

On the way to globalization: administrative and networking strategies of Russia's regions

Working Paper

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Publication date:

2002

Permanent link:

<https://doi.org/10.3929/ethz-a-004363009>

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Originally published in:

Regionalization of Russian Foreign and Security Policy 19

On the Way to Globalization: Administrative and Networking Strategies of Russia’s Regions

DESIGN : SUSANA PERROTTET RIOS

Throughout the 1990s, regionalism constituted one of the major driving forces in the Russian transformation process. However, contrary to initial hopes that it would become a locomotive for economic development, regionalism has in many respects hampered the economic development of the regions and their ability to adapt to Russia’s new global environment, as regional political elite have sought to use administrative levers to maintain political power.

The authors argue that information and capital actors, such as business elites, the mass media, think tanks and non-governmental organizations (NGOs), have instead become the key “agents of globalization” in Russia. Yet, they point out that in response to the challenge posed by these actors the regions have begun to develop networking (horizontal) strategies aimed at building coalitions with the new actors, alongside administrative (vertical) strategies. The authors therefore conclude that the future model of federalism in Russia could be described as “administrative strategies plus networking.”

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By Oleg B. Alexandrov and Andrei S. Makarychev



**On the Way to Globalization:
Administrative and Networking Strategies
of Russia's Regions**

By Oleg B. Alexandrov and Andrei S. Makarychev

Working Paper No. 19

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Foreword

Throughout the 1990s, regionalism constituted one of the major driving forces in the Russian transformation process. It developed as part of a vertically integrated “administrative market,” in which regional governors played a careful balancing act between the federal center and local economic elite. Contrary to initial hopes that it would become a locomotive for economic development, regionalism has in many respects hampered the economic development of the regions. This paper, written by Oleg Alexandrov, Research Associate at the Moscow State Institute for International Relations and Andrei Makarychev, Professor of International Relations at Nizhnii Novgod Linguistic University, critically assesses the extent to which the coalitions built by the regional elite are instrumental in Russia’s adjustment to its new global environment and the significance of the regions’ new challengers.

In order for regions to successfully integrate into the global economy, regional leaders would not only have to engage in the management of their political domain, they would also have to promote transparency in decision-making, successful management of information and infrastructure and enterprise development. However, as the authors point out, the essentially administrative nature of regionalism has worked against such initiatives. Instead, information and capital actors, such as business elites, the mass media, think tanks and non-governmental organizations (NGOs), have become for the most part the “agents of globalization” in Russia. Their activities have even begun to restructure the territorial, administrative and information-based space of Russia.

The appearance of these independent actors of course poses a threat to regional elite unable to function without the help of administrative levers. The regions have responded to this challenge by developing networking (horizontal) strategies aimed at building coalitions with the new actors, parallel to administrative (vertical) strategies. The authors therefore conclude that Russian regional institutions currently possess a

“double identity,” simultaneously functioning in both administrative and networking spheres. The future model of federalism in Russia could thus be described as “administrative strategies plus networking.”

This paper is the nineteenth in a series of working papers written in the context of the project “Regionalization of Russian Foreign and Security Policy: Interaction between Regional Processes and the Interests of the Central State.” The project is funded by the Swiss Federal Institute of Technology (ETH) Zurich. All of the studies in this series are available in full-text at <http://www.fsk.ethz.ch>.

Zurich, September 2001

Prof. Dr. Andreas Wenger

Deputy director of the Center for Security Studies
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Introduction

The 1990s witnessed the rise and fall of Russia's regions both as domestic and international actors. This peculiar trajectory deserves special attention.

By the end of 1990 it became clear that due to the emergence of new political, economic actors, the Russian political space was becoming much more complex than before. New patterns of institutional and non-institutional interaction were emerging, with new corporate participation on the basis of new labor ethics. These new trends were very much consonant with the worldwide crisis of hierarchical models of organizations and the mushrooming of networking managerial models, which were observed to follow specific Russian patterns.

