

## External Determinants of Russia's Regionalization

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This study examines the external determinants of Russia's regionalization, focusing on global, geopolitical, military-strategic, economic, social, and environmental factors.

The author arrives at the conclusion that international influences have both positive and negative implications. On the one hand, they open Russian regions up for international cooperation and contribute to the search for new models of Russian federalism. On the other hand, external factors may encourage nationalism and separatism at the subnational level and may provoke Russia's disintegration. It is therefore important for Russian policy-makers to prevent, or at least reduce, the destructive processes, and to find ways of increasing the positive effects of international influence on Russia.

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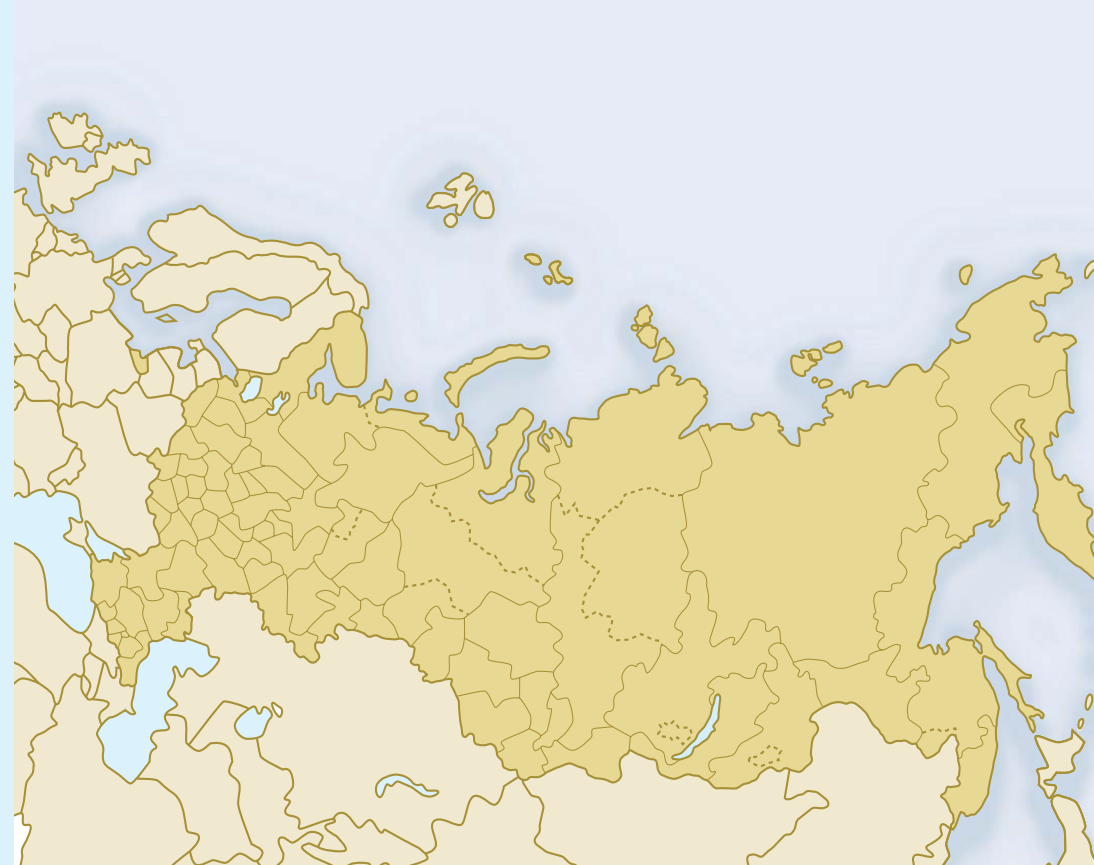
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By Alexander A. Sergounin



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*By Alexander A. Sergounin*

***Working Paper No. 3***

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## Foreword

In most countries, globalization has led to a significant transformation of both governmental institutions and non-governmental organizations. The role of the state has been reshaped. One of the most meaningful results of globalization has been the weakened capacity of nation states to perform as isolated actors. Globalization results from fundamental changes in international relations and in the world economy. Non-state actors are increasingly able to make their own decisions according to their own interests. States find themselves unable to control their "national" economies and are therefore in a relatively weak position vis-à-vis global capital. Rivalries in the global era are determined by the available resources, intellectual capital, technical expertise, and information applications, and not by a country's territorial expansion or geographical location.

Due to globalization, new international actors, including subnational ones, have appeared in Russia. This paper presented by Alexander Sergounin, Professor of International Relations at Nizhnii Novgorod State Linguistic University, provides a thorough account of numerous international programs and initiatives that are related to Russia's regions. The logic of Sergounin's analysis leads to the conclusion that globalization should be viewed as a source of both risks (mass migrations, unemployment as a result of increased competition in the labor market, etc.) and opportunities (restructuring and upgrading enterprises, participation in major international projects, mobilizing new investment resources). The reality of the world market is, however, a harsh one. In principle, the collapse of command economy created an opportunity to accumulate capital and slip into the cycle of productive investment. Only very few regional administrations and industries, however, have managed to achieve world standards, to adjust their management methods, and to plug themselves into the globalized world system.

Alexander Sergounin's study focuses on transborder cooperation. This form of regionalism gives us a good illustration of the changing nature of contemporary borders. Two basic processes are at work: one is local (self-determination of the regions in a new international orbit), and the second is international (global reshaping of the world geopolitical scene). Both developments lead to a growing mobility, flexibility and transparency of traditional frontiers. The problem with Russia's border areas, however, is that they are former peripheries trying to "go international", often without having at their disposal a sufficiently developed infrastructure and the necessary economic and political resources. The study shows that what is needed for Russia today is a social consensus on the indispensability of international incentives for the effective management of Russia's transition.

The paper is the third in a series of working papers written in the context of the ETH-funded project "Regionalization of Russian Foreign and Security Policy: Interaction between Regional Processes and the Interest of the Central State". All the studies of this series are available in full-text format at <http://www.ethz.ch>.

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## Introduction\*

It has become commonplace to assert that regionalization is one of the most fundamental characteristics of post-Communist Russia. Present-day scholarship is replete with research literature on the domestic sources of Russia's regionalization. These domestic sources include: the weakness of the federal center, the collapse of the old vertical structure of political control, decentralization as a result of democratization, the lack of proper legal bases for the separation of powers between the center and regions, the economic challenges of a period of transition (economic crisis, disruption of economic ties between different regions, the regions' tendency to rely on themselves, etc.), the rise of regional elites, and Russia's ethnic, religious, cultural and spatial diversity. These determinants are thoroughly examined in both Russian and Western scholarship.<sup>1</sup>

There is, however, another group of determinants, namely the external sources of regionalization. In spite of their paramount significance this other group has not been given due consideration, either by Russian or by world research communities.

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1 Senatova, O. Kasimov, A. "Krizis politicheskoi sistemy i porazhenie idei Rossiiskogo federalizma" (The crisis of the political system and the failure of an idea of Russian federalism). In *Ocherki Rossiiskoi Politiki*. Moskva: Institut gumanitarnykh i politicheskikh issledovaniy, 1994, pp. 34-41; Borisov, Sergei. "Perspektivy Rossiiskoi regionologii" (Perspectives of regional studies in Russia). In *Region. Regional'nost', Regionalizm*, ed. Sergei Borisov, pp. 4-6. Nizhnii Novgorod: Nizhnii Novgorod Research Foundation, 1995; Gel'man, Vladimir. Senatova, Ol'ga. "Sub-national politics in Russia in the post-Communist transition period: a view from Moscow." *Regional & Federal Studies*, vol. 5, no. 2 (Summer 1995), pp. 211-223; Hanson, Phillip. "How many Russias? Russia's regions and their adjustment to economic change". *The International Spectator*, vol. XXXII, no. 1, (January-March 1997), pp. 39-52.

As with any new development, a number of questions have been raised, including the following ones. Which factors are particularly important? What are the socioeconomic and political implications of foreign influences for regional development? Will regionalization result in secession and the country's disintegration, or will it contribute to the further democratization of Russian society? Should Russia promote or prevent the regions from having direct contacts with foreign powers? What is the attitude of the Putin administration to the foreign policies of the members of the Russian Federation?

This study addresses the above questions. In particular, it focuses on two major issues – the external causes of Russia's regionalization and their implications for the country. The main idea of the paper is that, despite the prevalence of the domestic determinants, the external factors of Russia's regionalization are also very important. They help to open the Russian subnational units up for international cooperation and to engage regions in the dynamic process of globalization.

## Global factors

The end of the Cold War and the break-up of the Soviet Union have lessened the impact of global factors in world politics, and have increased the weight of regional forces that have been operating all along under the surface parallel to the confrontation of the superpowers. International and national politics are thus increasingly shaped by regional, as well as by subnational and local dynamics. The German unification, for example, was a decisive determinant for the simultaneous move towards a deepening and widening of the European integration process. Territorial disputes, ethnic and religious conflicts, and the arms race in the Asian-Pacific region shifted the political focus from the U.S. military involvement to regional institutions and alliances. Russia is a part of these global dynamics.<sup>2</sup> The Russian project of reconstructing a sphere of influence in the “near abroad”, for instance, is driven by regional political factors rather than by Russia's ambitions to regain “great power” status.

For some political scientists (especially for postmodernists), regionalization is a natural outcome of a crisis of the nation state. According to this point of view, there is a general tendency for the nation state to be weakened, while the levels above and beneath it are strengthened.<sup>3</sup> To emphasize the fact that globalization and regionalization are two sides of the same coin, James Rosenau introduced the

2 Katzenstein, P.J. “Regionalism in Comparative Perspective”. *Cooperation and Conflict*, vol. 31, no. 2 (June 1996), pp. 123-159.

3 Camilleri, J.A. Falk, J. *The End of Sovereignty? The Politics of a Shrinking and Fragmented World*. Aldershot: Edward Elgar, 1992, pp. 220, 241; Makarychev, Andrei. “Gosudarstva-natsii, etnicheskie men'shinstva i printsip territorial'nosti: postmodernistskii kontekst” (Nation-state, ethnic minorities and the principle of territoriality: the postmodern context). In *Sud'by Razdelennykh Narodov: Istorii i Sovremennost'*, ed. Oleg Kolobov, pp. 82-91. Nizhnii Novgorod: University of Nizhnii Novgorod Press, 1996.

notion of “framegration”, thereby implying the complex nature of the interactions of two contrary processes – fragmentation and integration.<sup>4</sup>

There is a widespread assumption among European scholars that Europeanization and regionalization go hand in hand. A number of regions have been singled out: Alp/Adria, the Hexagonale, Mitteleuropa, the Euregio, the Regio Basiliensis, the Visegrad group, the Baltic/Nordic area, and so forth. There is also a high level of interest in the fate of the smaller stateless nations (sometimes called “minorities” – or regions) in Western Europe (Corsica, Scotland, Catalonia, etc.). Wiberg and Waever distinguish four main forces which lie behind the present general trend toward regionalism in Europe: security dynamics; the EU; Germany; and competition for growth among European regions.<sup>5</sup>

It is obvious that some of these factors (such as NATO and EU enlargement, enhancing of transborder cooperation, and the competition between the European countries for the Russian market) influence the developments of Russia's western and north-western regions. Many Western politicians and academics regard regionalization and trans-regional cooperation as the best way to involve Russia in the international cooperation system, to assist its domestic reforms, and to prevent the rise of anti-democratic forces in the country. As Dellenbrant and Olsson noted, for example, “The mere fact that an increasingly intensive degree of interaction is now emerging between the western and eastern parts of the Barents region is contributing to a future “normalization” of the political and economic situation in Russia.”<sup>6</sup>

The academics and practitioners have identified a number of promising areas for regional cooperation with Russia's participation: the Baltic Sea region, the Barents/Euro-Arctic region (BEAR), the Black Sea area, and the Asian-Pacific.<sup>7</sup> Some institutional support has been provided, such as the EU's Northern Dimension, the Council of the Baltic Sea States (CBSS), the Barents/Euro-Arctic Council (BEAC), the Black Sea Economic Council, ASEAN Regional Forum (ARF), and the Asian-Pacific Economic Cooperation (APEC) forum.

4 Rosenau, James. *Turbulence in World Politics: a Theory of Change and Continuity*. Princeton: Princeton University Press, 1990; Rosenau, James. *Citizenship Without Moorings: Individual Responses to a Turbulent World*. Paper prepared for presentation at the Annual Meeting of the American Sociological Association, Pittsburgh, August 23, 1992, pp. 9-13.

5 Waever, Ole. Wiberg, Haakan. “Baltic Sea/Black Sea. Regionalization on the fringes of the ‘New Europe’”. In *Regionalism: Concepts and Approaches at the Turn of the Century*. Bucharest: Romanian Institute of International Studies, 1995, pp. 207-211.

6 Dellenbrant, J.A. and M.-O. Olsson. “Regionalization and security in the European North.” In *The Barents Region: Security and Economic Development in the European North*, eds. Dellenbrant, J.A. and M.-O. Olsson. Umea: CERUM, 1994, p. 12.

7 Dellenbrant and Olsson. *Op. cit.*, pp. 11-12, 29-30; Waever and Wiberg. *Op. cit.*, pp. 221-228; Jervell, S. “A report from Europe's Northern periphery.” In *The Baltic Sea Area – A Region in the Making*, eds. M. Kukk, S. Jervell and P. Joenniemi, pp. 19-20. Oslo: Europa-programmet, 1992; Kerr, D. “Opening and closing the Sino-Russian border: trade, regional development and political interest in North-east Asia.” *Europe-Asia Studies*, vol. 48, no. 6, 1996, pp. 931-957.

It should be noted that many foreign countries and international organizations deliberately encourage Russia's regionalization and the creation of new international regions with Russia's participation, because they believe that regionalism is the best solution for many economic, social, and political problems. The EU, for example, developed two regional initiatives on its fringes – the Northern and Mediterranean Dimensions. The regionalist approach is also being applied to the Yugoslav conflict where the Balkan Stabilization Pact was launched in 1999.

Many international actors prefer to deal with Russian regions rather than with Moscow. They regard regionalization as both a means to bypass the Moscow bureaucracy and as a good solution to many problems in Russia. Despite the territorial dispute with Russia and the lack of a peace treaty, Japan, for example, cooperates with some Russian regions, such as the Kurile Islands, Sakhalin Oblast, and the Primorskii Krai. During the Russian-Japanese summit in September 2000, both President Putin and Prime Minister Mori confirmed that they do not link the territorial issue with cross-border cooperation.<sup>8</sup> Western foundations and organizations specializing in education and research support programs have also emphasized their regional priorities. In the late 1990s, for instance, the Nordic Council of Ministers and the British Council launched special fellowship programs for the Russian North-West. In 1998 the Soros Foundation started the so-called Mega-project, aimed at supporting and developing Russian peripheral universities.

There are several subregional organizations in Northern Europe which encourage the Russian regions to engage in cross-border and trans-regional cooperation. The Council of the Baltic Sea States (CBSS) is one of them. It was founded in Copenhagen in March 1992 by the leaders of Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia, and Sweden. Iceland joined in May 1995. The Council has been designed as an organization dealing with “soft” security issues, a scheme in which the Russian regions could easily find their place. At its Visby summit in May 1996 the CBSS approved a concept of subregional security based on an extensive program of cooperation in several areas such as economy, trade, finance, transportation, communications, conversion of the defense industry, ecology, border and customs control, and fighting organized crime (the so-called Visby process).<sup>9</sup> Russian regions such as the Kaliningrad, Leningrad and Novgorod oblasts and the Republic of Karelia take part in the activities of the CBSS.<sup>10</sup>

8 Buzin, Aleksandr. “Putin byl tverd i v Tokio, i v N'iu Iorke” (Putin was firm both in Tokyo and New York). *Komsomolskaia pravda*, September 8, 2000, p. 3; *Nezavisimaia gazeta*, September 1, 2000, p. 1.

9 *Diplomaticheskii Vestnik* (August 1996), pp. 9-11.

10 Matvienko, Valentina. “The Centre and the Regions in Foreign Policy”. *International Affairs*, no. 4 (1996), vol. 42, p. 91.

The Barents/Euro-Arctic Council (BEAC), another subregional organization that aims at addressing the problems of the European North, has been even more successful in involving Russian regions in international cooperation. The Russian government supported the idea of a Barents Sea subregional cooperation from the very beginning. In January 1993, at a conference in Kirkenes which set up a sub-regional organization, the then Russian Foreign Minister Andrei Kozyrev stated that the idea of broader Euro-Arctic cooperation as proposed by Norway signified for Russia "a prototype of a future system of interrelated cooperation zones stretching from the Barents Sea through the Baltic States to Central, Western and Southern Europe".<sup>11</sup> Kozyrev also expressed a desire to reduce the level of military concentration in the Russian North. Prior to the Kirkenes meeting, he had declared that "the Arctic will cease to be a theater of military competition". In Arkhangelsk in April 1993 he said that it was "high time to open up the Russian North for equitable international contacts, to restore the ancient importance of Arkhangelsk as Russia's Northern gate". He added that the time had come to "wrest the Russian North once and for all from the clutches of the legacy of Soviet policy" which, he said, had turned the region into a "besieged fortress" and a zone of concentration camps. He also expressed the hope that "the Northern Fleet would be able to exploit the opportunities for merchant shipping in the region".<sup>12</sup>

The BEAR cooperation regime has a two-level decision-making structure. On the national level, the Barents Council, consisting of the foreign ministers (or other ministers, for example, ministers for environment or transportation) from the four founding states (Finland, Norway, Russia and Sweden), as well as representatives from other interested nations, makes strategic decisions. The leaders of regional governments meet in the Regional Council to discuss more concrete problems. National secretariats in each state coordinate the activities of these two bodies.

