "nobody" to the second question).<sup>41</sup>

One has to note that such a perception of the past prevents the expansion of important contacts for the region with Germany to a certain degree. Despite the fact that the population carries no acute negative feelings towards Germany, agreeing to a strengthening of German economic and cultural positions would, according to popular opinion, mean disrespect to the memory of the defenders of Stalingrad. According to unofficial information, it was the "war factor" that caused the regional powers' refusal to consider the possibility of opening the German General Consulate in Volgograd (as a result of which the consulate was opened in Saratov). As mentioned above, the resistance of the Communist party and of other nationalist organizations against any attempt to erect a memorial to honor the German soldiers who died in the territory of the oblast during World War II plays an inhibiting role in the development of contacts with Germany.

Even taking into account the cultural and historical factors, the most important factor informing the public mindset are concrete results that have been brought on by the internationalization of the majority of the region's population. In the past decade, such results in the economy, in the culture and in family life have been so significant that a curtailing of international cooperation and a full return to the former socialist system would seem unthinkable even to the most faithful Communists. The negative attitude towards foreign influence is not associated with the possibility of using state-of-the-art foreign methods, especially because the public's perception of the administrative system in developed countries has changed from an ideologically negative one to a positive one.

41 Survey results of the sociological study on the subject "Socio-political Attitudes of the Volgograd Residents" (<http://volgapol.chat.ru/sociol.htm>)

At the same time, a considerable part of the population does not see the positive results of internationalization and globalization as clearly as the negative results, such as acceptance of the political and economic system imposed by the West, and the competition of foreign goods which led to a catastrophic drop in national manufacturing output. The profits from foreign investments in the region's economy are, however, obviously only felt by a relatively small section of the employees of the recipient enterprises. It is characteristic that during the mayoral elections in Volzhskii in December 2000 the population preferred a hard-line CPRF representative, even though the growth of manufacturing (which had just become noticeable in the region's principal enterprises) was only possible because of foreign investments and contract orders. This phenomenon can be explained by the special features of the taxation system of such enterprises, which directs only a very small share of the tax revenue to the city. The results of the above elections, from our point of view, were therefore not the result of a protest against a strengthening of foreign influence, but can primarily be explained by the deterioration of the social and economic situation, and by corruption scandals.

The influence of public opinion on the formation of regional policy in the sphere of international contacts has so far only been seen indirectly. The overwhelming majority of the population does not have clear ideas on policy and its results. At present, one can really only speak about appeals of certain political forces to the public with the aim of getting support for their positions. Whereas the Communists appeal to the nationalist forces (the already mentioned case of the attempt to create a memorial for the Germans can be cited as an example), a sufficiently wide spectrum of political forces emphasize the potential for developing the region's foreign ties in their electoral campaigns. During the gubernatorial campaign of 2000, for example, all serious candidates, including Maksiuta, emphasized this potential, at least to some extent.

In spite of the categorization of Volgograd Oblast as a region of the „Red Belt“ that traditionally votes for the Communists and the penetration of the public mindset with nationalist ideas, the isolationist approach, in our opinion, does not enjoy widespread support. The benefits that internationalization would bring to the process of regional economic development would obviously play a key role in the formation of relevant policies.

The process of forming regional interests in the sphere of international cooperation and security is taking place at a slower pace in Volgograd Oblast than in the majority of neighboring regions, for both objective and subjective reasons. The predominance of heavy industry enterprises, oriented towards the domestic market, makes their preservation a priority for the regional authorities who are concerned about the possible social and economic consequences should these enterprises be closed. The efforts to attract foreign investments to those sectors have so far not been successful. Creating favorable conditions for the

development of foreign economic cooperation in other areas often requires risky financial commitments, laborious and time-consuming work on improving the legal framework, the formulation of a regional development strategy for international cooperation, and so on. In the midst of all the urgent problems facing the region, these tasks are likely to be perceived by the regional authorities as too burdensome and costly. The ideological inflexibility of a very influential part of the governing CPRF in the region, as well as the absence of qualified cadres capable of initiating international contacts within official and commercial structures, represent serious obstacles for the development of international cooperation.