The survival of Russia's regions in an increasingly complex and demanding environment consisting of a variety of actors¹ depends on how they are positioned in the frameworks of both horizontal cooperation and vertical subordination. Traditionally, the regions in Russia were perceived as administrative units seeking to occupy a place in the “administrative staircase” of political power. On the vertical level, the regions are part of what could be called an “administrative market” composed of political institutions, each occupying its niche in the newly reconstructed “vertical axis of power.” And yet, this is just one part of the story, since the regions increasingly find themselves interacting with other structures and institutions that are not, in a strict sense, part of the “administrative market” and are not attached to specific territory to the extent the regions are. On the horizontal level, the regions have yet to discover the potential of coalition building with other “sovereignty-free actors” (James Rosenau's term). Other factors that have since gained in importance are social interaction with other members

¹ Marin, Anais. *Paradiplomatic Activities of the Russian Federation's Provinces in the Transition Period and Their Influence on Federal Foreign Policy Making: A Case Study of St Petersburg as an Actor of the Regionalization Process within the Baltic Sea Region*. St Petersburg: European University of St Petersburg, 2001, p.7.

of regional milieus, the exchange of resources and information, coordination of political and social practices, and the bundling of different experiences.²

For the present purposes, we shall consider the regions as units associated both with the administrative (vertical) and with networking (horizontal) aspects of decision-making. It is hoped that this paper can contribute to a better understanding of the extent to which the coalitions of the regions and other new actors are instrumental in Russia's adjustment to the imperatives of a new global environment. In the following, we shall explore whether the interactions of the regions with other new actors can facilitate Russia's integration to the world community and serve as communicators with other players in the international arena. One of the main aims of this paper is to identify the spheres of social interaction between the regions and other new actors, and to appraise their results in terms of Russia's integration

2 Lawson, Clive. "Towards a Competence Theory of the Region." *Cambridge Journal of Economics*, no. 23 (1999), pp.159–161.

Regions and their challenges

In this chapter, we analyze the vitality of Russian regionalism in its current form and assess its strongest challengers and their chances of success. On the one hand, these are "capital actors" such as financial-industrial groups allied with industrial enterprises, banking and insurance institutions, investment corporations, and commercial funds.³ On the other hand we observe "information actors" that are professionally involved in producing and distributing information products (these actors include the media, Internet users, telecommunication agencies, public policy research institutions, etc.). Neither of these two large groups of new actors is intrinsically homogenous, and the divergences within each of them are very significant. Nevertheless, for analytical purposes we shall deal with them as groups of actors having a common background and mutual interests *vis-à-vis* other actors.

1.1 *The rise and fall of the regions*

It is rather hard to comprehensively characterize the roles of regional elites as political actors. There are contrasting assessments of regional governments both in Russia and abroad. Thus, Sergei Medvedev thinks that the regional governments are pragmatic and rational actors. They can "be seen as a factor of stability and continuity" and "are to a large extent preventing the [establishment of an] authoritarian government in Russia."⁴ To confirm this view, one may recall that some of the regions (like Chuvashia, the

3 Popova, Tat'iana. "Finansovo-promyshlennye gruppy v Rossii: proklatie ili blagoslovenie" (Financial Industrial Groups in Russia: Damnation or Benediction). In *Transformatsiia*. The William Davidson Institute and the World Bank, August 1999, pp. 14–15.

4 Medvedev, Sergey. *Russia's Futures: Implications for the EU, the North and the Baltic Region*. Helsinki: Ulkopoliittinen instituutti, 2000, p.29.

city of Moscow and others) were approached by international organizations for cooperative projects after the August 1998 currency devaluation.⁵

On the other hand, Gleb Pavlovskii, the head of the Moscow-based Foundation for Effective Politics, characterized regional leaders as “mediocre managers that found themselves on their own in the revolutionary redistribution of property. In the words of Pavlovskii, who is one of top political advisors to Russian President Vladimir Putin, the mentality of the regional leaders is a mix of prejudices inherited from the times of the USSR and perestroika, often embedded in ethnocentric and even racist terms.⁶ Philip Hanson has noted that, “regional government activity tends (...) towards autarky.”⁷ Some of the regional governments are very conservative and show no initiative towards entering into economic relations with the outside world. Thus, it was the central government that forced Kuban’s legislature to pass legislation giving residence rights to CIS citizens who have been married to locals for more than five years. Yet the regional anti-immigration lobby wants to convince the federal center to grant Krasnodar Krai special border region status, which might prevent residence permits being issued to foreigners from the “Near Abroad.”⁸ By the same token, Moscow city authorities impose administrative barriers on the flow of capital and migrants.