Since the creation of the BEAC in 1993, a number of Russian regions participate in the BEAR process. In addition to the Republic of Karelia, the Murmansk and Arkhangelsk oblasts and Nenets Autonomous Okrug joined the process in 1996. This created some confusion in the BEAR because Nenets Autonomous Okrug is an integral part of Arkhangelsk Oblast, but it has claimed an equal status in the BEAR.<sup>13</sup>

The BEAR process mainly aims at areas such as economic cooperation, the environment, regional infrastructure, science, technology, education, tourism, health care, culture, and the indigenous peoples of the regions. Some progress has already been made. The two working groups, for example, established under the

11 *Izvestiia*, January 12, 1993.

12 Dellenbrant and Olsson. *Op. cit.*, p. 168.

13 Goerter-Groenvik, W.T. "History, identity and the Barents Euro-Arctic Region: The Case of Arkhangelsk". In *The Barents Region Revisited*, ed. Geir Flikke. Oslo: NUPI, 1998, p. 96, p. 106.

auspices of the BEAC – the Environment Task Force of the Barents Council and the Environment Committee of the Barents Regional Council – have proven to be successful in identifying ecological problems in the BEAR and in seeking funds for the implementation of joint projects.<sup>14</sup>

The EU (which is both a regional and global actor) has a number of programs aimed at promoting trans- and cross-border cooperation in Nordic Europe. From 1992-96 close to Euro 90 million worth of EU grants have been made available to the North-Western part of Russia. One of the EU programs aimed at regional cooperation has been named Interreg. In this program Finland and Sweden are free to involve Norwegian and Russian regions if this suits their own border regions, and if the partners are able to provide 50% in matching funds. At present, two of four Interreg programs cover the Russian North. Interreg Barents includes Nordland, Troms and Finnmark in Norway, Lapland in Finland, Nordbotten in Sweden, and Murmansk Oblast in Russia. The program's total budget amounted to Euro 36 million. Interreg Karelen includes the Finnish Karelia and the Karelian Republic in Russia. Its budget amounted to approximately Euro 32 million. In 1999 Finland spent US\$ 10 million from the national budget on cross-border cooperation with Russia and contributed the same amount of money to the TACIS/PHARE programs.<sup>15</sup> Between 1994 and 1999 250 joint Finnish-Karelian cross-border projects worth FM 80 million took place.<sup>16</sup>

The Euroregion concept is another opportunity for subregional cooperation. Kaliningrad, for example, belongs to the Baltic Euroregion, which began in 1998. It was established as an international lobbying group of local governments from Poland, Sweden, Denmark, Lithuania, Latvia and Russia. The president of the Baltic Euroregion said that the most important task for the cooperation between the communes from various countries was subregional economic planning and the construction of transport routes.<sup>17</sup>

Kaliningrad can also participate in the Neman Euroregion which is designed to link Kaliningrad, Lithuania and Belarus. There has reportedly been some Russian reluctance because of a perception that Poland did not want the chairmanship to rotate. Since 1999 a new Euroregion named Saule is under consideration,

14 Ojala, O. "Environmental Actions in the Barents Region." In *Europe's Northern Dimension: The BEAR Meets the South*, eds. Heininen Lassi and Richard Langlais. Rovaniemi: University of Lapland Press, 1997, pp. 154-155

15 Piskulov, Yuri. "Initsiativa Finliandii daet Rossii unikal'nyi shans." (The Finnish Initiative provides Russia with a unique chance). *Euro*, no. 11 (1999), p. 28.

16 Farutin, Andrei. "Stavka na predskazuemost'" (The bid for predictability). *Nezavisimaia gazeta*, April 4, 2000, p. 14.

17 Fairlie, Lyndelle. "Will the EU use the Northern Dimension to solve its Kaliningrad dilemma?" In *Northern Dimensions 2000: The Yearbook of Finnish Foreign Policy*, ed. Tuomas Forsberg. Helsinki: The Finnish Institute of International Affairs, 2000, p. 97.

involving the Kaliningrad towns of Slavsk, Sovetsk, and Neman along with participants from Lithuania, Latvia, and Sweden.<sup>18</sup>

The TACIS program, another EU initiative, is oriented to stimulate trans-border cooperation, as well as local government in Russia. In 1998 an EU Commission document "A Northern Dimension for the Policies of the Union" was developed. The paper recommends "further programs to promote technical assistance and investment within TACIS and PHARE...for projects spanning the Russia-Baltic and Russia-Poland borders." There was also the suggestion that technical assistance programs devoted to promoting customs cooperation, and future administration training and cooperation in the fight against organized crime should be considered through cross-border cooperation programs for border areas, that is, for the Kaliningrad region of the Russian Federation.

There is an annual TACIS cross-border cooperation program which began in 1996 with a Euro 30 million budget for projects along the borders of Russia and its neighbors, including Finland. During the period 1992-96, TACIS contributed over Euro 35 million to different projects in North-West Russia. In the 1990s TACIS executed 18 different projects, ranging from municipal infrastructure to educational programs in Kaliningrad.<sup>19</sup> TACIS is also involved in investment arrangements concerning the south-western wastewater treatment plant in St. Petersburg. New TACIS projects are to be launched in Kaliningrad, *inter alia*, projects on public health and to improve border crossings.<sup>20</sup>

Institution-building and establishing a civil society are two of the strategic objectives of the Northern Dimension. Already today a great number of subnational actors in Eastern and Central Europe are involved in the framework of the PHARE twinning program. Some experts suggest the establishment of a TACIS twinning program for institution-building in North-West Russia.<sup>21</sup>

18 Fairlie, Lyndelle. "Will the EU use the Northern Dimension to solve its Kaliningrad dilemma?" In *Northern Dimensions 2000: The Yearbook of Finnish Foreign Policy*, ed. Tuomas Forsberg. Helsinki: The Finnish Institute of International Affairs, 2000, p. 97.

19 *Interview with Silvia Gurova*, Deputy Mayor, Head of the Department of Foreign Relations, Kaliningrad City Hall, 8 June 2000.

20 Lipponen, Paavo. "Opening address." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen, p. 4. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland: Helsinki, 2000; *Interview with Victor Romanovsky*, Vice-Governor, Head of the Department of International Affairs and Foreign Economic Relations, Kaliningrad Regional Administration, 7 June 2000.

21 Walter, Gerd. "A sub-regional perspective for the Northern Dimension." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen, p. 112. Unit for the Northern Dimension in the Ministry for Foreign Affairs. Finland: Helsinki, 2000.

The Northern Dimension Action Plan envisages the following priorities for cross-border cooperation under the TACIS program:

- assist border regions in overcoming their specific development problems (with special emphasis on cooperation and business development between communities);
- encourage the linking of networks and assistance on both sides of the border, e.g., border crossings and training (especially crossings located in the Crete Corridors);
- the reduction of trans-boundary environmental risks and pollution should be a major goal of the cross-border activities.

There is a growing feeling both in Brussels and Moscow that it would be expedient to integrate all these programs and expand them further under the aegis of the Northern Dimension. Moscow also believes that it would be useful to extend the same conditions for transborder economic cooperation that are envisaged for the border of Russia with the EU along its Finnish section to the borders of Russia with the Baltic States and Poland, even before the entry of these countries into the EU. The experience of Interreg, Euroregions, and TACIS could be helpful in this regard.<sup>22</sup> Some specialists hope to see, within the existing financial set-up, a strengthening of the facilities for financing and co-financing cross-border projects.<sup>24</sup>

22 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*. Commission Working Document: Draft, 28 February 2000. Brussels: Commission of the European Communities, 2000, p. 25.

23 Fairlie, Lyndelle. *What Theoretical Approaches Aid in Understanding How the European Union and Russia Interact Regarding the Forthcoming Russian Enclave Within the Enlarging EU?* Paper prepared for the International Studies Association Annual Conference. Los Angeles, 2000.

24 Ortmann, Gunnar. "The speech by State Secretary Gunnar Ortmann, Denmark." In *Foreign Ministers' Conference on the Northern Dimension*, ed. Marja Nissen, p. 89. Helsinki, November 11-12, 1999. Unit for the Northern Dimension in the Ministry for Foreign Affairs. Finland: Helsinki, 2000.



## Geopolitical cataclysms

According to classic geopolitics, the geographic position of the region, access to land and sea communications, abundance or lack of natural resources, climatic conditions, etc., are also very important characteristics. These factors shape a region's economy, transportation system, trade, foreign policy orientations, relationship with the center, and so forth. The Russian Far East, for example, cannot ignore the proximity of the two regional powers China and Japan, which have a serious interest in the exploitation of its natural resources, in conquering its huge market, and in the resolution of some of the bilateral problems inherited from the past. The Russian South has to deal with the implications of the turbulent processes in the adjacent areas – North Caucasian and Trans-Caucasian regions.

The Russian North-West also exemplifies the importance of geopolitics. With the collapse of the USSR, Russia's access to the Baltic Sea has been significantly reduced to the small areas around Kaliningrad and St. Petersburg. Russia lost approximately two-thirds of the former Soviet Baltic coastline. The total length of the outer boundary of the country's territorial waters is now only just over 200 km. It is also significant that Moscow lost its strategic allies from the adjacent regions. As Baranovsky notes, the new geopolitical situation is psychologically traumatic for Russians: indeed, what Russia now possesses in the Baltic Sea area is only slightly more than it did in the time of "Ivan the Terrible".<sup>25</sup> In fact, Russia feels itself propelled back by several centuries.

This feeling of increased isolation from Europe was exacerbated by the expansion of the "buffer zone" between Russia, and Central and Western Europe resulting from the secession of Belarus, Moldova, and Ukraine in 1991. Russia's

<sup>25</sup> Baranovskii, Vladimir. "Russia." In *The Baltic Sea Area: National and International Security Perspectives*, ed. Axel Krohn. Baden-Baden: Nomos Verlagsgesellschaft, 1996, p. 168.

access to the industrially developed European countries became more difficult than in the recent past. In fact, Russia now shares a land frontier with only two North European countries – Finland and Norway. These are seen by the Russian political and business elites as “lucrative areas” that can enable the development of economic ties with the “core” of Europe.

Paradoxically, the same geopolitical catastrophe which reduced Russia’s influence in the Baltic Sea rim space made the latter rather attractive for Moscow in terms of economic cooperation with Europe. It also accelerated the shaping of a new Russian Baltic region involved in intensive cross-border and trans-regional cooperation with the neighboring countries. Because of numerous barriers (socioeconomic and political instability, tariffs, the lack of coordination between the customs services and border guards of different countries, organized crime, underdeveloped infrastructure, and isolation from the European markets and others) Russia’s CIS (Commonwealth of Independent States) partners (Belarus, Moldova and Ukraine) are less attractive than other countries. The Visegrad countries (including Poland) and even the Baltic States look more promising because they are ahead of other post-socialist countries in conducting reforms. They are economically viable, and are potentially welcome to join the European “club”. For these reasons, the Baltic Sea countries might again assume the role of Russia’s “window on to Europe”, which they had since the time of “Peter the Great”. Remarkably, the trade between Russia and the three Baltic States is booming regardless of political and human rights problems. Moreover, in February 2000 Russia and Lithuania prepared joint proposals regarding the Kaliningrad problem to be included in the Northern Dimension Action Plan.<sup>26</sup>

The EU recognizes Russia’s intention to contribute to the development of the Baltic Sea region. The EU’s Northern Dimension initiative, launched in 1997, aims at encouraging the north-western regions of Russia to take part in a series of cooperative programs under the aegis of the Union.

The Baltic Sea region is also an important junction for sea, land, and air transport. As a result of Russia’s loss of its main ports on the Black Sea (Odessa, Nikolaiev, Sevastopol, Kerch, Sukhumi, and Batumi) and on the Baltic (Klaipeda, Riga, Tallinn, and Ventspils), which formerly connected Russia with the West, the role of the Kaliningrad and St Petersburg harbors has become crucial. On the Baltic Sea, as much as 56% of the former Soviet harbor capacity has reverted to the possession of the new independent states. Russia’s shortage of harbor capacity in the Baltic will be an acute problem for many years to come.<sup>27</sup>

The new geopolitical situation greatly influences the development of the land and sea transport infrastructure in the Russian North-West. As for land

26 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, pp. 36-39.

27 Viitasalo, M. and B. Osterlund. *The Baltic – Sea of Changes*. Helsinki: National Defense College, 1996, pp. 12, 23.

transport communications, Russia, for example, is planning to develop a high-speed railway between Moscow, St Petersburg and Murmansk to increase both the passenger and cargo flows, and to link the Russian North to Nordic Europe.<sup>28</sup> The European Bank for Reconstruction and Development (EBRD) finances a number of railway projects in the region, for example, the modernization of the Moscow-St Petersburg railway link. The Bank is taking part in the Ventspils Port Rail Terminal Project (Latvia), which is linked to the recently signed Ventspils Port Terminal Project (involving private sponsors) and potentially to a Moscow Intermodal Terminal, which the Bank is trying to develop with a major international operator.<sup>29</sup>

One of the most important priorities emphasized by Poland, the Baltic States, Russia, and Finland (and supported by the EU under the auspices of the Northern Dimension) is the development of the constituent parts of the Crete/Helsinki multi-modal transport corridor, namely the Via Baltica, Rail Baltica, and Via Hanseatica projects.<sup>30</sup> Given the special status of Kaliningrad, the Northern Dimension Action Plan suggests the modernization of Transport Corridor IX D (Kaliningrad-Kaunas-Kaisiadorys).<sup>31</sup> Other EU priorities include the elimination of bottlenecks at border crossings, the improvement of safety records in all transport modes, and the harmonization of transport legislation and regulations on the basis of international agreements.

Russia invites the EU, CBSS, BEAC and other regional institutions to take part in the reconstruction and modernization of airports in Arkhangelsk, Murmansk and Petrozavodsk. Russia is also interested in the construction of a highway from Kirkenes to Nickel and Murmansk, and ports in the towns of Lorsek Gubijev and Primorsk (Gulf of Finland). TACIS is developing a local road system in the Arkhangelsk region (with a budget of Euro 2 million).<sup>32</sup>

The EBRD and some other European financial institutions suggest focusing not only on developing, but also commercializing the transport infrastructure to

28 Nordic Council. *Cooperation in the Baltic Sea Area*. Second Parliamentary Conference on Cooperation in the Baltic Sea Area. Report from a conference arranged by the Nordic Council at Storting, Oslo, Norway, 22-24 April 1992. Stockholm: Nordic Council, 1992, pp. 23-24.

29 Jahnke, Joachim. “The speech of Mr. Joachim Jahnke, Vice-President, EBRD.” In *Foreign Ministers’ Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen, p. 27. Unit for the Northern Dimension in the Ministry for Foreign Affairs. Finland. Helsinki, 2000.

30 Kazantsev, Yevgenii. “The speech of Mr Yevgenii Kazantsev, Deputy Minister of Transport, the Russian Federation.” In *Foreign Ministers’ Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen, pp. 46-47. Unit for the Northern Dimension in the Ministry for Foreign Affairs. Finland. Helsinki, 2000; Usackas, Vygaudas. “The speech of Mr Vygaudas Usackas, Vice-Minister of Foreign Affairs, Lithuania.” In *Foreign Ministers’ Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen, p. 84. Unit for the Northern Dimension in the Ministry for Foreign Affairs. Finland. Helsinki, 2000.

31 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, p. 9.

32 *Ibid.*, pp. 32-33.

make it more efficient. The EBRD, for instance, offers its assistance in privatizing the airport facilities at St Petersburg.<sup>33</sup>

Moscow is planning to renovate old ports and develop new ports in North-West Russia. In the early 1990s Russia announced that it planned to construct new large-scale harbors close to St Petersburg on the bays of Ust-Luga, Primorsk, and Batareinaia; construction works started in 2000.<sup>34</sup> While the feasibility of the project should be assessed with caution (given the economic crisis in Russia), it will, if the timetable is adhered to, substantially increase the volume of Russian merchant shipping and lead to savings in the costs of transit traffic. There are also some plans underway to develop a direct transport line from St Petersburg to Baltiisk in order to supply raw materials and consumer goods to the Kaliningrad enclave. Under the TACIS program a special project to modernize the Kaliningrad port is being executed (Euro 1 million).<sup>35</sup> There are also some promising projects underway to develop the Northern Sea routes along the Arctic coastline, including improvement of the navigation system with the help of the Russian Glonass global positioning system.<sup>36</sup>

As mentioned above, the new geopolitical situation in the Baltic Sea area has posed not only economic, but also political, military, and even psychological challenges to Russia. The Kaliningrad problem exemplifies such a combination of different factors. Since 1991 Kaliningrad Oblast became an enclave, separated from Russia by Belorussian, Latvian, and Lithuanian territories. The region is fully dependent on external sources of raw materials, energy, fuel, food, etc. It can meet only 5-6% of the local industry's needs with its own resources. The region lost 300 billion rubles in 1994, and 440 billion rubles in the first half of 1995 because of Lithuanian transit fees.<sup>37</sup> The most remarkable sign of Kaliningrad's remoteness from mainland Russia and its dependence on the European economic and trade systems is the local automobile park: 90% of the cars are imported from foreign countries (even police patrol vehicles). Given the unique geopolitical location of Kaliningrad, the Polish and Lithuanian authorities granted the oblast a visa-free regime. This means that Kaliningraders who have a local registration stamp in their passports (*propiska*), certifying their residence in the oblast can freely cross the borders of the two neighboring countries.