Existing tendencies, however, allow one to suggest that the present situation could undergo some serious changes. The growing share of the fuel and energy industries in the regional economy makes it more dependent on world markets, thus drawing the oblast into processes of globalization and internationalization. The financial and industrial groups of national importance that are establishing their positions in the region have clear interests. After these groups and the regional authorities have interacted, the former will exert an increasing influence on the regional policy in the sphere of international contacts, as well as in other areas. The existence of large reserves of raw materials, and the geopolitical importance of the oblast as one of the most important hubs of transportation will encourage the development of such contacts. However, the geopolitical factor also creates serious security problems (proximity to inter-ethnic conflicts, drug trafficking). The resolution of these problems will have a determining impact on the further development of the region.



## Interaction between the region and the center on international relations

### *3.1 Volgograd Oblast as a subject of federal relations*

In the framework of the existing political system, Volgograd Oblast is a subject of the Russian Federation that is equal to other subjects in its relations with the federal organs of government: it possesses its own Charter, legislation, and organs of local self-government. No treaty on the delineation of authority between the federal center and Volgograd Oblast has been agreed as yet. The relations between the two are therefore regulated, first of all, by the Constitution of the Russian Federation, which has priority over other federal and regional legislation.

This priority is constantly emphasized in the basic law of the region, the Charter of Volgograd Oblast. The charter, adopted in 1996 by the – mainly communist dominated – Volgograd Oblast Duma, was not meant to be in opposition to Constitution of the Russian Federation. Idealized concepts of regional “sovereignty”, intended to weaken the cohesiveness of the Russian Federation, were not brought forward. Concrete examples of such efforts include: the idea of transforming the oblast into a Povolzh’e Republic, which circulated widely in the Oblast Council before the adoption of the Russian Constitution in 1993; or the 1995 Communist initiative to replace the national flag of Russia with the banner of the USSR over the State Duma. The idea of strengthening the independence of the region while weakening the federal center does not, however, enjoy popularity among the population, because it is associated with a threat to state integrity. Communists oriented towards the nationalist electorate were therefore not able to initiate measures towards more independence of the region without risking to

lose the support of their electorate, in spite of sharp ideological differences with high-level representatives of the federal center.

The emphasis on compliance of the region's normative acts with federal legislation is stated in the preamble of the Charter. "The Volgograd Oblast Duma", states the document, "understanding its historical responsibility for state integrity and the well-being of Russia, accepting the need to confirm the legal status of the oblast as an equal subject of the Russian Federation, and the need to create a legislative basis for its comprehensive development, and abiding by the Constitution of the Russian Federation, adopts the present Charter (Basic law) of Volgograd Oblast."<sup>42</sup>

The functioning of other norms of federal legislation depends on the subject under consideration. Federal laws are directly applicable in the territory of Volgograd Oblast. Federal laws, corresponding laws and other normative acts of the oblast, however, are adopted on matters under joint jurisdiction. The Charter emphasizes that until the federal laws on matters under joint jurisdiction are adopted, the government organs of Volgograd Oblast have a right to implement their own legal regulations.<sup>43</sup> In cases where federal organs pass laws or other normative acts on issues under regional jurisdiction, those legal acts of Volgograd Oblast should be applied<sup>44</sup> which do not contradict the federal constitution and which correspond to the situation described in Article 76 paragraph 6 of the Constitution of the Russian Federation.

The Charter of Volgograd Oblast differs from the basic legal acts of the Republic of Tatarstan and several other subjects of the Russian Federation in that it does not establish citizenship of the region. As a section of Article 4 paragraph 1 of the Charter emphasizes: "The citizens of the Russian Federation residing in the territory of Volgograd Oblast who carry out their prerogatives within the limits and in the forms established by the Constitution of the Russian Federation and the present Charter – directly and also through the organs of government and organs of local self-governing – represent the source of state power in the territory of Volgograd Oblast". At the same time, elements of such citizenship can be found in statements according to which the possibility of election to government organs is limited by a residency requirement of one year.<sup>45</sup> Such norms contradict the Constitution of the Russian Federation, Article 19 paragraph 2, which guarantees equal rights and freedom for men and citizens regardless of their place of residence. This can be explained, however, by insufficient information on the part

42 "Ustav (Osnovnoi zakon) Volgogradskoi oblasti. Priniat oblastnoi Dumoi 11 iiulia 1996 goda (v redaktsii zakonov Volgogradskoi oblasti ot 26.11.97 N 146-OD, ot 06.01.99 N 238-OD)" ("Statute [Basic law] of the Volgograd region. It was accepted by the regional Duma on July 11, 1996 (in edition of the Laws of the Volgograd region of November 26, 1997 N 146-OD, of January 6, 1999 N 238-OD)").