Thus, it is hard to decide unequivocally whether the regions are sources or impediments for innovations. Probably they are both – depending on the nature of leadership in each region and the period we are referring to.

In the early 1990s, there were great hopes that the regions would turn into the locomotives of change that Russia badly needed. Regions were the first to undermine the political monopoly of the center. They gradually increased their sphere of influence both internally and externally.⁹ During the 1990s, decentralization was a dominant tendency. Regionalism became the top issue of Russian political debate, given that it questioned the traditional forms of state rule. The power of the federal center shifted to the regions, involving new people in the process of governance and making policy-making more complex. Russian political scientist Arbakhan Magomedov indicates two major factors that gave rise to regionalism in the beginning of 1990: an identity crisis, which occurred against the background of the breakdown of the Soviet Union, and

the refusal of the regional elites to follow former deputy prime minister Egor Gaidar’s reform strategy.¹⁰

The federal center decided in the mid-1990s to sign power-sharing agreements as a means to concretize the rights and status of each particular region within the Russian economic and political space. Since 1996, the regions have had the right to elect governors in the same way the leaders of ethnic republics did since 1991. The period from 1991 to 1998 was the golden age of Russian regionalism.

Yet the truth is that much of the initial high hopes had faded by the end of 1990, concurrent with the increasing incompetence and inefficiency of the regional elites and their failures to secure economic growth for the region and to provide decent living standards. The weakness of the regional elites was highlighted when some regions defaulted on their international financial obligations and also by the defeat of the Primakov-Luzhkov regional coalition in the 1999 parliamentary elections. As Petr Shchedrovitskii puts it, the regional leaders failed to cope with popular political processes under unfavorable and imperfect conditions such as scarce information, political uncertainties, and deterioration of social institutions. Many of them have shown disinterest in networking social and political movements, human capital development¹¹ and expert analysis. The broadening spheres of social and economic life were beyond their reach – particularly those related to financial flows and intellectual capital. Regional elites also suffered under the monetary devaluation.¹² Instead of formulating strategic goals and investing in long-term projects, the regional elites were by and large obsessed with misleading slogans of “stabilization” and “strengthening the national spirit.”¹³ Governors were trying to use every pretext to protect their political and economic domains from competition. Thus, Khabarovsk Krai governor Viktor Ishaev has lobbied in favor of canceling the municipal elections in those Subjects of the Federation that were adjacent to the border, under the guise of the precarious “security context,”¹⁴ while Igor Farkhutdinov, the governor of Sakhalin, has spoken out against establishing a free economic zone on the Kuril islands while stating his position quite bluntly: “Who, in that case, will be the governor?”¹⁵ As a result, the bulk of regional regimes have evolved towards autocracy, which discredited the very idea of regionalism.

5 Bivens, Matt. “Harvard Re-Evaluates What’s Best for Russia.” *The St. Petersburg Times*, 26 January 1999, p.10.

6 “Strana” Information Agency, at <http://www.strana.ru/print/974291821.html>.

7 Hanson, Philip. “Regions, Local Power and Economic Change in Russia.” In *Challenges for Russian Economic Reform*, ed. Alan Smith, p. 67. Washington, D.C. and London: The Brookings Institute and The Royal Institute of International Affairs, 1995.

8 Magomedov, Arbakhan. “Krasnodarskii Krai.” *Konstitutsionnoe pravo: vostochnoevropeiskoe obozrenie*, no. 3 (32), 2000, p. 106.

9 Petrov, Nikolai. “Federalizm po-rossiiski” (Federalism: The Russian Way). *Pro et Contra*, no. 5 (2000).

10 Magomedov, Arbakhan. *Mysteria regionalisma* (Mystery of Regionalism). Moscow: MONE, 2000.

11 Volga Federal District Commission on Spatial Development Web site, at <http://ekg.metod.ru/pub/v2-2001-kir-prn.html>.

12 <http://www.nk.permoline.ru>, no. 4 (155), 13 February 2001.

13 Shchedrovitskii, Petr. “V poiskakh formy” (In Search for the Form). Available at <http://www.russ.ru/antolog/inoe/schedr.htm>.