There is a difference of opinion among Russian politicians and experts with regard to the future status and role of Kaliningrad. Some suggest its transformation into the Baltic "Hong Kong"; others propose to retain its status as Russia's

main military outpost on the Baltic Sea.<sup>38</sup> It appears that there is no simple solution for this geopolitical puzzle. The latest news, however, is that Moscow agrees to further open up the Kaliningrad region to cooperation with foreign countries and to intensify its participation in various regional and subregional cooperative schemes. President Putin called Kaliningrad a "pilot region", meaning that the Kaliningrad experience will be used in other Russian border regions. The EU is also preparing to treat Kaliningrad as a special case. After Poland and Lithuania join the EU (and automatically the Schengen convention) Brussels intends to establish a more liberal visa regime for the oblast.<sup>39</sup>

To sum up, owing to the geopolitical factors, some Russian border regions (Kaliningrad and the North-West in general, the Russian Far East, etc.) feel – in terms of their day-to-day life – closer to their neighboring countries than to the capital, and consider themselves part of a regional/subregional economic, trade, infrastructure, and information system, rather than part of the national economy. This is normal in the age of "fraggementation" and "glocalization". One can find such interdependent complexes everywhere in the world from Europe (South Sweden and the Danish Zealand, the Danish Jutland and North Germany, northern parts of Finland, Norway, and Sweden) to North America (the US-Mexican and the US-Canadian borders). The challenge for Moscow is to understand these processes in terms of a "new geopolitical thinking", where economic interdependence and an international division of labor play a more significant role than tight control over the territory or national borders. The problem is that the new phenomena cannot be explained by old theoretical concepts based on traditional geopolitics. In fact, in the case of the above mentioned border regions, geopolitics turns into something different, namely geoeconomics, global economy, and global governance.

33 Jahnke. *Op. cit.*, p. 27.

34 Viitasalo and Osterlund. *Op. cit.*, pp. 23-24.

35 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, p. 32.

36 Kazantsev. *Op. cit.*, p. 48.

37 Trynkov. Anatolii. *A Regional Security Assessment: An Expert View from Moscow* (unpublished manuscript), Moscow, 1996, p. 8.

38 *The Baltic Independent*, November 4-10, 1994, p. 5; Szajkowski, B., ed. *Encyclopaedia of Conflicts, Disputes and Flashpoints in Eastern Europe, Russia and the Successor States*. Harlow, UK: Longman Current Affairs, 1993, p. 164; Trynkov. *Op. cit.*, pp. 1-4, 14-16.

39 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, pp. 25, 27.

## Military-strategic factors

Strategic determinants such as military alliances, deployment and configuration of the foreign armed forces and military conflicts in the country's vicinity also affect the formation and development of the Russian border regions.

The Sino-Soviet confrontation of the 1960s-80s, for instance, led to high militarization in the Russian Far East. With the beginning of the Sino-Russian détente, however, the region has lost its former military-strategic significance for Moscow. In addition to trade, the Sino-Russian cooperation in a number of delicate and sensitive fields, such as arms and technology transfers, conversion of the defense industry, military training and research, and intelligence has assisted in developing an atmosphere of trust and mutual confidence in the relations between the two countries.

As a result of the Sino-Russian détente, Russia's military presence in the region has been significantly diminished. From 1986-99 the number of Russian divisions in the Far Eastern strategic theater decreased from 57 to 21, the number of tanks fell from 14,900 to 8,368, the number of surface-to-surface missiles decreased from 363 to 108, the number of attack helicopters fell from 1,000 to 263, and the number of combat aircraft decreased from 1,125 to 415. The number of submarines in the Pacific Fleet fell from 109 (32 strategic and 77 tactical) to 17 (6 strategic and 11 tactical), and the number of principal surface combatants decreased from 82 to 10.<sup>40</sup>

<sup>40</sup> *The Military Balance 1986-1987*. London: The International Institute for Strategic Studies, 1986, pp. 45-46; *The Military Balance 1999-2000*. London: The International Institute for Strategic Studies, 1999, pp. 115, 117.

Furthermore, the disappearance of the Chinese threat and the reshaping of military alliances in East Asia have resulted in an increase in the economic and a decrease in the strategic importance of the Far East for Russia. In turn, this has persuaded the central authorities to provide the local governments with more powers to develop more or less independent economic and cultural ties with the Asian-Pacific countries. According to the former Russian Foreign Minister Yevgeny Primakov, Moscow has strongly supported economic cooperation between the Russian Far East and the Asian-Pacific countries.<sup>41</sup>

The strategic situation in Eastern Europe and the Baltic Sea Rim region also has important implications for the Russian border regions. On the one hand, the Russian military presence and activities in the area have been considerably reduced since 1991, motivated by both political and economic considerations. The Baltic Military District (MD) has been abolished. The Leningrad MD has been provided with a more defensive configuration. From 1990-99 the number of motor rifle units in the MD fell from 11 divisions to two brigades, the number of tanks was reduced from 1,200 to 323, and the numbers of artillery, multiple rocket launchers, and mortars fell from 2,140 to 940. The Kaliningrad Defense Area (KOR) was abolished in late 1997, and the Kaliningrad Operational Strategic Group, subordinate to the Commander of the Baltic Fleet, was created. From 1990-99 the number of tank divisions in the area was reduced from two to one, the artillery division was transformed into three brigades, the airborne brigade was dismissed, the number of surface-to-surface missile brigades fell from three to one, the number of artillery pieces was reduced from 677 to 330, and the number of combat aircraft fell from 155 to 28. Over the same period of time the Baltic Fleet reduced the number of its submarines from 42 (two strategic and 40 tactical) to two tactical ones, and the number of surface ships from 450 (39 principal combatants, 150 patrol and coastal combatants, 120 mine warfare, 21 amphibious, and 120 support vessels) to 190 (six principal combatants, 30 patrol and coastal combatants, 19 mine warfare, five amphibious, and 130 support ships).<sup>42</sup> Most of Russia's submarines and major surface vessels are no longer on the alert and are stationed at their bases. They often have no fuel to stay out at sea. At the same time the Russian Navy's operational capacity has been reduced. According to some reports, only 30% of the Navy's needs for repairs and ship maintenance can be met.<sup>43</sup> Military shipbuilding has been reduced, or in some cases stopped altogether.

On the other hand, a number of external pressures still make the region strategically important for Russia. The Russian political and military leadership

41 *Diplomatscheskii Vestnik*, no. 8 (1996), pp. 35-39.

42 *The Military Balance 1990-1991*. London: The International Institute for Strategic Studies, 1990, pp. 39-40; *The Military Balance 1999-2000*. London: The International Institute for Strategic Studies, 1999, pp. 115-116.

43 Dellenbrant and Olsson. *Op. cit.*, p. 168.

emphasizes the need to protect the most important industrial and administrative centers of North-West Russia, which have become more vulnerable since the emergence of the independent states – the separation of Kaliningrad from Russia and the shift of the border close to St Petersburg, Pskov, and Novgorod. In his speech to the sailors of the Russian Navy at Baltiisk in March 1993, the then Foreign Minister Andrei Kozyrev pointed out that Russia must hold on to its powerful position in the Baltic Sea area in order to be able to protect Kaliningrad from any territorial claims that might be advanced by the Germans or other “right-wing” powers. He also announced that he was in favor of a continuous, effective Russian army presence in the Baltic area.

North-West Russia is a region which has accommodated some of the troops that have withdrawn from former Warsaw Pact countries and Soviet republics. The same is true for the Russian Navy. The Baltic Sea Fleet faced the problem of redeployment of vessels and facilities from the Baltic States to the Kaliningrad ports and Kronstadt (near St Petersburg). The role of the Baltiisk base (near Kaliningrad), which was estimated in 1993 to be used by 75% of the surface interception vessels, 60% of the anti-submarine vessels, 20% of the minesweepers, and all the landing craft, seems likely to increase still further.<sup>44</sup> The area also has a vital shipbuilding and repairs industry, and the Jantar shipyard in Kaliningrad, which builds the Udaloj- and Neustrashimyi-class vessels, is of vital importance to the Baltic Fleet and to the Russian Navy in general. In addition, the Kaliningrad area is located in the ice-free zone of the Baltic Sea, while the St Petersburg area can be surrounded by ice for as long as six months in the year.

At the same time, St Petersburg retains its leadership in military shipbuilding on the Baltic. Its shipyards build battle cruisers, anti-submarine destroyers, submarines of all classes (from strategic to tactical), etc. The vessels are produced not only for the Baltic Sea Fleet, but also for the Northern Fleet and for export purposes. In October 1996, for example, the nuclear-powered missile cruiser “Peter the Great” went on its first sea trial with its final destination being Severomorsk, home of the Northern Fleet.<sup>45</sup> The Kilo-class diesel submarines have been exported to China by the St Petersburg shipyards since 1995.<sup>46</sup>

The Baltic Sea is still a field of NATO-Russian military confrontation. Compared with the Cold War era both sides have reduced their activities in the area, but they are still fairly intensive. “Submarine incidents” occur from time to time. Naval intelligence operations are sometimes even more active; NATO and Russia are still interested in each other's intentions. According to data, the naval activities in the Baltic Sea have significantly increased in connection with the NATO Partnership for Peace (PFP) program. The number of NATO military aircraft

44 Viitasalo and Osterlund. *Op. cit.*, p. 33.

45 *The Economist*, November 30, 1996, p. 35.

46 *Birzha*, April 14, 1994, p. 3; Delo, 7-13 April 1995; Neva News, November 1996, p. 2; *Pointer*, October 1996, p. 1.

revealed in the air defense zone of the KOR (Kaliningrad Defense Area) was increased by 250% in 1995.<sup>47</sup> In turn, Russia pushed forward an idea of a CIS unified air defense system. An agreement “On the creation of a unified air defense system of CIS member states” was signed by the CIS leaders on February 10, 1995, in Almaty.<sup>48</sup> It first became effective on the CIS Western air border: on April 1, 1996, Russia and Belarus started joint patrol on that border.

Some military analysts believed that the KOR’s strategic-military importance might grow in view of NATO enlargement. According to them, should Poland join NATO, the further demilitarization of Kaliningrad will inevitably be stopped, regardless of Warsaw’s promises not to deploy foreign troops and nuclear weapons on its territory. Should the Baltic States join NATO, the re-militarization of the KOR, the Leningrad MD, and Belarus is predicted.<sup>49</sup>

Some modest military build-up has taken place for a while. According to Admiral Vladimir G. Yegorov, Russia has expanded its naval facilities at Baltiisk to accommodate those warships withdrawn from the Baltic States. The naval presence at Baltiisk has been expanded in order to include more conventional submarines, as well as new barracks to house a 1,100-strong maritime border guard unit.<sup>50</sup> In addition to a motor rifle division stationed in the KOR, one more has been redeployed from ex-Czechoslovakia. From 1990-95 the number of tanks increased from 802 to 893 (850 in 1996), the number of armored combat vehicles increased from 1,081 to 1,156 (925 in 1996), and the number of attack helicopters increased from 48 to 52.<sup>51</sup> In 1996, however, arms and manpower reductions resumed; thus, the gloomy predictions did not come true.

To sum up, in the 1990s the whole North-West region was perceived by the Russian leadership mainly through the prism of strategic, rather than economic or political interests. This created some tensions between the local elites oriented towards cross-border and trans-regional cooperation and the center that was mostly concerned with strategic challenges. The economic rationales prevailed, however, and Moscow opted for the region’s active participation in various international projects.

47 Trynkov. *Op. cit.*, p. 5.

48 *Rossiiskaia gazeta*, February 25, 1995, p. 5.

49 *Nezavisimaia gazeta*, April 11, 1996; Trynkov. *Op. cit.*, 1996, p. 3.

50 *Jane’s Defense Weekly*, March 13, 1993, p. 14.

51 *The Military Balance 1995-1996*. London: The International Institute for Strategic Studies, 1995, p. 105; *The Military Balance 1996-1997*. London: The International Institute for Strategic Studies, 1996, p. 114.

## Economic factors

Regionalization in Russia has been accelerated by the economic influences of neighboring countries. For many border regions (given the current economic decline and disruption of inter-regional cooperation) collaboration with foreign partners offers better prospects than with other Russian regions.

Some Russian regions, such as Kaliningrad, St Petersburg and Karelia, view economic cooperation with the Baltic Sea/Nordic countries as the best way to overcome the current crisis and build a viable economy. They look to some of the Baltic Sea/Nordic countries as a possible source of investment, advanced technology and training assistance, and as promising trading partners. Geographically this area is closer to Russia than other Western countries.

According to some estimates, Russian trade through the Baltic ports should increase to 55.5 million tons by the year 2000, and to as much as 98.0 million tons in 2005 (it only amounted to 39 million tons in 1992 and to 46 million tons in 1993).<sup>52</sup> According to the Finnish Ministry of Transport, as much as 10 million tons of Russian exports and imports could be transported via Finland in addition to the current five million tons. It is also stated in the ministry’s report that competition among the harbors of Russia, the Baltic States, and Finland will become more fierce.<sup>53</sup> In addition, there is overt competition between St Petersburg and Kaliningrad for leadership of Russian merchant shipping on the Baltic Sea.<sup>54</sup> If Moscow’s political relations with the Baltic States improve, however, the focus of Russia’s goods traffic will be via the Baltic States. To meet this possibility,

52 Viitasalo and Osterlund. *Op. cit.*, p. 23.

53 *Ibid.*, p. 24.

54 Wellman, Christian. “Russia’s Kaliningrad exclave at the crossroads: the interrelations between economic development and security politics.” *Cooperation and Conflict*, vol. 31, no. 2 (1996), p. 176.

improvements in infrastructure are already being designed in the Baltic States, including the harbor of Muuga, east of Tallinn in Estonia. If the costs of transporting goods via the Baltic States remain low, the pressures upon Russia to build new ports around St Petersburg will be alleviated.

Russia's Baltic-oriented regions have persistently struggled for privileges in their foreign economic relations. Under some scenarios, the Kaliningrad region could, for example, become a West-East trade bridge, "Russia's Hong Kong".<sup>55</sup> In November 1991 President Yeltsin issued a decree granting the city of Kaliningrad the status of a free economic zone (FEZ). Several hundred joint ventures have been registered (45% of them with German companies), mostly small service operations.<sup>56</sup>

There has, however, been a difference of opinion between Moscow and the Kaliningrad local authorities on the status of the region and the prospects for its economic cooperation with foreign countries. The regional government has proposed to transform the FEZ into a Special Economic Zone (SEZ), which would provide it with even more autonomy and privileges.

The then Russian Deputy Prime Minister Sergei Shakhrai complained that foreign investors already receive significant tax and other concessions there, while investing insignificant amounts of money. As of September 1, 1994, a total of 885 enterprises with foreign investments were registered in the Kaliningrad region, 239 of them fully foreign-owned. Foreign investors accounted for less than US\$ 2 million.<sup>57</sup> According to Shakhrai, the region is already being turned into a channel for the export of raw materials, including strategic resources, and for the creeping expansion of foreign influence in economic and ethnic spheres with the prospect of the creation of a "fourth independent Baltic State".<sup>58</sup> As a compromise, Shakhrai proposed the creation of limited zones of free trade activity near ports and main roads in the region instead of making the whole of the region a free economic zone, stressing that "we have again to declare clearly the priority of Russia's military-strategic interests in Kaliningrad Oblast."<sup>59</sup>

Under the pressure of the "centralists", the federal authorities tried to tighten their control over the Kaliningrad region. In May 1995 Yeltsin suddenly abolished the customs exemptions, and this led to the cancellation of a large number of contracts. Moscow disavowed a trade agreement signed between

Kaliningrad and Lithuania, and control was retained over border and visa questions.<sup>60</sup>

The regional leadership was able, however, to persuade the president to continue with the FEZ. On May 18, 1995, Yeltsin issued a decree "On the social and economic development of the Kaliningrad region", providing the FEZ with broad powers in foreign economic policy, tax privileges, and state support in the protection of the region's producers, creating a ferry line between Kaliningrad and Vyborg, and establishing a unified maritime administration of the Port of Kaliningrad.<sup>61</sup>

In 1996, however, the power struggle between the center and the region continued. By presidential decree the FEZ was transformed into a SEZ. On the one hand, the latter retrieved some customs privileges. On the other hand, the regional authorities lost part of their foreign policy powers. The center took control over the defense industry, mineral resources, energy production, transport, and the mass media. Foreigners are not allowed to purchase land, but it can be leased for periods yet to be determined.<sup>62</sup> The outcome of this "tug-of-war" remains unclear.

The economic cooperation between Finland and North-West Russia is perhaps a more successful story than the Kaliningrad SEZ. In May 1996 the Governmental Committee on Foreign and Security Policy adopted a document titled "Finland's Strategy for Cooperation in the Neighboring Areas of North-West Russia and the Baltic Republics". This became a conceptual basis for the Finnish-Russian cooperative effort.<sup>63</sup> From 1992-97 Finland spent FM 540 million on cooperation with Karelia, Murmansk, and St Petersburg. Over 400 projects were completed, and 170 were in 1997 still in progress.<sup>64</sup> Trade between Russia and Finland grew dynamically in the 1990s. In 1992 it amounted to about FM 10 billion, and in 1997 it exceeded FM 25 billion (7% of Finnish and 3.6% of Russian foreign trade).<sup>65</sup> Russia became the fourth largest economic partner of Finland. Trade between the two countries has been facilitated not only by a common border, but also by lower transportation costs.