43 *Ibid.*, Article 8, items 2, 3.

44 *Ibid.*, Article 8, item 3.

45 *Ibid.*, Article 24, point 1; Article 35, item 2.

of the local legislators, rather than by the desire to protect their own regional interests.

The wording of the Oblast Charter, as well as the absence of an agreement on delimitation of the authorities with the federal center, attest to the lack among the oblast's elite of interest in strengthening the region's independence in its relations with the center. This situation can be explained by the economic dependence of the oblast's industries and agriculture on financial and other kinds of support at the federal level through the tax system, which gives the region limited opportunities to receive income from its biggest enterprises. Taking into account the conservative nature of the local political culture and the nationalist mindset of the local electorate, initiatives that could be interpreted as expressions of regional separatism would lead to failure both from an economic and a political point of view.

### ***3.2 The main channels of interaction between the region and the federal center in the realm of international relations and security***

The authority to develop international ties and to conclude international agreements in accordance with federal legislation is an important right granted to Volgograd Oblast and to the other regions under federal legislation. According to Article 71 of the Constitution of the Russian Federation, foreign policy is relegated to the exclusive jurisdiction of the Russian Federation, whereas the coordination of international and foreign economic contacts is under joint jurisdiction in accordance with Article 72. The formulation of Article 72 of the Constitution is further developed in a number of federal laws and, in particular, in the law On Coordination of International and Foreign Economic Ties of Subjects of the Russian Federation, which came into force in January 1999. While giving the regions considerable authority in this particular sphere, the law at the same time pronounces a number of limitations and instructions. In particular, these include: prohibiting the regions and republics from acting as independent subjects of international law; obligating the regional governments to inform the Ministry of Foreign Affairs beforehand about the substance of negotiations, and also to present draft agreements with foreign partners for coordination with the Ministry of Foreign Affairs no later than a month before their signing.<sup>46</sup> The Consultative Council of Subjects of the Russian Federation of International and Foreign Economic Contacts, which, amongst other functions, acts as a legal expert regarding

46 Federal law "On Coordination of International and Foreign Economic Relations of the Russian Federation", items 3, 4. In *Sbornik dokumentov i materialov po voprosam mezhdunarodnykh i vneshneekonomicheskikh svyazei sub'ektov Rossiiskoi Federatsii (Collection of Documents and Materials on International and Foreign Economic Relations of the Subjects of the Russian Federation)*. Moskva: "Nauchnaia kniga", 1999.

international agreements concluded by the regions, plays an important role in coordinating the international contacts of Russian regions.

The corresponding norms of the Charter of Volgograd Oblast establish the precedence of the above-mentioned postulates of the Constitution and the federal laws relevant to the topic under consideration. According to Article 8 paragraph 4 of the Charter, international and foreign economic agreements can only be concluded by Volgograd Oblast if they do not contradict the Constitution and the legislation of the Russian Federation. The precedence of the norms of international law over internal legislation, which is confirmed in Article 15 of the basic law of the Russian Federation, found its expression in Article 8 paragraph 5 of the Charter, which postulates that "If the agreements and treaties mentioned in paragraph 4 of the present article establish different regulations than those determined by the laws of Volgograd Oblast, the regulations of those international agreements and treaties will be enforced". Note that the oblast does not have its own law on foreign economic activity, and therefore bases the latter on the corresponding federal legislation. This situation apparently satisfies the oblast authorities, since, according to the assessment of the oblast administration, there are no serious contradictions in the relations between the center and the region on the questions under consideration at the present time.

By declaring its intention to shape its international activity in strict coordination with the federal legislation, the region possesses channels for exerting formal influence on the process of making corresponding decisions at the federal level. However, informal channels were, at least up until recently, not used very effectively because of the political and ideological contradictions between the region's authorities representing the CPRF and the non-communist central leadership of Yeltsin. As a result, in the period from 1996 to 1999, Volgograd Oblast received six times less transfers from the federal budget than neighboring "democratic" (i.e. not communist dominated) Astrakhan Oblast. Substantial changes could come with the creation of the Southern Federal District (with its center in Rostov) and the granting of very extensive authorities regarding questions of relations with regions to the president's representative in the district. Such changes would come about due to an opening of extensive opportunities for the oblast regarding the establishment of informal ties with the administration of the new unit, and most likely due to such contacts being at least as important a precondition for the successful protection of regional interests as formal relations.