Finland and Karelia have traditionally cooperated in areas such as economy, transport, communication, tourism, ecology, and culture. Even in the Soviet

55 Matochkin, Yuri. "From survival to development." *International Affairs*, vol. 41, no. 6 (1995), p. 9.

56 Matochkin. *Op. cit.*, p. 11; Szajkowski. *Op. cit.*, p. 164.

57 *The Baltic Independent*, November 4-10, 1994, p. 5.

58 *Ibid.*

59 *Ibid.*, p. 1.

60 Matochkin. *Op. cit.*, pp. 12-14; Joenniemi, Pertti. *Kaliningrad: A Region in Search for a Past and a Future*. Background Paper Prepared for the International Colloquium "Kaliningrad. Future Prospects of the Region." Ostsee-Akademie, Travemunde, 3-5 November 1996, p. 19.

61 Shumeiko, Vladimir. "Kaliningrad Region: a Russian outpost." *International Affairs*, vol. 41, no. 6 (1995), p. 7.

62 Joenniemi. *Kaliningrad: A Region in Search for a Past and a Future*, p. 19.

63 Heininen, Lassi. "Finland as a Northern Country in the New North Europe." In *The New North of Europe*, eds. Lassi Heininen and Jjri Kakonen. TAPRI Research Report, no. 80. Tampere: TAPRI, 1998, pp. 30-31.

64 Moshes, Arkady. *Turn of the Century: Russia Looks at the Baltic Sea Region*. UPI Working Papers, no. 12. Helsinki: UPI, 1998, p. 8.

65 Moshes. *Op. cit.*, pp. 4-5.

period cooperative relations prevailed over the politics of confrontation. A number of joint projects were implemented in Karelia that were unique for Soviet relations with the West, such as the establishment of a large-scale ore-processing enterprise and the city of Kostomuksha on the border in the 1970s. In the post-Communist period Finnish-Karelian economic and cultural cooperation has successfully continued. 56% of the joint ventures have been established with Finnish participation. It was decided that the Kostomuksha FEZ would receive international status in the framework of a special agreement between Russia and Finland. The unique geographical location of the republic on the border of Russia and the EU, and the historical specialization of the Karelian economy made it one of the leading exporters among the members of the Russian Federation; the share of its exports exceeds 40% of the total volume of output.<sup>66</sup> In fact, the Finnish and Karelian economies are complementary, and an embryo of the mechanism of interdependency has been created.

While the North-West is interested in cooperation with Germany, Finland and the Scandinavian countries, the Russian Far East is mainly oriented towards China, Japan, South Korea and other Asian-Pacific countries. Being cut off from the domestic Russian market, the Far East could trade with foreign countries. Today this is much more profitable than trading with partners at home. In 1994 the South Korean firm Yu Kong promised to provide Kamchatka with every kind of fuel at an acceptable price. Canada offered the Far Easterners wheat, which is twice as cheap as the wheat coming from the Stavropol Krai. The same year, the Chukotka Peninsula bought food goods for the first time from the United States. Australia was ready to supply inexpensive high-quality coal, and Vietnam was positioned to sell oil to the Far East. In exchange, the Asian-Pacific countries were interested in timber, fish, ore, and other raw materials, as well as some finished products.<sup>67</sup> In 1992 the Russian Far East could survive in a "food crisis" only because of the barter trade with China.<sup>68</sup>

Despite economic, infrastructure, and logistic problems, and a perceived lack of entrepreneurial drive on the part of the Russians, the Russian Far East succeeded in establishing direct economic links with the Asian-Pacific. By mid-1994, in the Maritime Province alone, more than 800 joint ventures were registered, with over US\$ 300 million of foreign funds invested. These changes are occurring despite the fact that special economic zones – which so far do not seem to work in

66 *Republic of Karelia 2000*. Petrozavodsk: Ministry of External Links of the Republic of Karelia, 1998, p. 4.

67 Matveeva, Y. "Russia's Far East: tired, cold and ready for independence." *Moscow News*, 30 September-6 October 1994, p. 13.

68 Portiakov, V. "Kitaitzy idut? Migratsionnaia situatsiia na Dal'nem Vostoke Rossii" (Are the Chinese coming? The migration processes in Russia's Far East). *Mezhdunarodnaia Zhizn'*, vol. 42, no. 2 (1996), p. 80.

the Russian environment – have not been set up, with the exception of Nakhodka.<sup>69</sup>

Exports from Russia's Far East are rising. In 1993 the region's estimated share of national exports doubled, and the export volume exceeded US\$ 2 billion. The region's total trade volume amounted to US\$ 2.7 billion in 1992 and US\$ 3.2 billion in 1993. The region's trade surplus in 1994 exceeded US\$ 1 billion. The Asian-Pacific countries account for about 80% of this trade, with Japan being the leading market for traditional exports. As the transit role of Russia's Pacific coast expands, Russian ports are emerging as a base for re-export operations, particularly for trade with China and Korea. Four major sea ports (Vostochnyi, Vladivostok, Nakhodka, and Vanino) handle the same volume of foreign cargo as the three largest ports in European Russia (St Petersburg, Novorossiisk, and Murmansk). From 1992–1993 46% of all foreign cargo and 54% of the high-value cargo in containers was channeled through Russia's Pacific coast ports.<sup>70</sup>

Sakhalin is the leading region among the Russian Far Eastern provinces in terms of foreign investment and trade. By 1999 foreign investment in the local economy amounted to US\$ 1.15 billion and an additional investment of US\$ 0.3–0.4 billion was planned.<sup>71</sup> Japan, the US, and Canada are the largest investors. This investment has been helpful in developing the local oil industry and social infrastructure: 5,000 jobs were created. According to the Sakhalin Governor Igor Farkhutdinov, the foreign trade turnover reached US\$ 1,147 per capita in 1999, while in 1992 it was US\$ 433.8.<sup>72</sup> There is also an ambitious Russian-Japanese project underway to construct a gas power station in Sakhalin to produce electricity for further export to Japan.<sup>73</sup> According to other accounts, China is ready to invest US\$ 50 billion in the construction of a gas pipeline from Sakhalin to the Northern provinces of the Peoples Republic of China (PRC).<sup>74</sup>

A number of Russian and Chinese regions have developed very close economic relations. In fact, the southern part of the Russian Far East and China's Dongbei region have formed an interdependent and complementary economic organism.<sup>75</sup> Such interdependence could be strengthened if a project to construct a gas pipeline from the Kovykta gas field (Irkutsk region) to China and South Korea were to be implemented. The project's concept is that Russia would supply

69 Ivanov, V.I. "Russia and the United States: still cold in Northeast Asia?" *Asia-Pacific Review*, vol. 2, no. 2 (fall/winter 1995), p. 107.

70 *Ibid.*

71 *Rossiiskaia gazeta*, 28 August 1999, p. 3.

72 Davydov, Valerii. "Blizhny sosod luchshe dalnego rodstvennika." (A close neighbor is better than a remote relative). *Rossiiskaia gazeta*, July 22, 2000, p. 4.

73 Pravosudov, Sergei. "Budet li sozdan energomost mezhdu Rossiei i Iaponiei." (Will an energy bridge between Russia and Japan be created?). *Nezavisimaia gazeta*, 9 September 2000, p. 3.

74 *Rossiiskaia gazeta*, August 28, 1999, p. 3.

75 Kerr. *Op. cit.*, pp. 934-939.



20 and 10 billion cubic meters of gas per year to China and South Korea respectively.<sup>76</sup>

The creation of single trans-regional economic complexes with Russia's participation still remains a distant future. There are, however, some Russian regions which already have such a potential: Kaliningrad, Karelia and St Petersburg oriented to the Baltic Sea economic space; the Kola Peninsula and Russia's High North oriented to the Barents/Euro-Arctic region; the Southern provinces of the Russian Far East oriented to China's Dongbei, and Sakhalin and the Kurils oriented to Japan.

Incidentally, the configuration of a new administrative system that has recently been set up by President Putin takes into account the existing structures of cross- and transborder cooperation. The North-West federal district, for example, includes the Russian regions that are subject to international cooperation under the auspices of the Northern Dimension. The Far East Federal District is involved in close cooperation with the Asian-Pacific nations.

76 Pravosudov, Sergei. "Sibirskii gaz nuzhen Azii" (Asia needs Siberian gas). *Nezavisimaia gazeta*, September 9, 2000, p. 3.

## Territorial disputes

Territorial conflict is a powerful incentive for regionalization in the border areas. As the nature of conflict varies, its implications are different in various parts of Russia. Three kinds of interaction between territorial disputes and regionalization can be distinguished.

In the first case, the interests of the center and a local government coincide: they deny the territorial claims of foreign powers, as well as the very idea of secessionism. Since there exists solidarity between the center and a region, the process of regionalization develops in a quiet, evolutionary form. Regionalism becomes a response to foreign "encroachments" and "attempts". The territorial disputes between Russia, Estonia and Latvia exemplify such a type of interaction.

Estonia pointed out that, in accordance with the Tartu Treaty of 1920, part of the Pskov region, approximately 2,000 sq. km east of the Narva River and the district of Pechory (Petseri), should belong to Estonia. Estonia included reference to the Tartu Treaty in its 1992 Constitution. The Estonian authorities issued thousands of passports for ethnic Estonians resident in the district of Pechory. Russia suspected it of intending to create a "critical mass" of Estonians in the district in order to lay the legal foundations for calling a referendum, and subsequently annexing the territory. In Moscow the Estonian border regulations were considered to be unjust to Russians; maps have been issued which indicate some Russian territories as being under Estonian jurisdiction, and Moscow has threatened Tallinn with retaliation. Russia has refused to discuss territorial issues with Estonia, officially declaring the principle of the status quo.

In the summer of 1994, following the presidential decree, Russia began a unilateral demarcation of the border in the district of Pechory. "This border was, is, and will be Russian, and not a single inch of the land will be given to anyone,"

President Yeltsin declared at the newly constructed border checkpoint on November 23, 1994. He said the border had to be made into a "reliable shield" against "smugglers from the Baltics and foreign intelligence services".<sup>77</sup>

Estonia tried to raise the territorial issue in the OSCE (Organization for Security and Cooperation in Europe), but failed to attract any serious attention to the problem.<sup>78</sup> As a result of Russia taking unilateral measures and the lack of international support, the majority of the Estonian political parties began to be inclined to compromise with Russia over the border issue. At the end of 1994 Prime Minister Andres Tarand said that Estonia was prepared to make concessions on the border if Russia agreed to at least recognize the Tartu Treaty as the basis for relations between the two countries.<sup>79</sup> According to Aleksandr Udaltsov, head of the Baltic desk at the Russian Foreign Ministry, Russia was prepared to recognize the historical importance of the treaty, but that was all.<sup>80</sup>

A requirement for joining the EU and NATO is that potential candidates resolve any border and national minority problems. Estonia, which is considered a likely candidate for joining the EU by 2003, was therefore eager to settle its territorial disputes with Moscow. By the end of 1996 Russia and Estonia had almost reached a compromise on the border issues, apart from some technical details which still remain unresolved.

Latvia also has some territorial disputes with Russia. In January 1992 the Latvian Supreme Council adopted a resolution "On the non-recognition of the annexation of the town of Abrene and six districts of Abrene by Russia in 1944".<sup>81</sup> The Supreme Council confirmed its adherence to the borders established under the 1920 Treaty with Russia.<sup>82</sup> At that time, however, Riga had not made the claim officially and had not insisted on putting the issue on the Russian-Latvian negotiation agenda. Instead, Latvia and Russia signed four agreements to simplify border regulations in December 1994.<sup>83</sup>

On August 22, 1996, however, the Latvian Parliament adopted a Declaration on the Occupation of Latvia, which officially claimed the above territories. It has evoked fierce reactions from Russia. During his visit to the Pskov region in September 1996 the Russian Prime Minister Viktor Chernomyrdin said that Latvia "will get nothing", and ordered the border guards to tighten control over the Russian-Latvian frontier. He also said that Russia would ask the Council of Europe to make a legal assessment of the Latvian declaration. In the meantime the

77 *The Baltic Independent*, 25 November-1 December 1994, p. 1.

78 *The Baltic Independent*, August 19-25, 1994, p. 2.

79 *The Baltic Independent*, December 9-15, 1994, p. 3; February 10-16, 1995, p. 4.

80 *The Baltic Independent*, February 10-16, 1995, p. 4.

81 *Boundary Bulletin*, no. 4 (1992), p. 43.

82 *Ibid.*

83 *The Baltic Independent*, 23 December 1994-5 January 1995, p. 4.

Latvian President Guntis Ulmanis disavowed territorial claims and stressed that the parliamentary declaration should be reconsidered. The Russian-Latvian negotiations on the border issues, however, were stopped.<sup>84</sup>

In both cases the central government backed the local authorities and provided them with additional funds to demarcate the frontiers, construct border-crossings, and develop the border guard and customs services. The local political elites used Estonian and Latvian "threats" to generate nationalistic sentiments in the electorate in order to divert the latter from the discussion of day-to-day needs, and to strengthen their positions. Moscow did not prevent the rise of nationalism in these regions because it did not fuel secession. The Kremlin, for example, is quite tolerant of the nationalistic rhetoric of the Pskov governor, Mikhailov, who is a member of the extremist Liberal Democratic Party.

The second type of interaction between the territorial disputes and regionalization is that of conflicting interests between the center and the local authorities. Moscow strongly opposes any concessions to foreign powers and suspects the local elites of secession. The local authorities use foreign claims as a bargaining instrument in "horse-trading" with the center to gain more privileges and autonomy.

Kaliningrad, Karelia, and the Kurile Islands exemplify such a type of interaction. The origins of the Kaliningrad issue lie in decisions taken after World War II. Following the decision of the Potsdam Peace Conference (1945) a part of former East Prussia, including its capital Königsberg, was given to Russia. In 1946 the Kaliningrad region was formed as a part of the Russian Soviet Federative Socialist Republic. Ethnic Germans were moved away from this territory, and the region was populated mainly by Russians, who today make up 80% of the inhabitants. The overall population of the region is now 900,000. Ten per cent of the population is Belorussian. According to some accounts, approximately 17,000-18,000 Germans were resident in the region in 1994, although their passports often state that they are Russian or Ukrainian (the official figure was 6,000).<sup>85</sup>

A completely new situation has arisen following the collapse of the Soviet Union and the Baltic States' achievement of independence, which separated the Kaliningrad region from Russian territory. Some German politicians (and even some Russian leaders before the German unification) considered the enclave as a possible region for the creation of a German autonomous area in Russia in order to prevent further German emigration from Russia.<sup>86</sup> This has been resisted by

84 *Moskovskie Novosti*, 29 September-6 October 1996.

85 *Jane's Intelligence Review*, December 1994, p. 573.

86 Blanc-Noel, N. *Changement de Cap en Mer Baltique* (A change of direction on the Baltic Sea). Paris: Fondation pour les Etudes de defense nationale, 1992, pp. 62-63; Szajkowski. *Op. cit.*, p. 165.

the present inhabitants of the region, although they favor German assistance to the region and the development of a free economic zone. Some extremist groups in Germany claim the return of Königsberg to the "Vaterland".<sup>87</sup> Although Bonn does not officially support these proposals, these proposals make Moscow nervous because the issue is very sensitive to Russians. A number of German organizations in Russia have proposed solutions to the Kaliningrad issue. Freiheit (Freedom) Society, an association which emerged in the spring of 1993 as a radical voice for the interests of Russian Germans, decided to press for the formation (between 1995 and 1997) of a sovereign Baltic German republic under Russian jurisdiction in the Kaliningrad region. At the same time, the Society stated that "it should not be ruled out that this territory would eventually again be incorporated into Germany".<sup>88</sup> The Society of Old Prussia, set up in 1990, and comprising activists of several nationalities, including ethnic Germans, aims at restoring the pre-Soviet traditions and, in the long run, achieving independence for the region.<sup>89</sup>

Interestingly, in contrast with Moscow, the Kaliningrad authorities are not afraid of a possible influx of German-Russians from the territory of the former Soviet Union. According to some experts, there is sufficient room for 100,000 Germans in the Kaliningrad region.<sup>90</sup> Germany, however, has refrained from highlighting Kaliningrad in its official assistance to ethnic Germans in Russia; this program is restricted to selected regions, and Kaliningrad is not one of them.

Western experts consider a number of theoretical (and often highly unrealistic) options with respect to Kaliningrad. One option is that it would become an autonomous republic within the Russian Federation. Another possibility is for it to serve as an entity with special links to a Baltic "Euroregion" or a "Hanseatic region". Other options include partition, the establishment of a condominium by its two neighboring states, Latvia and Poland, and independence or reunification with Germany.<sup>91</sup>

Moscow's policy is to stimulate economic and cultural contacts and tourism between Kaliningrad and Germany, as well as with other countries of the Baltic Sea region, and at the same time to prevent a mass migration of Germans to the strategically important region. Moscow emphasizes the priority of its military-strategic interests in the region and denies any possibility of change to Kaliningrad's current political status.<sup>92</sup> At the same time, the federal government

87 Calabuig, E. "Quand les Allemands retournent à Kaliningrad-Königsberg" (When the Germans return to Kaliningrad-Königsberg). *Le Monde Diplomatique*, August.

88 Szajkowski. *Op. cit.*, p. 118.

89 Szajkowski. *Op. cit.*, p. 393.

90 *Jane's Intelligence Review*, December 1994, p. 573.

91 Hoff, M. and H. Timmermann, H. "Kaliningrad: Russia's future gateway to Europe?" *RFE/RL Research Report*, vol. 2, no. 36, 10 September 1993, pp. 37-43; Petersen, P.A. and S.C. Petersen. "The Kaliningrad garrison state." *Jane's Intelligence Review* (February 1993), pp. 59-62; *SIPRI Yearbook 1994*. New York: Oxford University Press, 1994, p. 178.

92 *The Baltic Independent*, November 4-10, 1994, p. 5; November 18-24, 1994, p. 1.

favors a more active participation of Kaliningrad in the cross-border and trans-regional cooperation, particularly in the EU's Northern Dimension.

The Karelia issue is also an old one. It has both an historical and an ethnic background. The Karelians are a nation related to the Finns, and they only make up a small minority of the population (10%) in their eponymous republic. Karelia developed as a part of Finland from the 14<sup>th</sup> century onwards, Finland itself being first a part of Sweden, and then of Russia. Shortly after it achieved independence in 1918-20, Finland occupied a part of Karelia belonging to Soviet Russia. Later, however, Helsinki was forced to retreat and sign the Tartu Peace Treaty (October 14, 1920) which legitimized the division of Karelia.<sup>93</sup> The repressive national and agricultural policy of the Soviet authorities in Soviet Karelia led to a rebellion in 1921-22, supported by Finland and cruelly suppressed by the Red Army. As result of this, many Karelians migrated to Finland. Under the Moscow Peace Treaty of March 12, 1940, which followed the Soviet-Finnish war of 1939-40, the rest of Karelia (including Vyborg) and the Western and Northern coasts of Lake Ladoga were transferred to the Soviet Union. The subsequent Soviet-Finnish agreements (the 1944 Moscow armistice and the 1947 Paris Peace Treaty) confirmed the status of Karelia as an autonomous republic of the Russian Soviet Federative Socialist Republic (RSFSR).<sup>94</sup>

There has been much discussion on the Karelia question in Finland during the past few years. The collapse of the Soviet Union, the restoration of the independence of the Baltic countries, and the negotiations between Japan and Russia concerning the return of the Kuril Islands to Japan have served as an additional spur to the discussion. Finland has taken a rather negative attitude towards the idea of initiating official negotiations about the return of Karelia. In December 1991 the Finnish government officially renounced all claims to Karelia,<sup>95</sup> although some groups in Finland and the Karelian Association in the Karelian Autonomous Republic have continued to press both Helsinki and Moscow for Karelia to be returned to Finland.

It is impossible for Moscow to even recognize the existence of the question officially. Any negotiations on territorial problems with other countries could undermine the Kremlin's domestic political position; and the Russian leadership is cautious about generating a "chain reaction" in the region. If Moscow recognizes the Karelia issue it could seem to lend legitimacy to other claims. During his official visit to Finland in July 1992 President Yeltsin made it clear that there was no such issue. Finland stated at the time that the question would not be raised, but at the same time reminded President Yeltsin that the principles of the OSCE made it possible to change borders by peaceful means.

93 Sukianen, I. *Karelskii Vopros v Sovetsko-finliandskikh Otnosheniakh v 1918-1920 godakh* (The Karelia Issue in Soviet-Finnish Relations, 1918-1920). Petrozavodsk.

94 Szajkowski. *Op. cit.*, p. 41.

95 *Ibid.*

Over time the Russian leadership has signaled that it is ready to at least make symbolic concessions on the Karelian issue, even though any talks on border shifts have been avoided. In May 1994 Yeltsin acknowledged for the first time that the annexation of Finnish Karelia had been an aggressive act of Stalin's policy.<sup>96</sup> The then Russian ambassador, Yurii Deriabin, stated that the future position of Karelia really called for discussion, but that instead of changes to the border, the aim should be to lower the level of border controls.<sup>97</sup> At the recent Russian-Finnish summit the presidents of the two countries underlined that there is no territorial issue in their bilateral relations. Russia prefers to develop direct ties between Finland and Karelia rather than to recognize the problem officially. Moscow hopes that transborder cooperation will ease tensions and prevent any official claims in the future.

The Northern Territories dispute between Russia and Japan is a source of long-term instability in the Asian-Pacific region. Khrushchev promised to return two of the lesser Kuril Islands in exchange for a peace treaty in 1956,<sup>98</sup> but Soviet Foreign Minister Andrei Gromyko rejected the deal in 1960, as East-West tensions flared. Moscow denied the existence of the problem throughout the 1970s and 1980s.

The United States has firmly supported Japan's position on the territorial dispute. Washington encouraged both countries to continue their dialogue and to undertake those steps, which would facilitate resolution of the dispute in the future (demilitarization of the disputed islands, liberalization of the visa regime, promotion direct economic and cultural cooperation between the territories and Japan, Japanese assistance to the islands, etc.).<sup>99</sup> Tokyo promised large-scale assistance to Russia in exchange for the contested territories.

When in power, Russian President Yeltsin appeared to recognize the problem and to work out some framework for a future agreement. He called for joint economic development of the region while setting aside sovereignty issues. He admitted some concessions in the future if the Russian internal situation would permit it. In mid-1997 the two countries decided to freeze the discussion of sovereignty issues and start intensive economic cooperation covering not only the Kuril Islands, but also other areas of the Russian Far East.

Similar to the Kaliningrad and Karelian political elites, the local one does not favor the transfer of the islands to Japan, but uses Tokyo's territorial claims as an

96 Joenniemi, Pertti. *Managing Border Disputes in Present-Day Europe: The Karelian Question*. COPRI Working Papers, no. 11. Copenhagen: Copenhagen Peace Research Institute, 1996, pp. 11-12.

97 *Yearbook of Finnish Foreign Policy*. Helsinki: Finnish Institute of International Affairs, 1992, pp. 30-31.

98 *Khrushchev Remembers: The Glasnost Tapes*. Boston: Little, Brown & Co., 1990, p. 89.

99 Cossa, R. A., ed. *The New Pacific Security Environment: Challenges and Opportunities*. The 1992 Pacific Symposium. Washington, DC: National Defense University Press, 1993, pp. 67-69; Belkows, M. D., ed. *Asia in the 21<sup>st</sup> Century: Evolving Strategic Priorities*. Washington, DC: National Defense University Press, 1994, pp. 50-51.

instrument in horse-trading with the center to get additional federal funds and to acquire more freedom in foreign economic relations, liberalization of the visa regime, and so on. In the fall of 1998 (in the aftermath of the financial crisis), for example, Sakhalin and the Kuriles applied for humanitarian assistance and received it rather quickly from Japan, while the federal center has been unable to provide these remote territories even with basic supplies (food and energy).<sup>100</sup>

Finally, there is one more type of interaction between territorial conflict and regionalization. In this case, however, the source of conflict is different. The clash is generated by the local government's discontent with the center's compliance in territorial disputes with a foreign country. Regionalism becomes a response to Moscow's "treacherous policy". The conflict between some Far Eastern provinces and the center on the demarcation of the Sino-Russian frontier is a typical example of such an interaction.

Under the 1991 Sino-Soviet Treaty, confirmed in 1994 and ratified by the parliaments of both countries, the demarcation of 33 disputed border sections in Russia's Amur Oblast and the Khabarovsk and Primorskii kraises should be resolved. Under the treaty, 70 hectares of arable land near Lake Khanka, a newly built road, and a power transmission line have already been placed under Russia's jurisdiction. In return, the Chinese are to receive 968 hectares in the district of Ussuriisk and another 300 hectares on the Tuman River in the district of Khasan. The latter is the key issue in the dispute between the Maritime Administration and the Russian Foreign Ministry.

Historically, the land was Chinese, but under the 1860 Peking Agreement the land was given to Russia. Until 1913 it belonged to the Russian Zarechensko-Podgornensky land community. After 1913 it was leased to the people living in China and Korea. In 1926 the lease expired, but the Chinese continued to cross the border and use the land. They still considered it Chinese land. The Japanese followed suit when they occupied the northern part of China in 1931, and this set off an armed conflict in October 1936. Major battles also erupted at Lake Khasan in 1938. The dispute along the Tuman River broke out again in the 1960s. The Chinese tried to gradually infiltrate into the area.<sup>101</sup>

The disputed area lies at the junction of the Chinese, Russian, and North Korean borders. The Tuman River is 150 meters wide and runs into the Bay of Peter the Great. Its western bank belongs to China and its eastern bank to Russia. The bank line on the Chinese territory starts about 5 km inland from the sea-shore. If the territory is ceded to China, a channel could be dug and an ocean port could be built to rival the Russian ports of Vladivostok and Nakhodka. There are also some reports that China intends to build a naval base there. According to

100 *Rossiiskaia gazeta*, 28, 29, 30 and 21 October 1998.

101 Balbuurov, Dmitry. "Maritime population wants no 'fair frontier' with China." *Moscow News*, no. 15, (1996), p. 4.

some Russian experts, the Chinese project on the Tuman River will be detrimental to the interests of the Maritime Province and Russia, not only because of the planned sea port and naval base, but also because this project will inevitably cause the area to become yet another Free Trade Zone. The ensuing competition will make Vladivostok and Nakhodka the biggest losers.<sup>102</sup>

Primorskii Krai Governor Yevgenii Nazdratenko was the first to protest against the ratification of the 1991 Sino-Soviet Treaty. In 1994 he threatened to resign if the Chinese received the disputed lands. After the president ordered the demarcation to proceed as quickly as possible, however, the rebellious governor changed his mind and announced that he would not resign. He was backed by the local Duma, which issued an appeal to the Council of the Russian Federation, saying that demarcation was inadmissible unless a national referendum was held.

In Khabarovsk, the local authorities requested President Yeltsin not to cede 15 islets on the Amur River to the Chinese, and the population has held small rallies and has written appeals. Vitalii Poluianov, chieftain of the Ussuriisk Cossack Force, declared that Moscow risked tensions in the area. He expects to enlist the support of all the Cossack leaders in Russia and declared that the border should remain unchanged, otherwise they would reserve the right to take any actions, including extreme ones. Major-General Valerii Rozov, head of the Russian demarcation group, resigned from his post in protest against "selling out Russia".<sup>103</sup>

President Yeltsin, however, ignored the protests and proceeded with the "normalization" of the Sino-Russian relations. In March 1996, on the eve of his visit to Beijing, Yeltsin suggested that an agreement be reached with China on moving troops 100 km away from the frontier. While hardly being noticed in Moscow, this evoked a clamorous response in the Primorskii and Khabarovsk kraia. The main industrial centers and communication lines of the Far East are close to the border; those of China lie deep in the country. The Trans-Siberian Railway Line, which is of strategic importance to Russia, runs merely five kilometers from the border rivers of Ussuriisk and Amur in some places. The distance between Khabarovsk, a big industrial center, and the frontier is only 7 km. Vladivostok, a major base for the Pacific Fleet, is only 70 km away. During Yeltsin's visit to China the Chinese delegation proposed moving its troops 200 km from the border. The Russian visitors, however, claimed that this would pose "technical" difficulties.<sup>104</sup> At the same time, the two countries concluded an agreement on the scale and nature of military exercises in the border areas.

On April 24, 1997, Russia, China and three neighboring CIS member-states concluded a breakthrough border treaty aimed at reducing tensions along their

<sup>102</sup> Balbuurov, Dmitry. "Maritime population wants no 'fair frontier' with China." *Moscow News*, no. 15, (1996), p. 4.

<sup>103</sup> *Ibid.*

<sup>104</sup> *Jane's Intelligence Review*, June 1996, p. 280.

common frontiers. The pact was signed in Moscow by the presidents of China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. The treaty, which will run until 2020 following parliamentary notification by each of the signatory states, is primarily intended to control troop levels within a 100 km band on either side of an affected border.<sup>105</sup>

In 1999 the demarcation of the Sino-Russian border was completed. A protocol on the demarcation was signed during Yeltsin's December 1999 visit to Beijing.<sup>106</sup>

The conflict between Moscow and local authorities, however, convinced the latter that the former would not protect their interests. On the contrary, the local leaders believe that the center may easily sacrifice local interests in the name of its greater policy.

<sup>105</sup> *Izvestiia*, April 15, 1997; *Rossiiskaia gazeta*, April 25, 1997, p. 3.

<sup>106</sup> *Nezavisimaia gazeta*, December 10, 1999, p. 6.

## Environmental problems

Ecological troubles demonstrate the growing interdependence of the world. Many Russian regions share common environmental problems with neighboring foreign countries and, given the lack of federal resources, badly need foreign assistance. The importance of environmental problems in Russia is acknowledged by many international actors who are ready to address these issues in the framework of cross-border cooperation. An Environmental Work Program, for example, is now being developed by the EU and Russia under the Partnership and Cooperation Agreement (PCA) of 1994. Some other regional arrangements such as the "Environment for Europe" (Efe) process, the European Energy Charter, the Helsinki Commission, and the Baltic Sea Agenda 21 are designed to meet the ecological challenges in North-West Russia. The contours of a common environmental strategy for the European North were outlined at the October 1999 seminar on "Environmental Aspects of the Northern Dimension" held in Brussels. It was organized by the EU Commission in cooperation with the Nordic Council of Ministers, EU member states (Iceland was particularly helpful), as well as member countries and regional organizations.<sup>107</sup> The Northern Dimension Action Plan also has a special chapter on environmental policy and joint projects.

The environmentalists have distinguished a number of ecological problems affecting Russia, its neighbors, and the global environment, and have called for international cooperation:

<sup>107</sup> Ásgrímsson, Halldór. "The speech of Mr Halldór Ásgrímsson, Minister for Foreign Affairs and External Trade." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen, p. 53. Unit for the Northern Dimension in the Ministry for Foreign Affairs. Finland. Helsinki, 2000.

### Water and air pollution

The Baltic Sea is one of the world's most polluted seas. After World War II, the UK and the USSR dumped German chemical weapons that heavily contaminated the marine environment. At present, wastewater and sewage go untreated straight into the sea. Agricultural chemicals are destroying marine eco-systems. Over-fishing is threatening bio-diversity. Illegal oil spills from shipping are also detrimental to the region's environment. The daily waste of local industries in the St Petersburg area amounts to 120 tons of ammonium, 40 tons of nitric anhydride, 132 tons of oil products, 36 tons of phosphor, 50 tons of iron, and two tons of phenol.<sup>108</sup> Only about two-thirds of the industrial wastewater is purified. Furthermore, the sediment that is created after cleaning is usually thrown into the Neva River or the Gulf of Finland. As a result of a dam construction near St Petersburg, coastal water pollution has increased one and a half times (now amounting to 1,500 mm/m<sup>3</sup>) during the last five years.

To rectify the situation, experts maintain that international agreements on the marine environment of the Baltic Sea should be fully implemented. Forceful action must be taken towards sustainable production techniques, and investment in cleaner technology is needed. According to the Northern Dimension Action Plan, the EU will support investment projects in major "hot spots" to reduce the pollution of the Baltic Sea, particularly in Kaliningrad, St Petersburg, and the River Neva catchment area.<sup>109</sup> The EU also intends to support a monitoring system on the environmental problems of the region in cooperation with the European Environment Agency and in the context of the EfE process. It is not only the EU, but also other international financial institutions that should play a greater role in the new environmental strategy. The Nordic Investment Bank should probably assume a leading role.<sup>110</sup>

Apart from the Baltic Sea, the Arctic zone is also a subject of concern for the international community. According to some data, Russian oil companies pour some 20 to 30 million tons of oil into the Siberian forests and rivers.<sup>111</sup> The Kola Peninsula is in real trouble as well. According to the hydrometeorological service in the Murmansk region, one-third of the 514 water samples taken and analyzed in the first half of 1991 were classified as containing a high degree of pollution, and of these, a further one-third contained an extremely high degree of pollution.<sup>112</sup>

108 Kukkk, Jervell, Joenniemi. *Op. cit.*, p. 114.

109 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, p. 13.

110 Eliasson, Jan. "The speech of Mr Jan Eliasson, State Secretary for Foreign Affairs, Sweden." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs, Finland. Helsinki, 2000, p. 69.

111 "A transformed Russia in a new world." *International Affairs*, vol. 38, April-May 1992, p. 96.

112 *International Challenges*, 1992, vol. 12, no. 4, p. 36.

The industrial centers most exposed to water pollution are Murmansk, Monchegorsk, Nikel and Kandalaksha.