The structures of big businesses represent another channel for the expression of those interests at the unofficial level. Unfortunately, we do not have sufficient information about concrete examples of such influences at present. At the same time, the big businesses have a very clear strategy for the development of international ties that are favorable for the region. The state support for the Volzhskii Pipe Plant and for the "LUKoil-Volgogradnizhnevolzhskneft'" company,

which concluded profitable contracts (as already mentioned in chapter two) in full accordance with regional interests, can serve as examples of this strategy.

The interaction between the region and the center along formal lines is conducted through the representative and executive organs of the government. The highest representative of the oblast in relations with the center is the head of the administration. The governor, together with the speaker of the Oblast Duma, Viktor Pripisnov, represented the oblast in the Federation Council up until recently. Maksiuta used to be a member of one of the key institutions, namely the Committee for Budget, Taxation Policy, Finance, Currency and Customs Regulations and Bank Activity. The composition of this organ – with such authoritative figures as Konstantin Titov (governor of Samara Oblast, chairman of the committee), Leonid Roketskii (former governor of Tyumen Oblast), Nikolai Kondratenko (former head of Krasnodar Krai), Yurii Luzhkov (mayor of Moscow) and other prominent regional politicians – attests to its importance. The participation of the representative of Volgograd Oblast in the work of one of the key committees of the Federation Council created an opportunity to defend the region’s interests in the sphere of financial relations with the center, including its foreign economic aspects. After changes in the formation of the Federation Council in 2000, Maksiuta’s place was taken by the director of the Volgograd plant of Spare Tractor Parts, member of the CPRF Sergei Agaptsov, who was nominated to this position by the governor in January 2001. Pripisnov, who is still the deputy of the Federation Council, is a member of the Committee on Science, Culture, Education, Public Health and Ecology. However, so far the representatives of Volgograd Oblast and the Federation Council have not initiated or actively supported bills which would directly or indirectly involve international activities.

The State Duma represents an important channel of interaction between the regional and the federal authorities. In accordance with Article 104 of the Constitution of the Russian Federation, the right of legislative initiative at the federal level is granted to the Volgograd Oblast Duma, while deputies elected in Volgograd Oblast in one-member districts and party lists directly participate in the work of the lower chamber of the Federal Assembly.

Representatives of the CPRF and their allies in the electoral coalitions prevail among those deputies. Since the 1999 elections, Volgograd Oblast has been represented in the State Duma by members of the CPRF A. Aparina (nominated on the party list) and A. Kulikov, and also a candidate from the agro-industrial group of deputies, which is close to the CPRF’s political positions, namely V. Plotnikov. At the same time, deputies representing other political trends were elected in one-member districts: V. Galushkin (member of “Unity”) and Ye. Ishchenko (member of a pro-government group “People’s Deputy” [*Narodnyi Deputat*], who was a member of the LDPR faction in the first State Duma).

Almost all of the above figures (except Galushkin) were in their second term of office in the State Duma (it was Plotnikov’s third term). This will probably

allow them to preserve formal and informal ties with the state's commercial and other national institutions. A considerable part of these connections is carried out through the committees these deputies serve on. Aparina, for example, heads the Committee on Women, Family and Youth. Other representatives of the oblast serve as deputy chairmen in their respective committees: Galushkin in the Committee on Credit Organizations and Financial Markets, Ishchenko in the Committee on Property, Privatization and Economic Activity, Kulikov in the Security Committee, and Plotnikov in the Committee on Land Policy. Their offices allow deputies from Volgograd to exert a strong influence on the preparation of bills and on corresponding issues which create a legal framework for international activities. At the present time, the overwhelming majority of initiatives of the above-mentioned deputies only deal with the sphere under consideration indirectly at best.

Several institutions of the regional executive authorities represent the interests of the oblast to Moscow on a regular basis. The Representative Office of Administration of Volgograd Oblast in the government of the Russian Federation, created in 1992, occupies a special place among these institutions. In addition to contacts with the government structures, the Representative Office is involved in relations with big commercial structures, the search for and inspection of potential investors, and assistance to Volgograd enterprises in establishing contacts with Russian and foreign partners.