Priorities for a future common environmental policy in the Arctic region could include: (a) keeping the Arctic Ocean clean and reducing releases of pollutants to marine and fresh waters; (b) protecting biological diversity and ensuring sustainable use of natural resources, and (c) reducing emissions of greenhouse gases.<sup>113</sup> Some Nordic countries suggest the establishment of a link not only between the Northern Dimension and the CBSS and BEAC, but also with the Arctic Council.<sup>114</sup> The Council has a well-developed environmental program, which focuses heavily upon the Northern Dimension area, and could be a very valuable addition to the existing arrangements in this field. The Council has an Arctic Monitoring and Assessment Program, for example, that aims at monitoring pollution on the Russian coast of the Arctic Ocean.<sup>115</sup>

Some programs (both multi- and bilateral) are already in place. The EBRD, for example, provided the Komi Republic with a Euro 19.7 million loan for an oil spill recovery program. The Nordic multilateral institutions also contribute to the regional process. In 1990 the Nordic Council of Ministers created the Nordic Environmental Finance Corporation (NEFCO), a risk capital institution with a total capitalization of Euro 80 million. The purpose of this corporation is to facilitate the implementation of environmentally beneficial projects in the Nordic region. NEFCO invested Euro 245,000 in waste treatment and recycling in St Petersburg, provided the St Petersburg local government with a Euro 1.2 million loan for a municipal wastewater treatment plant, and provided the Kostamuksha iron pellet plant in Karelia with a Euro 1.8 million loan to carry out a modernization program.<sup>116</sup> In 1996 the Nordic Council established a special environmental lending facility within the Nordic Investment Bank, with an initial capitalization of Euro 100 million. This facility aims at the reduction of trans-boundary pollution in the BEAR and the Baltic Sea area by providing long-term loans and loan guarantees for public and private projects. Particularly, the NIB funded a number of projects on wastewater treatment and water purification in Kaliningrad and St Petersburg and is preparing to invest money in the ecological projects on the Kola Peninsula.

113 Vollebaek, Knut. "The speech of Mr Knut Vollebaek, Minister for Foreign Affairs, Norway." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen, p. 59. Unit for the Northern Dimension in the Ministry of Foreign Affairs, Finland. Helsinki, 2000.

114 Ásgrímsson. *Op. cit.*, p. 54.

115 Forster, Hans. "The speech of Mr Hans Forster, Ambassador, the Netherlands." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs, Finland. Helsinki, 2000, p. 96.

116 Sawhill, S.G. "The influence of multilateral development banks over environmental politics in the Barents Region." In *The Barents Region Revisited*, ed. Geir Flikke. Oslo: NUPU, 1998, pp. 66-67.

The Bank's representatives, however, criticized Moscow for the lack of commitment from Russia.<sup>117</sup>

Finland and Karelia exercise joint monitoring of the ecological situation on the Finnish-Russian border. Norway pledged NOK 300 million (Euro 37 million) for the modernization of the Pechenganikel metallurgical combine to reduce trans-boundary pollution.<sup>118</sup> A Russian-Norwegian agreement on cooperation for combating oil pollution in the Barents Sea was adopted in 1994, introducing notification commitments in emergency situations and requiring the two countries to elaborate a joint contingency plan.<sup>119</sup> The UK set up a program worth £2 million a year that focuses on air and water pollution, waste management, cleaner production, and sustainable forest management in Russia.<sup>120</sup>

#### *Terrestrial pollution*

Major mineral and metallurgy exploitation activities in Siberia and on the Kola Peninsula have disrupted the landscape in many places. Exploration for oil and gas, the development of new fields, and other activities connected with petroleum heavily affect the interests of reindeer herding. Military exercises and transport are very damaging to the environment as well.

#### *Forest (Taiga) and bog destruction*

As Russian forests make up 25% of all the world's forests, they play a tremendous role in the functioning of the global biosphere and the climate of the planet. The Siberian Taiga absorbs as much as, or even more carbon dioxide than the planet's rain forests, thereby stabilizing the atmosphere.<sup>121</sup> Industrial and agricultural activities destroy forests and bogs in Siberia and on the Kola Peninsula, forest degradation violates the regional ecosystem balance through encroachment and over-exploitation and deteriorates animal and human living conditions.<sup>122</sup>

117 Sigurdsson, Jon. "The speech of Mr Jon Sigurdsson, President of the Nordic Investment Bank." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland. Helsinki, 2000, p. 71.

118 Sigurdsson, Jon. "The environment of the Barents Region and the role of the Nordic Investment Bank." In *Europe's Northern Dimension: The BEAR Meets the South*, eds. Lassi Heininen and Richard Langlais. Rovaniemi: University of Lapland Press, 1997, pp. 133-134; Sawhill. *Op. cit.*, p. 66.

119 Stokke, O.S. "Regional dynamics for protection of the marine environment." In *Europe's Northern Dimension: The BEAR Meets the South*, eds. Lassi Heininen and Richard Langlais. Rovaniemi: University of Lapland Press, 1997, p. 170.

120 Vaz, Keith. "The speech of Mr Keith Vaz, Minister for Europe, United Kingdom." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland. Helsinki, 2000, p. 56.

121 "A Transformed Russia in a New World", p. 96.

122 Heininen, Lassi and Jyrky Kakkonen, eds. *Arctic Complexity: Essays on Arctic Interdependence*. TAPRI Occasional Papers, no. 44. Tampere: Tampere Peace Research Institute, 1991, pp. 129-149.

Scientists also point out that an additional effect of deforestation is that the soil releases more methane into the atmosphere than before. Methane is a powerful gas which alters the atmosphere to a far greater extent than carbon dioxide, thus speeding up the greenhouse effect.

Reflecting international concerns, a parliamentary conference was held in 1992 in Washington, DC. Initiated by EU representatives, a special resolution on the Siberian forests was adopted.<sup>123</sup> In March 1999 the BEAC also launched the Barents Region Forest Sector Initiative. This initiative aims at improving sustainable forest management and conservation, human resource development, and socioeconomic sustainability in the Barents region.<sup>124</sup> A number of EU initiatives were oriented towards protecting forests against atmospheric pollution (Council Regulation EEC No. 3528/86), preventing forest fires (Council Regulation EEC No. 2158/92), and towards supporting pre-accession measures for agriculture and rural development in the candidate countries (Council Regulation EC No. 1268/99).

In the context of the Baltic Sea Agenda 21 process, an Action Plan on Forests was adopted in 1998. The following problems were identified as key areas for priority action within the EU's Northern Dimension: (1) promotion of sustainable forest management and efficiency in private forestry within the Baltic Sea region through the establishment of organizational structures or networks of forest owners, and the exchange of information on advisory services; (2) a gap analysis on forest conservation areas; (3) establishment of demonstration areas to illustrate forest management practices and planning; (4) setting up a regional group for exchanging experiences and technological know-how, and promoting the use of wood-based energy; (5) promotion of the use of wood and wood-based products; (6) exchange of information and national experiences on criteria and indicators for sustainable forest management; and (7) increasing networking and expertise in the forest sector through human resources development.<sup>125</sup>

#### *Climate change*

Deforestation and the intensive use of fossil fuels are two major sources of the greenhouse effect. According to the EU report "Environment in the European Union at the turn of the Century" (1999), the world-wide increase in the use of fossil fuels will lead to a 3C increase in the mean temperature in Finland and North-West Russia between 1990 and 2050, this being the highest temperature increase expected in Europe.<sup>126</sup> The greenhouse effect may result in a long-range climatic change. Because of the greenhouse effect, biologists predict that the tundra areas

123 "A Transformed Russia in a New World", p. 96.

124 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, p. 12.

125 *Ibid.*, p. 14.

126 *Ibid.*, p. 12.



will shrink, and the forests will creep North along coasts, up mountain slopes, and into former tundra areas.<sup>127</sup> These processes would likewise change the composition of plant and animal communities. This warming trend has major implications for human activities in the North (offshore and onshore oil drilling, hydroelectric projects, and agriculture).

To combat climate changes the EU is going to launch a regional pilot scheme for joint implementation projects on climate changes, and projects to improve energy efficiency and better monitoring emissions.<sup>128</sup>

#### *Fisheries and the marine environment*

As mentioned above the Baltic Sea and the Barents Sea suffer severely from water pollution. The stocks of some species such as cod and salmon are under pressure because of over-exploitation and poor water quality. To protect the marine environment, Brussels and Moscow are preparing an EU-Russia Fisheries Cooperation Agreement.<sup>129</sup> The Northern Dimension Action Plan also foresees a number of concrete measures such as: (a) implementation of a Salmon Action Plan to support the restoration of damaged habitats, development of fishing surveys, and monitoring in salmon index rivers; and (b) achievement of sustainable aquaculture – action to minimize the environmental impact of aquaculture. Russia and Norway have already developed an arrangement pertaining to the fisheries of the Barents Sea.

#### *Nuclear safety*

Northern Russia has the largest concentration of nuclear installations – both military and civilian – in the world. More than 80 nuclear submarines are located in Russia, with more than 200 nuclear reactors stored within the submarines.<sup>130</sup> According to some assessments, the operational risks of the 10 reactors in the power plants bordering the EU in Russia and Lithuania also present a serious threat to the population and to a large area of Europe.<sup>131</sup> Spent nuclear fuel and radioactive waste in Russia is also a huge and worrying problem.

127 Osherenko, Gail and Oran Young. *The Age of the Arctic. Hot Conflicts and Cold Realities*. Cambridge: Cambridge University Press, 1989, pp. 125-126.

128 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, p. 13.

129 *Ibid.*, p. 12.

130 Ahunov, Viktor. "The speech of Mr Viktor Ahunov, Deputy Director General, Ministry of Atomic Energy." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland. Helsinki, 2000, p. 73. According to EU sources, there are approximately 300 nuclear reactors (20% of the world's total) in the region (Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, p. 14).

131 Patten, Chris. "A Northern Dimension for the policies of the European Union: current and future activities." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12*

The environmentalists believe that the northern part of Russia and the Arctic Ocean are most vulnerable to nuclear contamination. Tens of thousands of cubic meters of seriously contaminated nuclear waste have been collected there.<sup>132</sup> Radiation emanating from nuclear munition factories in Krasnoyarsk, Tomsk, and Chelyabinsk used to float into the Arctic Ocean down the great Siberian rivers.<sup>133</sup> From 1964 to 1991, fluid and solid radioactive waste has been dumped in the Barents and Kara seas. According to the report of the Yablokov Commission, the Soviet Union has dumped 16 nuclear reactors in the Kara Sea (including six with nuclear fuel). A container with nuclear waste from the icebreaker "Lenin" has also been dumped. General radioactive waste amounts to 319,000 curie in the Barents Sea and 2,419,000 curie in the Kara Sea.<sup>134</sup> The Yablokov Commission remained very pessimistic with regard to the prospect of either reducing or completely stopping the dumping.

Reactor operations involve the transport, processing, shifting and storage of radioactive fuel and waste. According to the Norwegian State Nuclear Inspection, the storage of highly radioactive used fuel on board vessels, as was the case in Murmansk city, represents an unacceptably high safety risk. In 1996 the Norwegian environmental organization, Bellona, issued a report singling out the Northern Fleet as the main source of ecological threat. After the dumping was stopped in 1991, the storage facilities for liquid and solid waste were filled rapidly. The development of stationing systems, and the technical maintenance and repairs of naval nuclear-powered ships lagged far behind the production of those ships with the new requirements. The report describes several accidents which have occurred at spent nuclear fuel storage locations. It provides a detailed description of an accident which took place in Andreev Bay in 1982, only 45 km away from the Norwegian border. The authors of the report conclude that the situation has become disastrous because the stored nuclear fuel cannot be removed for at least another 30 to 40 years.<sup>135</sup> Meanwhile, the report has evoked a fierce reaction from both commanders in the Northern Fleet and Russian counterintelligence. Bellona was accused of being the Trojan horse of Western intelligence services. Alexander Nikitin, a retired Russian naval officer who cooperated with Bellona and contributed to the said report, was arrested as a spy, after supposedly gathering secret information on Russia's nuclear submarines.<sup>136</sup> It took four years to clear Nikitin of the above accusations.

*November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland. Helsinki, 2000, p. 12.

132 Ahuniv. *Op. cit.*, p. 73.

133 "A Transformed Russia in a New World," p. 97.

134 *Izvestiya*, 1993, April 20; *International Herald Tribune*, 1993, April 28; Gizewski, P. "Military activity and environmental security: the case of radioactivity in the Arctic." In *Environmental Security and Quality after Communism: Eastern Europe and the Soviet Successor States*, eds. J. DeBardleben and J. Hannigan, pp. 25-41. Boulder: Westview Press, 1995.

135 Tereshkin, V. "Environmentalist or spy?" *Moscow News*, April 4-10, 1996, p. 6.

136 *Ibid.*; Gordon, M. R. "Officer charged as spy is treated Soviet-style." *International Herald Tribune*, 29 November 1996, p. 6.

The European multilateral institutions pay particular attention to the protection of the environment and nuclear safety in North-Western Russia. The Nuclear Safety Account (NSA) was established as a special grant facility within the EBRD in order to serve as a mechanism to finance operational and near-term technical safety improvements for Soviet-designed reactors in the former socialist countries. The NSA is capitalized at Euro 257.2 million, provided by fourteen donor states (including Nordic countries, such as Finland, Norway, and Sweden) and the EU. The NSA provided grants for safety upgrades in the Kola and Leningrad nuclear plants (Euro 45 and 30 million, respectively).<sup>137</sup>

In 1995 the Nordic countries initiated an international Contact Expert Group, the CEG, under the aegis of the International Energy Agency (IEA). The group is made up of representatives of twelve countries and three international organizations. This group meets regularly at least twice a year and coordinates a number of projects on nuclear waste and nuclear submarines, particularly in North-West Russia. At its November 1999 meeting the members of the CEG decided to report to their governments and participants of the Northern Dimension in order to inform them of the most compelling problems and to stimulate fund-raising for investment projects.<sup>138</sup>

Moscow has also signed a number of fairly promising agreements with Sweden and Norway on handling nuclear waste and nuclear safety issues. According to these documents, priority should be given to the following concrete projects: NEFCO to remove hazardous nuclear waste stored on board the vessel Lepse in Murmansk; the Arctic Military Environmental Cooperation which also aims at the treatment of radioactive waste in Murmansk; joint Norwegian-Russian arrangements on environmental cooperation in connection with nuclear submarine dismantling; and multilateral energy efficiency projects under the BEAC, IEA, ECE, and Energy Charter auspices.<sup>139</sup> The Netherlands contributed 0.5 million guilders to the Lepse project.<sup>140</sup> The UK provides £5 million for nuclear clean up in the Kola Peninsula.<sup>141</sup> The so-called AMEC project was signed by the ministers of defense of Russia, the United States and Norway. The program aims at constructing a concrete container for the long-term storage of spent nuclear waste fuel.<sup>142</sup>

The nuclear challenges in North-West Russia are of such a magnitude that concerted international action is necessary. This is why in Bodø, in March 1999, the BEAC recommended that the interested nations and the European Commission negotiate a *Multilateral Nuclear Environmental Program in the Russian Federa-*

*tion (MNEPR)* with Russia. This international agreement will serve as an umbrella for all the projects on nuclear waste and spent fuel in Russia. The agreement will contain a set of obligations for Russia and will establish a mechanism for better coordination. Such a program would greatly facilitate the planning and implementation of nuclear projects in North-West Russia. Negotiations are in the final stage. The questions that are still outstanding relate to tax and customs exemption, including liability, access, and auditing.<sup>143</sup>

In the meantime, the EU policy aims at obtaining a commitment from the Russian government that the designed lifetime of the Leningrad and Kola nuclear power stations will not be extended. There are also some short-term TACIS projects underway:

- Assessment of necessary improvements at the submarines' unloading facilities at Iokanga/Gremikha. There are several decommissioned nuclear submarines from which no nuclear fuel has yet been removed in storage at the Gremikha naval base. The project aims at assessing the existing defuelling equipment, and proposing and costing those actions necessary to refurbish the equipment and facilities that could later be proposed to international partners for financial support. The project is complemented by a feasibility study that will analyze the level of environmental contamination and will explore radioactive waste management alternatives.
- A feasibility study for the rehabilitation of the Andreev Bay technical base (Murmansk region). The base that was initially built for the storage of spent fuel and radioactive waste from nuclear submarines (reportedly there are over 20,000 spent fuel elements on the site) has now been transferred from the Russian Northern Fleet to the Ministry of Atomic Energy for rehabilitation. Access and a preliminary technical feasibility study are needed before any longer term projects can be planned at the base.<sup>144</sup>

The new TACIS Regulation for the period 2000-2006 explicitly links further nuclear safety programs to two basic conditions: (a) the existence of a Russian strategy for radioactive waste and spent fuel management, and (b) the conclusion of the MNEPR framework agreement.

<sup>137</sup> Sawhill. *Op. cit.*, pp. 66-67.

<sup>138</sup> Ahunov. *Op. cit.*, pp. 73-74.

<sup>139</sup> *Rossiiskaia gazeta*, March 13, 1997.

<sup>140</sup> Forster. *Op. cit.*, p. 96.

<sup>141</sup> Vaz. *Op. cit.*, p. 56.

<sup>142</sup> Ahunov. *Op. cit.*, p. 74.

<sup>143</sup> Eliasson. *Op. cit.*, p. 69; Vollebaek. *Op. cit.*, p. 59.

<sup>144</sup> Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, p. 16.

## Societal challenges

Globalization affects not only the economy and culture, but also societal structures and makes social problems that emerged in one country a common concern for the entire region. Mass migration, internationalization of organized crime, unemployment, and communicable diseases are the most outstanding examples of the transborder challenges in present-day Eurasia.

### *Migration*

Mass migration is one of the most important international factors that affect socioeconomic and political processes in the Russian regions. There are two main sources of migration from abroad: ethnic conflicts in Russia's vicinity and economic considerations.

The first type of migration influences mainly the Southern regions and Moscow. The North Caucasian economic region alone, for example, received about 40% of the 320,000 refugees in 1993. After the first Chechen war the number of refugees increased considerably: in 1995 alone 200,000 refugees left the breakaway republic.<sup>145</sup> As a result of the second Chechen war about 170,000 displaced persons were hosted by the refugee camps in Ingushetia. By the year 1995, Russia hosted about 2,000,000 refugees.<sup>146</sup> According to some prognoses, there could be about 400,000 refugees from the Trans-Caucasus, 3,000,000 refugees

145 Vardanian, R. A. "Vlianie reformirovaniia ekonomiki na protsessy mezhdunarodnoi migratsii" (Impact of economic reforms on international migration). *Sotsis*, no. 12, 1995, p. 59.

146 Kutepova, N. "'Gruppy Riska' i problemy zastoinoi bezrobotitsy" ("Risk groups" and the problem of stagnant unemployment). *Chelovek i Trud*, no. 10 (1993), p. 7; Vardanian. *Op. cit.*, p. 59.

from Central Asia and 400,000 refugees from the Baltic States entering Russia. Up to 5,500,000 migrants could arrive in Russia in the foreseeable future.<sup>147</sup>

Such migration can involve a number of negative implications. First of all, refugees are a strain on the local budget and social infrastructure. Many refugees have lost their properties and sources of income. According to statistics, only one-third of the refugees have their own apartments in Russia. Two per cent of the refugees have lost everything, including documents. Seven per cent had to leave their homes without money.<sup>148</sup> The federal authorities are unable to cope with the problem because of the lack of finances. According to Tatiana Regent, ex-director of the Russian Migration Service, this agency needed 2 trillion rubles in 1994. The government, however, authorized only 545 billion rubles. In the end, the agency received only 293.4 billion rubles.<sup>149</sup> In 2000 the agency was abolished and its functions were transferred to the Ministry of Nationalities and Regional Policy.

Second, migration complicates situations within the labor market. Only about 60% of the refugees get jobs when they move to another place.<sup>150</sup> In 1993 unemployment reached the level of 4-5% in Northern Caucasus, a formerly prosperous region. Wasted man-hours exceeded the average Russian index by 17%. The turnover of manpower rose to more than the average index by 25% in industry and 16.4% in construction.<sup>151</sup>

Third, refugees have often formed a social basis for crime and have been involved in criminal groups (sometimes inter-regional groups). The migrants themselves have often been the victims of criminal elements and corrupted officials.<sup>152</sup>

Finally, migration has increased inter-ethnic tensions in a number of Russian regions. Since 1991, for example, there has been a significant increase in tensions between the Ossetians and Ingushs, Ingushs and Cossacks, Kabardians and Balkars, and Ingushs and Chechens. There were 27 lawsuits dealing with inter-ethnic conflicts in Checheno-Ingushetia in 1991 alone.<sup>153</sup>

Russia's Far East and Moscow are the two main regions which face the problem of migration driven by economic rationales. In 1993 the Russian Ministry of the Interior registered thousands of illegal migrants in Moscow: 50,000 Chinese,

23,000 Indians, 15,000 Afghans, and 10,000 Iranians and Iraqis. The Ministry was unable to count the Vietnamese and the Mongols, who outnumbered the illegal migrants from the above mentioned countries.<sup>154</sup> According to other sources there were between 700,000 and 1,500,000 illegal migrants in 2000.<sup>155</sup>

The Chinese migrants are a matter of concern to the Russian provinces in the Far East. According to some accounts, there are 2,000,000 Chinese in the Russian Federation (300,000 to 1,000,000 are in the Far East).<sup>156</sup> The Chinese migrants are suspected of buying up real estate, vouchers and shares, and as well have been charged with spreading organized crime. Many Russian experts are afraid of further Chinese mass migrations because of the overpopulation of the northern provinces of the PRC. "All of us here fear the Chinese," said one Russian expert from the Maritime Province, and continues, "On one side of the border there is a population of 2.5 million, and on the other there are 120 million who are beginning to feel they have too small an area to live in".<sup>157</sup> Even President Putin fears that in a few decades the population of the Russian Far East will be mostly speaking Chinese, Japanese or Korean if the current trend persists.<sup>158</sup>

Other sources, however, with a closer knowledge of the subject disagree with the existence of a "Chinese threat". According to official statistics, the daily number of the Chinese visiting the Maritime Province fluctuated from 40,000 to 150,000 in 1993. On January 29, 1994, the Russian authorities established the visa regime for the Chinese. Over the period 1994-95, 6,003 illegal migrants were deported from the Maritime Province (this figure included not only Chinese citizens). The number of Chinese people who became permanent residents in the Russian Far East is insignificant: 87 people in Amur Oblast and 170 in Khabarovsk Krai.<sup>159</sup> The number of Chinese contracted for work in the Far Eastern provinces is quite modest as well: 10,000 workers in 1990 and 17,000-18,000 migrants in 1992-93. In 1993 there were 10,000 Chinese workers in Chita Oblast, 1,000-2,000 workers in the Maritime Province and Amur Oblast, and 1,560 in Khabarovsk Krai. Compared with the period prior to the year 1937, when the Chinese and Koreans were deported from the Russian Far East, the level of the Chinese migration is insignificant: in the past these two ethnic groups comprised 20% of the local population, and nobody was concerned.<sup>160</sup>

147 Vardanian. *Op. cit.*, p. 59.

148 Voinova, V. D. and I. G. Ushkalov. "Sovremennye emigratsionnye protsessy v Rossii" (Contemporary migration processes in Russia). *Sotsis*, no. 1 (1994), pp. 45-46.

149 *Mezhdunarodnaia Zhizn'*, no. 4-5 (1996), p. 72.

150 Voinova and Ushkalov. *Op. cit.*, pp. 45-46.

151 Matysina, N. "Local'nye rynki truda" (Local labor markets) *Chelovek i Trud*, no. 10 (1993), p. 17.

152 Grachev, Sergei. "Problemy migratsionnogo protsessa i prestupnost'" (The problem of migration and crime). In *Sud by Razdelennykh Narodov: Istorii i Sovremennost'*, ed. Oleg Kolobov. Nizhniy Novgorod: University of Nizhniy Novgorod, 1996, pp. 152-153.

153 *Ibid.*, p. 154; Lunev, V.V. "Prestupnost' v mezhnatsionalnykh konfliktakh" (Crime in inter-ethnic conflicts). *Sotsis*, no. 4 (1995), p. 104.

154 Kutepova. *Op. cit.*, p. 7.

155 Charodeev, Gennadii. "Neiskustvennyi bar'er" (A non-artificial barrier). *Izvestiia*, September 5, 2000, p. 2.

156 Portiakov. *Op. cit.*, p. 83.

157 Balburov. *Op. cit.*, p. 4.

158 Kosyrev, Dmitrii. "Putin postavil vopros. Lingvisticheskii ili politicheskii?" (Putin raised a question. Linguistical or political one?). *Nezavisimaya gazeta*, 21 July 2000, p. 1.

159 Portiakov. *Op. cit.*, p. 83.

160 *Ibid.*

Contrary to the “alarmists”, some Russian experts consider that a limited migration of the Chinese and Koreans could contribute to the positive development of the Russian Far East.<sup>161</sup> Migrants can compensate for the lack of manpower and can bring some investments to the troubled economy of a region.

To prevent illegal migration Moscow announced on August 30, 2000, that it is abrogating the Bishkek agreement of 1992 on the visa-free regime within the CIS. The Russian Foreign Ministry said that bilateral agreements on a new visa regime should be concluded with the CIS member states within 90 days.<sup>162</sup> This measure provoked a fierce reaction from the CIS countries (especially from the Belorussian President Lukashenka who blamed the Kremlin for wanting to undermine the creation of the Russian-Belorussian confederation). Many specialists doubt that the above three-month period is realistic in terms of implementation.

Many foreign countries are eager to cooperate with Russia to prevent illegal migration. Under the Finnish Presidency in the EU, for example, several meetings and seminars on illegal migration were organized in 1999. Russia also occasionally participates in meetings of the CIREA and CIREFI Groups (exchange of information on asylum and illegal immigration), the Visa Group, etc. The EU Justice and Home Affairs Committee analyzed the development of relations with Russia in this context in its meeting on October 4, 1999.<sup>163</sup> These activities, however, should be augmented by more regular and extensive programs under the auspices of the Northern Dimension. The conclusion of an EU-Russia agreement on re-admission would be useful as well.

#### *Fighting organized crime*

Cross-border crime is also an important area, and a common concern, particularly the trafficking of drugs, money, goods, and even people. These crimes have a significant impact on people's lives, the pace of economic and political reforms, and they undercut government revenues. At the operational level, the police, customs and special services, and border guards need to be trained to understand the implications of the international laws and conventions signed by their governments. Continued training for officials from these agencies will also increase their ability to counteract illegal activities.

Russia cooperates with foreign countries both at the bilateral and multilateral levels in this field. In September 2000, for example, the Russian and Kazakh

161 Portiakov. *Op. cit.*, p. 83.

162 Airapetova, Natalia. “Bezvizovogo rezhima ne budet” (There will be no visa-free regime). *Nezavisimaya gazeta*, September 1, 2000, p. 1; and Charodeev, Gennadii. “Neiskustvennyi bar'er” (A non-artificial barrier). *Izvestiia*, September 5, 2000, p. 2.

163 De Miguel, Ramon. “The answer to Europe's important challenges in trans-border matters: cooperation in Justice and Home Affairs.” In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland. Helsinki, 2000, p. 66.

delegations met in Saratov to discuss the problem of strengthening the common border, including fighting drug trafficking (90% of drugs in the Saratov region used to come from Kazakhstan).<sup>164</sup>

Russia cooperates not only with the CIS member states but also with other countries. A Russian-British Memorandum of Understanding on combating organized crime was signed in October 1997. The Task Force on Organized Crime in the Baltic Sea Region (Visby Group), developed under the auspices of the CBSS, has taken a leading role in building cooperation between regional law enforcement agencies.<sup>165</sup> Amongst the initiatives set up by the EU common strategy for Russia (adopted at the 1999 Cologne European Council's meeting) it was agreed to propose an action plan to fight corruption, money laundering, drug trafficking, trafficking in human beings, and illegal migration.<sup>166</sup> At its October 1999 Tampere meeting, the European Council proposed several concrete recommendations which aim at joint measures to combat organized crime.<sup>167</sup> Sweden also wants to see the EU's early-warning system for synthetic drugs and the EU public prosecutors' network extended to participants from other countries of the region.<sup>168</sup> All of these measures will be encouraged and developed within the Northern Dimension.

#### *Social welfare*

Unemployment is high in many Russian border regions. In North-Western Russia, for example, about 10% of the work force is jobless, and people are leaving the region for a better future elsewhere in Russia. Entire communities, such as Nikel and Pechenga on the Kola Peninsula, are facing an uncertain future. The same situation can be found in the High North and the Far East. Pensions are very low compared to the costs of living, and wage and pension arrears are widespread.

Many Russian regions hope that international cooperation could help to ease these social hardships. Some specialists suggest that international assistance should be focused on issues such as (a) unemployment and retraining schemes; care of children at risk, and (c) the elderly people.<sup>169</sup>

164 *Izvestiia*, September 20, 2000, p. 2.

165 Vaz. *Op. cit.*, p. 56.

166 De Miguel. *Op. cit.*, p. 66.

167 Ranieri, Umberto. “The speech of Mr Umberto Ranieri, Under Secretary of State, Italy.” In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland. Helsinki, 2000, p. 63.

168 Eliassen. *Op. cit.*, p. 70.

169 Walter. *Op. cit.*, p. 112.

*Health care*

The health situation in many Russian regions is deteriorating because of economic and social circumstances. Communicable diseases such as tuberculosis, syphilis, hepatitis, diphtheria and HIV/AIDS are increasing alarmingly, with consequences across the national borders. According to experts, the dramatic rise in multi-resistant tuberculosis bacteria is of particular concern. Drug abuse negatively affects the work force productivity and the rates of violent crime.

For these reasons, regional cooperation aimed at combating the spread of communicable diseases is of high relevance. Some health care programs have already started. Sweden has launched an initiative to intensify these programs and to involve more players. To this end, a seminar for experts from the Barents and Baltic Sea regions was held in Uppsala in January 2000 in order to identify the weaknesses and the requirements of this cooperation.<sup>170</sup> The BEAC has a public health program of its own.

TACIS has a Euro 2 million North-West health duplication project for the Kaliningrad, Murmansk, and Arkhangelsk oblasts. The project aims at reducing health and social disparities across the border by supporting the reform of the local health system.<sup>171</sup>

The EU Action Plan for the Northern Dimension envisages: (a) establishing a data base on the assistance and technical cooperation between the countries of the Northern Dimension (information on health sector reforms, health policy formulation, health financing, health care provision, human resource development, the pharmaceutical sector, etc.); (b) extending the recently established EU surveillance network on communicable diseases to all Northern Dimension partner countries; (c) dissemination of the best practices in health care and social work through new technologies; (d) the use of TACIS programs to reform the Russian health system, including its decentralization; and (e) close cooperation with organizations such as the Community Network for Epidemiological Surveillance and Control of Communicable Diseases, the EU-US Task Force on Communicable Diseases, and with the World Health Organization (with particular emphasis on combating tuberculosis and HIV/AIDS).<sup>172</sup>

<sup>170</sup> Eliasson. *Op. cit.*, p. 69.

<sup>171</sup> Commission of the European Communities. "Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003", p. 32.

<sup>172</sup> *Ibid.*, p. 18.

**Ethnic factors**

Ethnic factors also play a role in Russia's regionalization. There are, for example, some related (Finno-Ugrian) nations in the North. These hope that the historic and cultural links with Finland and other Nordic countries will assist them in the restoration of their national identity and the reform of local societies. There are some separatist voices among the northern nationalities (especially in Karelia), but most of them demand more autonomy and representation at the national and international level, rather than secession.

According to Erikson, the indigenous peoples within the Euro-Arctic area, such as the Sami, for instance, are currently the only viable "nations".<sup>173</sup> Even though there is no real Sami struggle for a sovereign state, the Sami sometimes speak of themselves as a nation and claim some rights similar to those of a state. A recent example of this was their demand for representation in the Foreign Ministers' Barents Council – that is, for recognition as a nation comparable with nation-states – as well as representation in the Regional Council. They were, however, only able to obtain representation in the inter-regional institutions.

The Russian leadership understands the need for cooperation between the related nations, and favors the establishment of cultural ties among, for instance, Finns and Karelians, Mordva, Sami, Komi, Mansi, and others.<sup>174</sup> According to the Russian Foreign Ministry, nearly 70 joint projects concerning the economy, industry, agriculture, culture, the problems of indigenous populations, tourism, and

<sup>173</sup> Erikson, J. "Euro-Arctic insecurity: the polity puzzle." In *Common Security in Northern Europe after the Cold War*, ed. G. Baecklund, p. 62. Stockholm: The Olof Palme International Center, 1994.

<sup>174</sup> *Nordic Council of Ministers Newsletter*, no. 1, January 1993, p. 3; Osherenko and Young. *Op. cit.*, pp. 84-86.

health care are being conducted by the member-states of the Barents/Euro-Arctic Council.<sup>175</sup> The assistance to the indigenous people is also an important priority of the EU's Northern Dimension. The EU programs will focus on problems such as the preservation of the natural environment where these peoples live, their local economy, as well as their traditional cultures.<sup>176</sup> It is considered important to respect the rights and interests of indigenous peoples in the context of the industrialization and modernization of industries and infrastructure in the northern part of Russia.<sup>177</sup> At the same time, Moscow strongly opposes any nationalist or separatist tendencies in the regions.

<sup>175</sup> Matvienko. *Op. cit.*, p. 91.

<sup>176</sup> Aikio, Pekka. "The speech of Mr Pekka Aikio, President of the Sami Parliament, Finland." In *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*, ed. Marja Nissen. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland. Helsinki, 2000, pp. 101-102.

<sup>177</sup> Marja Nissen, ed. *Foreign Ministers' Conference on the Northern Dimension, Helsinki, 11-12 November 1999. A Compilation of Speeches*. Unit for the Northern Dimension in the Ministry of Foreign Affairs. Finland. Helsinki, 2000, p. 123.

## Cultural factors

The cultural cooperation with foreign countries also has a certain impact on the process of regionalization, and the foreign and security policies of Russian regions.

First and foremost, cultural cooperation helps to breed a new generation of managers, administrators, politicians, academics, and journalists. Numerous international organizations such as the Open Society Institute (the Soros Foundation), the MacArthur Foundation, Carnegie Endowment, the Ford Foundation, Eurasia, IREX, Fulbright Committee, the British Council, the Konrad Adenauer Foundation, and the Volkswagen Foundation have launched educational and research programs that aim at creating new regional elites. As mentioned above, many of these have special regional programs or reserve a certain quota for applicants from the regions.

The case of Novgorod Oblast is exemplary. With the help of foreign sponsors the Novgorod government launched numerous programs to train local entrepreneurs in international business administration. A Business and Training Center for Entrepreneurship and Small Business, for instance, has been established as a result of a joint project with a number of foreign donors. An International Business School was created jointly with the British Know-How Fund.<sup>178</sup> A St Petersburg-based British Construction and Training Company has established a branch in Novgorod. The Danish government has also set up a training center in the town. Sweden has sponsored a 10-month educational program to

<sup>178</sup> *Investment Climate of Novgorod Oblast*. Novgorod: Novgorod Oblast Administration, 1999, p. 9.

train women from rural areas in housekeeping. The Russian teachers employed by the program have been trained in Sweden.<sup>179</sup>

Under the auspices of the grant-providing program called "BISTRO", TACIS provided the oblast with Euro 66,000 to invite European experts to teach economics, finance, and management in Novgorod.<sup>180</sup> TACIS also funded a correspondence course program in several areas such as agribusiness, new information technologies, ecology and sustainable agriculture, and agricultural consulting. This program was aimed at the retraining of teachers, curriculum development, the creation of electronic textbooks, and acquiring new equipment for the Novgorod colleges.<sup>181</sup>

The Konrad Adenauer Foundation and the Ebert Foundation have also financed training programs in Novgorod.<sup>182</sup> A Russian-American School of Business Administration was run for three years as part of the joint project initiated by the Novgorod State University and Portland University (US).