Over the recent years there has been a growing interaction between the administration of the oblast and the structures of the Ministry of Foreign Affairs. This can be explained by the fact that international treaties of the region have – according to the new federal legislation – to be approved by the federal bodies, and is also connected with the special geopolitical location of the oblast. In relations with the Consultative Council of the Subjects of the Russian Federation on International and Foreign Economic Relations and other units of the Ministry of Foreign Affairs, for example, special attention is given to the problems of the Volgograd section of the Russian-Kazakhstan border. Representatives of the oblast took part in the Russia-Kazakhstan negotiations on the delimitation of the above-mentioned border, which took place in 2000 in Astrakhan, Atyrau and Ural'sk. The proximity of Volgograd Oblast to the border suggests that in the future a branch of the Ministry of Foreign Affairs will open on its territory. The coordination of policy in the sphere of border security is conducted together with other federal authorities (in particular, with the Border Troops and the Ministry of Internal Affairs).

An important aspect of cooperation deals with the Volga-Don Canal, which is strategically important for international transportation. The passage of foreign ships on the Volga and the Don requires coordination at the federal and the regional levels in each individual case. According to unofficial information, this issue requires the consent of the region if a request is to be decided positively.

The special geopolitical location of the region could already become the base for increasing interaction between the regional and federal structures on issues of international relations and security in the very near future. Volgograd Oblast has sufficient means of leverage to protect its interests in the federal executive and especially legislative powers. The formation of a clear strategy for developing international contacts, and the coordination of efforts between representatives of the oblast in the federal structures, could lead to a strengthening of the region's influence in the process of decision-making at the state level.

### ***3.3 Inter-regional factors in the international contacts of the oblast***

The formation of regional groups represents an important aspect in the process of regionalization. Members of such groups try to work out a coordinated approach for resolving pressing economic, political and other issues, and to protect their interests in their interaction with the federal center and, in some cases, with foreign countries and organizations.

Volgograd Oblast has not been left out of these processes. As early as 1991, the region became a member of the "Great Volga" association, which was created for the purposes of strengthening and developing already established economic ties, developing a system of economic, scientific, technological, and industrial interaction, solving problems of socioeconomic development, and ameliorating social tensions. In addition to Volgograd Oblast, the association includes 10 other subjects of the Russian Federation: the Marii El, Mordovian, Tatarstan, and Chuvash republics; the Nizhnii Novgorod, Ulyanovsk, Penza, Samara, Saratov and Astrakhan oblasts.

The subjects of the Russian Federation comprising the association represent part of a powerful economic complex, united by already established economic ties (the majority of the participants are also members of the Povolzhskii economic district, which was created in the Soviet period), and transport and communications. The economic clout of the "Great Volga" members is demonstrated by the following statistical data, according to which the territory of the association includes 28% of the machine-building complex, 21% of the chemical and petrochemical enterprises, and over 30% of the food and construction industry of all of Russia.<sup>47</sup> The problems facing members of the association are, to a large extent, common problems; among them are the orientation of production towards the internal market due to its slow competitiveness in the foreign markets, technological backwardness compared with foreign competitors, and acute lack of investment. The requirements for the foreign economic policy of the center that have been formulated by the association include: high tariffs on foreign

47 *Delovoe Povolzh'e (Volgograd)*, no. 18 (2000).

substitutes for national products and a simultaneous abolition of tariffs for imports of modern equipment.<sup>48</sup>

At the same time, the differences existing within the framework of the association preclude it from functioning effectively. This situation prompted the deputy governor of Volgograd Oblast, Vladimir Kabanov, to call the organization a “talking-shop” and a “smoke-screen.”<sup>49</sup> So far, the individual interests of the subjects of the Russian Federation who are members of this organization have clearly prevailed over common interests. A number of members (above all, Tatarstan and the regions of Nizhnii Novgorod, Samara, and Saratov) entertain far-ranging ambitions to become economic or even political centers of Povolzh'e that would be recognized at the official level. This leads to their rejection by other members of the organization.