In 1997 the US Agency for International Development and the US Information Service established a US\$ 10 million Partnership for Freedom program (Pff), with the Eurasia Foundation and IREX serving as subcontractors. IREX was mainly responsible for educational projects, while the Eurasia Foundation was in charge of grants for social and administrative purposes. Pff awarded 39 and 24 grants in 1998 and 1999 respectively.<sup>183</sup>

Another venue for cultural cooperation between Russian regions and foreign partners are twinning programs. The Northern Dimension Action Plan identifies twinning arrangements as an important priority for the future EU policy towards Russia.<sup>184</sup> Novgorod Oblast, for example, has twinning relations with several foreign towns and regions, including Moss (Norway), Uusikalpunte (Finland), Bielefeld (Germany), Nanter (Greater Paris), Watford (Greater London), Rochester (New York, US), and Tzybo (China). There are also plans underway to sign an agreement on cooperation with Strasbourg (France). TACIS financed a Euro 100,000 pilot project on twin cities to support the local government's efforts to develop its international contacts.<sup>185</sup>

179 *Rossiiskaia Federatsiia*, no. 26 (1999), p. 6.

180 Interview with Mikhail Godgildiev, Head of Department of Industrial Policy and Foreign Economic Relations, and Boris Vishnevskii, Deputy Head of Department of Industrial Policy and Foreign Economic Relations, Novgorod City Administration, October 11, 1999.

181 *Rossiiskaia Federatsiia*, no. 26 (1999), p. 6.

182 Interview with Vasilii Ivanov, Chairman of the Oblast Economic Committee, Novgorod Oblast Administration, October 11, 1999.

183 Interview with Roman Zolin, Executive Director, Novgorod Support Center for NGOs, October 11, 1999.

184 Commission of the European Communities. *Action Plan for the Northern Dimension in the External and Cross-border Policies of the European Union 2000-2003*, p. 6.

185 Interview with Isaak Freidman, Head of Department of Foreign Relations, City Promotion and Tourism, Novgorod City Administration, October 11, 1999.

The close cultural cooperation between Russian and foreign regions has a solid historical background in some cases. To pay tribute to its historical past, for instance, Novgorod joined the Hanseatic League in 1993. Along with economic considerations, this organization is important for Novgorod in terms of cultural cooperation. Novgorod applied for US\$ 800,000 to renovate the Nikol'skii cathedral. The league, however, only provided the town with half of the requested amount. TACIS also provided the local administration with a Euro 100,000 grant to renovate Novgorod's historical center.<sup>186</sup>

The use of cultural events for business purposes is quite typical for many Russian regions. The Nizhnii Novgorod Fair, for example, is both a commercial and cultural enterprise. The so-called Cooperation Days, aimed at developing the region's international contacts, has become a rather traditional event in Novgorod Oblast. In September 1999 for example, 60 foreign firms, educational organizations, and NGOs took part in the Novgorod Cooperation Days.

It should be noted that some regions might begin to view foreign policy differently thanks to the cultural cooperation with foreign countries. Further/other internationalist, cosmopolitan and inward-looking conservative regions can be distinguished. Novgorod Oblast, for instance, one of the most advanced Russian regions in terms of international cooperation, stayed aloof from the heated debates on NATO enlargement and the Balkan war. Remarkably, in 1997 a memorial to the German soldiers from the SS division killed during World War II was opened in Korostyn village on the bank of the Il'men' Lake.<sup>187</sup> Despite some grumbling on the part of the veteran organizations, the local authorities demonstrated that they favor reconciliation with former adversaries rather than looking for a renewal of enmity.

186 *Ibid.*

187 Riskin, Andrei, "Chernyi Krest nad Il'menem" (The Black Cross Over the Ilmen Lake), *Rossiiskaia gazeta*, December 4, 1999, p. 4.



## Religious factors

Religious factors, such as Islam, also influence regional developments in Russia. Their implications vary from region to region. In Chechnya, for example, Islamic fundamentalism (Wahhabism) has been a powerful incentive for secession. The Islamic fundamentalist organizations and foundations not only supported the Chechen separatists spiritually, but also provided them with money and weapons. According to the Russian mass media, Hattab, the Arab leader of the Wahhabi in Chechnya, had a 3,000-strong army and trained Islamic fanatics and terrorists from all over Russia.

In Tatarstan, Islam is one of the tools of restoration of the national culture and identity, rather than a source of separatism. According to many experts, there is no indication that Islamic extremism would be easily encouraged in Tatarstan. As one American analyst notes, “the role of Islam [in Tatarstan] today is to be compared with the role of the Catholic Church in the Polish movement for independence and the growing prominence of the Orthodox church in the culture of the re-emerging Russian nation, where it is seen as one of the legitimate components of a modern, national secular culture.”<sup>188</sup>

Islam serves as Tatarstan’s additional channel for international cooperation. Arabic and Islamic representatives held a two-day forum on “Muslims and the New World Order – Our Reality and the Horizons of the Future in the Framework of Cooperation”.<sup>189</sup> During the opening of the largest mosque in Russia,

<sup>188</sup> Petersen, Phillip. “Russia’s Volga Region: bridgehead for Islamic revolution or source of an indigenous alternative political paradigm?” *European Security*, vol. 5, no. 1 (spring 1996). p. 137.

<sup>189</sup> *Ibid.*

built in Naberezhnye Chelny, the “heart of Tatar radicalism”, for example, in honor of the 1,100th anniversary of the adoption of Islam.

Other religions are of less significance as regards their impact on the regional dynamics in Russia. The Russian Orthodox Church, for example, has been involved in public debates, such as discussions on the protection of the Russian-speaking minorities in the “near abroad”, foreign religious sects, and intra-church relations.

The Russian Orthodoxy has been quite irritated by the activities of various “pseudo-Christian” sects and other foreign missionaries in the Russian regions. As one of the Church’s representatives observed, “We cannot ignore the ‘spiritual intervention’ coming from abroad in a muddy torrent which impinges destructively on the souls, especially those of young people.”<sup>190</sup> The Church has charged these missionaries with dishonest behavior: “They have used the Orthodoxy’s financial difficulties to undermine its influence in Russia. By distributing humanitarian aid and free literature, buying newspaper space and broadcasting time for hard currency, renting halls and stadiums, they have tried to divert potential Orthodox believers from the Russian Orthodox Church. What is particularly alarming for the Church is that some of those missionaries have tried to persuade people that Orthodoxy supports them. They have borrowed components of the Orthodox doctrine and used Orthodox religious symbols, a practice which the Church has seen as outright sacrilege.”<sup>191</sup> The Church spokesmen insisted that the Foreign Ministry and the security services should pay more attention to the “subversive” activities of various foreign sects in Russia.

Relations between various Orthodox confessions have been difficult for the Church as well. At the time of the Millennium celebrations in 1988, it was reported that the Church had 6,893 functioning parishes. Of these, more than 4,000 were located in Ukraine, and as few as 2,000 were functioning in Russia. The 51.4 million Ukrainian citizens reported in the 1989 USSR census therefore had twice as many functioning Orthodox parishes as did the 147 million citizens in the Russian Federation.<sup>192</sup>

With the breakdown of the Soviet Union, nationalist elites in the ex-Soviet republics have pushed local Orthodox leaders to claim independence from the Moscow Patriarkhate. The latter was forced to grant autonomy in administrative, economic, educational and civilian affairs to the Orthodox Churches in Belorussia, Estonia, Latvia, Moldova, and Ukraine. This could not, however, prevent a schism in the Orthodoxy. The Ukrainian Orthodox Church has finally become

190 “What foreign policy Russia should pursue.” *International Affairs*, vol. 39, no. 2 (1993), p. 10.

191 Petliuchenko, Victor. “The Orthodox Church and foreign policy.” *International Affairs*, vol. 39, no. 3 (1993), pp. 69-70.

192 Dunlop, John B. *The Rise of Russia and the Fall of the Soviet Empire*. Princeton: Princeton University Press, 1993, pp. 159-160.

completely independent. Other churches preserve only a nominal dependence on the Moscow Patriarkhate. In addition, angered by the Orthodox hierarchy’s continued cooperation with the Communist Party and KGB, a small number of parishes in Russia itself have turned towards the jurisdiction of the Russian Orthodox Church abroad, a fiercely anti-Communist ecclesiastical body under Metropolitan Vitalii of New York.

The Moscow Patriarkhate sees the schism as a serious threat to the security of Russia and Russians living abroad, because it worsens inter-ethnic and interstate relations. Referring to the Ukrainian Orthodox Church, the Patriarkhate spokesman pointed out that “Actions of this nature are carried out under the banner of the national idea and result in drawing the religious factor into inter-ethnic contradictions. Our Church has never approved of such behavior and never will, deploring as she does the destructive impact of political processes on church life.”<sup>193</sup>

193 Petliuchenko. *Op. cit.*, p. 69.

## Implications

The diffusion of power in Russia has important implications. Critical decisions on reform are now being made at the regional level. Reform has progressed in those regions where the governors are progressive and dynamic and has experienced setbacks in those regions where governors are conservative or corrupt. Regional leaders are increasingly active in foreign affairs. Governors in Russia's North-West and Far East, for example, were engaged in a range of issues with their Baltic/Nordic and Asian-Pacific neighbors.

As with any transitional phenomenon, foreign influences on Russia's regionalization have had a number of contradictory consequences. Many experts (especially Russian analysts) prefer to focus on the negative implications.

Some Russian regions play a "foreign card" to exert pressure upon the center to acquire more autonomy and privileges. This leads to tensions and increasing mistrust in relations with Moscow. In turn, the center has been trying, since 1993, to reclaim some of the powers given to the regions in accordance with the Federative Treaty and the Constitution (especially in the field of external relations).<sup>194</sup> As mentioned above, the president changed his mind several times as regards the status of the Kaliningrad region. The Russian Parliament was even more centralist-minded than the President. In 1994, Yeltsin proposed a law "On the special status of the Kaliningrad region". Instead of approving the law, however, the State Duma renamed it to read "On safeguarding the Russian Federation's sovereignty on the territory of the Kaliningrad region", and buried it in the flow of other routine documents.<sup>195</sup>

<sup>194</sup> Gel'man and Senatova. *Op. cit.*, pp. 212-217.

<sup>195</sup> Wellman. *Op. cit.*, p. 176.

In 1995 the federal center adopted two legislative acts – the law “On international treaties of the Russian Federation” (July 15, 1995) and the law “On state regulation of foreign trade” (October 13, 1995). These laws aimed at tightening control over the foreign policies of the regions. The federal law “On coordinating international and foreign economic relations of the members of the Russian Federation” (December 2, 1998) specified the constitutional powers of the center and the regions in foreign policy development. Putin’s administrative reform of 2000 completed the process of the sharing of power between the center and the regions. One of the functions of the presidential envoys in the newly created federal districts is to identify collisions between the federal and local legislation, and to streamline the former.

Particularly disturbing for the center are the secessionist aspirations in a number of the regions supported by foreign powers. The idea of an independent Idel-Ural Republic, for example, stemming from the times of the Civil War in Russia (1918), was very popular among the Muslim peoples of the Volga region in the mid-1990s. Kazan University History Dean Indus Tagirov, for instance, argued in October 1993 that “the idea of the Idel-Ural has now become a necessity”. Fanil Faizullin, Dean of Humanities at Ufa State Aviation and Technical University, admitted that “if the dictatorship of Moscow persists with its demands for a unitary state, centrifugal forces may triumph, and a new federation may be formed in the region of Idel-Ural and in the Northern Caucasus”. The head of the Bashkir Cultural Society, Robert Sultanov, was also willing to agree in October 1993 that “if the Russian Federation disintegrated” Bashkortostan, as well as Tatarstan, “would become the subjects of a new confederation, while retaining their independence”.<sup>196</sup>

The Far East, another Russian region with strong foreign orientations, has repeatedly discussed plans for independent development. In 1994, for example, Viktor Ishaev, head of the administration of the Khabarovsk Krai, said that the Russian government “has done all it could to sever the Far East from Russia.” The workers of the Khrustal’nyi tin-extracting company, who had not been paid for several months, wrote in their declaration: “The government and the president don’t pay any attention to our troubles. We have concluded that they have given up on us. We must therefore also give up on them and form our own republic with an independent government. There is no other way to survive.”<sup>197</sup>

Secessionist movements can be found in Karelia, Kaliningrad, and the North Caucasian autonomies as well. To date, however, only Chechnya has tried to break away. Other potential candidates for secession do not claim independence officially or immediately. Two factors at least prevent the separatists from doing so: (1) the understanding that independence could lead to a further deepening of

<sup>196</sup> Petersen. *Op. cit.*, p. 137.

<sup>197</sup> Matveeva. *Op. cit.*, p. 13.

the crisis, rather than improving the situation; and (2) as the Chechen example shows, Moscow does not rule out the use of military force to stop Russia’s disintegration.

It should also be noted that foreign influences have encouraged rather than generated separatism as such. The Chechen leaders, for example, decided to part from the Russian Federation because of their own considerations, while Islamic support from the foreign countries assisted them in the realization of their plans.

Apart from the negative implications, a number of positive dimensions of regionalization (including its “foreign components”) can be identified.

*First* of all, regionalization has brought to an end the odious system of the center’s total control of the periphery. Instead, the democratic system of horizontal connections (inter-regional cooperation) has emerged. A national discussion on the separation of powers between the center and the regions has been initiated. Some new principles of Russian federalism and regionalism have resulted from this debate. These concepts have somehow been incorporated into the new Russian polity. Hence, regionalization became an important instrument to reform the Russian society and the system of government.

*Second*, the diffusion of power in Russia has helped check and balance central authority in foreign affairs. Moscow’s capability to use economic and military resources for an expansionist foreign policy, for example, has dramatically diminished. Furthermore, Moscow can no longer take decisions concerning the international status of the regions without at least consulting with them. With the assistance of the Russian Foreign Ministry, for example, the local governments of Kaliningrad, Karelia and St Petersburg actively participated in negotiating and concluding a number of agreements on trans-regional cooperation with Finland and Poland. From 1991-95, the subjects of the Russian Federation signed more than 300 agreements on trade, economic, and humanitarian cooperation with foreign countries.<sup>198</sup> In turn, these developments have necessitated the reorganization of the management system charged with international contacts of regions. In addition to autonomous republics, which traditionally have their own foreign offices, the Russian Foreign Ministry has established its offices in many regions which are engaged in intensive international economic and cultural cooperation.

*Third*, regionalization and cooperation with foreign countries have helped the Russian regions cope with the numerous problems of the transitional period, and have also provided support when the center has been unable to alleviate the burden of the reforms. For some regions, such as Kaliningrad, Karelia, the High North, and the Far East, economic, ecological and humanitarian cooperation with the neighboring countries was crucial in surviving a period of severe socio-economic crisis.

<sup>198</sup> Matvienko. *Op. cit.*, pp. 91-92.

*Fourth*, regionalization was sometimes an adequate solution to many problems in Russia's bilateral relations with the neighboring countries. Kaliningrad's cooperation with Lithuania, Poland and Germany prevented the rise of territorial claims and relieved concerns about excessive militarization of the region. Cooperation between Finland and Karelia improved the overall Finno-Russian relations. Trans-regional cooperation between Sakhalin, the Kurils, and Japan's northern provinces gave way to a quiet Russia-Japan dialogue on the disputable questions.

*Finally*, regionalization furthered the opening up of Russia for international cooperation, as well as the country's link to a worldwide process of intensive trans-regional cooperation. Regionalization has therefore had a very important civilizing function: it has prevented Russia's marginalization and/or international isolation.

## Conclusions

Five conclusions emerge from the above. *First*, despite the significant role of external determinants, they were not a crucial factor of Russia's regionalization. Domestic determinants have prevailed. The interplay of internal and external factors will, however, remain an important determinant in shaping Russia's regional structure.

*Second*, this study shows that many factors such as the process of global regionalization, geopolitical shifts, transborder economic cooperation, military-strategic determinants, ethno-territorial and religious conflicts, and cultural diversity are long-term, rather than short-term developments. They will certainly serve as powerful incentives for the country's further regionalization in the years to come.

*Third*, regionalization (including those caused by external factors) may have both positive and negative implications for the country's polity. The problem for Russian political leadership (both federal and regional) is how to harness the above mentioned dynamic processes in a way to make them work for democracy rather than against it.

*Fourth*, regionalization became both an instrument of Russia's search for a new national identity, and an environment where this search can be conducted. In this regard, it is important to redefine traditional concepts of national sovereignty and territoriality in accordance with contemporary realities. Otherwise, traditional thinking, which is rather strong in the federal structures, may lead to further and more serious clashes between the existing and emerging regions and the center.

*Fifth*, it should be noted that it is not only the domestic environment that should be taken into account: the nature and directions of Russia's regionalization depend greatly on the international environment as well. Hence, it is very important to provide Russia with positive external inputs such as: friendly and balanced policies of the neighboring countries, Russia's active participation in various forms of trans-regional and transborder cooperation, and its engagement in intensive dialogue on regional issues with foreign policy makers and academics.

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