The territorial conflicts between Volgograd Oblast and its neighbors could be cited as an example illustrating the differences between members of the association. In the summer of 1997, Saratov's governor, Dmitrii Aiatskov, made an unexpected visit to the village Ilovatka, located in the north of the region, and proposed that its residents announce their decision to secede from Volgograd Oblast and to join Saratov Oblast. The background of this incident, which was quickly resolved, is seen by many observers in the argument between “LUKoil” and the oil company “YUKOS” which exerts pervading control in Saratov Oblast, and whose structures were involved in the exploitation of natural resources in the zone. Another conflict arose in 1999 in the relations with Astrakhan Oblast regarding the transfer of a part of the military training ground “Kapustin Yar”, located in the territory of Volgograd Oblast and under the jurisdiction of the latter. The Astrakhan authorities' active promotion of their decisions, also at the federal level, met with resistance from the deputies of the Volgograd Oblast Duma, who believed that Astrakhan was trying to impose a decision on the region that would lead to the estrangement of this territory, which is rich in oil and other natural resources.<sup>50</sup>

The inclusion of Volgograd Oblast in the Southern Federal District is a strong stimulus for the development of inter-regional cooperation within this framework. At present, meetings between the representatives of the regions are organized from above. The existence of objective common interests, however, allows one to predict that the process of inter-regional cooperation in the framework of the district could proceed from the bottom up. The geopolitical location of the regions, which gives rise to major opportunities for the development of international transit corridors and for cooperation in the Black Sea and Caspian zones, is the basis for such common interests. The extreme importance of security problems and the issues facing the subjects of the Southern Federal District

48 *Delovoe Povolzh'e (Volgograd)*, no. 18 (2000).

49 *Ibid.*

50 See: <http://billy.kp.ru/Archiv/Izbran/2000/Oct/21102000.htm>.



regarding the development of international cooperation make their position potentially very influential in decision-making in the sphere of international cooperation and foreign policy.

Volgograd Oblast is not one of the regions trying to assert their sovereignty while disregarding possible legal or political conflicts with the center. The dependence of the region on financial and other economic assistance from the center, in combination with the absence of clearly expressed independent regional interests, encourages the local authorities to solve problems in their relations with Moscow with a minimum of conflict. The arrival in the oblast of nationally powerful commercial structures, however, allows one to suggest that the formation of a more clearly structured system of relations between the regional government and big businesses would encourage the former to defend its interests more consistently at the federal level by combining the already existing means of leverage with new ones. The same factor could become a serious stimulus for the development of inter-regional cooperation, including the development of a coordinated position of the regions on issues relating to international cooperation.



## **Conclusion: Perspectives for the region's internationalization**

Volgograd Oblast possesses a multidimensional potential regarding the development of international relations. This includes: its natural resources, which are promising but also require large investments; the industrial complex, which is colossal in its capacity, but outdated and in many cases unprofitable; and the extremely favorable geopolitical location, which, however, also creates serious problems as regards security. To what extent this potential will be realized depends on a number of subjective factors, which, as of yet, are not favorable. These include: the staunch conservatism of the political culture and the region's connection to the "Red Belt" (taking into account the fact that the region's leadership has a clearly pragmatic and loyal attitude towards the center); the lack of competent cadres in some areas; and the deepening of the struggle for the redistribution of regional property between the big national oligarchic groups.

At the same time, the situation could change quite dramatically in the foreseeable future. The development of big business in the region, in combination with the need to attract foreign investments, will increase the demand for qualified and competent experts in the sphere of international relations. It will also lead to the formalization of relations of such businesses with the authorities, forcing the latter to give consideration to the interests of the former, and also to formulate a clearer program of regional interests. The considerable potential for the development of international contacts could become the object of serious competition between various forces in the near future, as they are likely to use this factor to attain both economic and political goals. An important condition of the region's participation in the processes of internationalization and globalization is the rising importance of the fuel and energy complex in the structure of the

oblast's economy. If this tendency continues, a model emphasizing the export of raw materials could replace the existing model of regional economic development.

The geopolitical location could play a key role in the development of the region's foreign contacts. The passage of important communication routes of national and international significance through the region's territory makes it especially attractive for foreign investment into infrastructure related to transport and communications. The possible participation of the region in the project to create a North-South transportation corridor (which was supported by the European community), with the purpose of decreasing the travel time between the European countries and the states of the Near East and South Asia, could make the oblast one of the key regions of Southern Russia with a strong influence on the formation of the foreign economic strategy of the federal center related to the issues under consideration. The economic interests of the oblast in the southern direction also include finding markets for the insufficiently competitive output of its heavy industries.

Given favorable economic conditions, the formation of regional foreign interests could encourage more active foreign economic activity of the region in the Caspian and Black Sea zones. The region's substantial economic potential (its gross regional product is approximately three times higher than the sum of gross regional products of all the Caspian regions of Russia) and the existence of convenient transportation routes provide conditions for such developments.

The oblast's location on the border with Kazakhstan creates a potential for developing cross-border cooperation. Because of the absence of a developed system of cross-border communication routes connecting the region to neighboring West-Kazakhstan Oblast, Atyrau Oblast becomes a very promising partner. This oblast is located to the south in Kazakhstan and occupies the country's top position in per capita income due to its profits from oil extraction. This oblast offers a promising market for products of the machine-building industry, consumer goods and food products.

The stable economic ties with Ukraine and Belarus, which were established during the Soviet period, make cooperation with those countries the first priority for Volgograd Oblast. Due to its geographical proximity, Ukraine is a slightly more favored partner. The development of special political and economic relations between Russia and Belarus could, however, change the situation in the future. Lukashenko's attempt of to find a political base in the Russian regions, including Volgograd Oblast, threatens to somewhat politicize such ties; this could create certain contradictions in the relations between the oblast and the federal center.

Among the Western countries, Germany remains an important partner of the region for the long-term perspective. Its long-term presence in the regional

market compared to the majority of other countries, the existence of many members the German Diaspora in the oblast and the memory of the events of the World War II make the German interests, in terms of their economic and cultural factors in the region, very stable. It is possible that the realization of plans regarding the transfer of stock of some Russian enterprises as payment for state debt by the government of the Russian Federation could lead to the transfer of some of Volgograd Oblast's industrial equipment to German entrepreneurs. Taking into account the phenomenon of historical memory (which could be exploited by Russian financial and industrial groups who are not interested in competition), and the increasing German presence in the region's economy could, however, lead to a rise in anti-German feelings among the nationalist sections of the local population.

The successful development of the region's international contacts is made more difficult by a number of other obstacles. One of the main obstacles is the difficult economic situation throughout the country, which in the case of Volgograd, as has already been noted, is aggravated by the dominance of industrial giants in the structure of the regional economy, the resurrection of which would require large investments, which are not very likely in the near future. The attention that is given to solving these problems of the heavy industry, as well as those of the agro-industrial complex, prevents the expansion of international cooperation in other sectors that could be more profitable from the point of view of foreign investors. The inertness and passivity of the authorities in the sphere under consideration could lead to a situation where the country's relatively favorable position in the markets could become a thing of the past. The favorable features of the region would then be relegated to the shadows of national economic problems once again.

The recently worsening struggle for the distribution of power and property in the region does not encourage stability either. The strengthening of foreign actors could be perceived by competing groups as a threat to their economic and political positions, and could lead them to use the resources at their disposal for minimizing the potentially dangerous influence of possible rivals. At the same time, practically all such groups have a significant interest in developing such cooperation; this could positively influence the corresponding regional policies.

The competition between the Volga and Caucasus regions in the sphere under consideration could also become an obstacle. So far, private ambitions have noticeably prevailed over common interests. A considerable number of regions, for example, entertain ambitions to become the center of international ties between Southern Russia and Povolzh'e; they often follow such policies to the detriment of the interests of other regions of the Russian Federation. In contrast to Volgograd Oblast, its neighbors – the Astrakhan, Rostov and Saratov regions, and the Kalmyk Republic – have quite clearly formulated systems of priorities in

the sphere of international cooperation, the formulation of which is still not completed in Volgograd Oblast.

The potentially most dangerous destabilizing factor, however, is the region's proximity to conflict-generating zones: the Caucasus and Central Asia. If the situation in these regions worsens, the oblast could become one of the centers of uncontrolled migration, which could lead to an aggravation of inter-ethnic differences. During the second half of the 1990s, such contradictions have already worsened as a result of the military phase of the Chechen conflict. The threat of terrorism, which has become real in recent years, has aggravated the situation even more. If the ethno-social tension increases, it could negatively influence the level of international business activity in the region.

Finally, the existence of such contradictory tendencies strengthens the role of the subjective factors. The perspectives of developing of the region's international contacts depend, to a large extent, on the character of the federal center's "Southern" and "Western" foreign policy and on the formulation of policy in the region's international contacts. Taking the remarkable potential of the oblast into account, an acceleration of such policy could already lead to considerable changes in the situation in Southern Russia in the near future. So far, it is more likely, however, that the region's economic and political problems will delay the realization of this potential for a while still; this will correspond to the long-term evolutionary formation of the regional interests.