14 AK&M Press Club, 7 July 1999. Available at <http://www.akm.ru/rus/press-club/990707report.stm>.

15 AK&M Press Club, 27 January 1999. Available at <http://www.akm.ru/rus/press-club/press270199.stm>.

The regional elites have failed to achieve a “spatial transfer of innovation.”¹⁶ Taking into account the growing debilitation of regional elites and their vanishing innovative potential, one must ask whether these developments herald the eventual “death” of the regions as strong political actors. Or will the regions have to change their roles? And which new, non-central actors will prove to be more capable of meeting the challenges of modernization?

It is still too early to give precise and detailed answers to these questions, but is reasonable to assume that the new engines of Russian modernization will have to deal with capital and information, two basic factors that will determine the further development of the Russian regions.

1.2 The challengers

Two basic sources of innovation – capital and information – have undermined the political influence of the regions. In this section, we analyze the actors that are associated with each of them and have a say in regional policy issues.

Financial industrial groups (FIGs)

FIGs as international actors. Much of the FIGs’ clout is due to their international credentials. Many of Russia’s major financial and industrial groups, being regional institutions in terms of their background and in terms of the nature of their business, pursue far-reaching international strategies. Major Russian oil companies trade in international securities markets and have industrial assets beyond Russia. For example, the Siberian-Ural Petrochemical & Gas Co., or Sibur, bought a 24.7% stake in the Hungarian petrochemicals company BorsodChem Rt.¹⁷ “Norilsk Nickel” was recognized as a full-fledged member of the trading list maintained by London Metal Exchange. The Russian “Alfa” group was considering buying Swiss company Marc Rich Investment, which deals with security markets, investment and trade.¹⁸

In 2001, LUKoil decided to earmark US\$3 million for an upgrade of the Odessa Refinery in Ukraine.¹⁹ LUKoil allegedly bought a controlling stake of the Austrian company Avanti (which owns about 700 filling stations in Austria, Hungary, Germany, etc.) in March 2001.²⁰ Russian oil and gas companies based in Sakhalin, Irkutsk and Tomsk (“Vostokgazprom” is one of the strongest among them) are competing with British Petroleum for energy supply contracts in China and South East Asia. The com-

pany “Yukos” is heavily involved in supplying oil to “AB Mazeikiu Nafta” industries of Lithuania.²¹

“Siberian Aluminum,” the second largest producer of aluminum in the world, has its office in New York – a factor that plays a pivotal role in its financial operations within the US banking system. Among the major financial partners to whom it has extended credit lines are Westdeutsche Landesbank, Raiffeisen Zentralbank, Societé Generale, Credit Lyonnais, and Natexis.

Of course, neither the current state of affairs nor the perspectives of international FIGs should be idealized. Many of them are deeply involved in property disputes and corruption scandals. For instance, Mikhail Zhivilo, the owner of “Mikom” group, was arrested in France in 2001 on an Interpol warrant. He is accused of large-scale financial wrongdoings in the metallurgical plants of Kemerovo Oblast.²²

Oleg Deripaska, chief executive of Russian Aluminum, is facing a US\$2.7 million racketeering lawsuit filed in New York by the US-based companies “Base Metal Trading” and “Alucoal.” It is alleged that Deripaska and his trading companies defrauded the smelter and BTM of US\$900 million in aluminum sale revenues.²³

The practice of using offshore companies for money laundering and tax evasion is very widespread. Thus, Novolipetsk metallurgic plant is known for transferring the bulk of its revenues to those foreign companies that were under control of its director Vladimir Lisin, including “Midmay S. A.” (Panama), “Worslade” (Ireland), “Tuscony Intertrade” (Britain).²⁴

Not all of the Russian businesses are happy with globalization. Tensions between Russian industrial companies and foreign economic actors are prevalent. Major economic groups operating in the regions feel the pressure from abroad²⁵ and try to avoid competition by means of protectionist measures. For example, the “Gazprom” corporation was pressured by foreign interest groups to charge higher prices than it wanted to. In 1997, the IMF included among its conditions for extension of aid a provision that gas prices in Russia be differentiated on the basis of the transportation distance and location of recipients.²⁶

16 “Credo” journal Web site, at <http://credo.osu.ru/002/001.shtml>.

17 *Wall Street Journal*, 26 October 2000.

18 *Izvestia*, 22 February 2001.

19 *The Russia Journal*, 17–23 February 2001, p. 12.

20 Drankina, Ekaterina and Elena Makovskaia. “Pustite nashikh v Evropu!” (Let Ours Get to Europe!). *Ekspert*, no. 9 (2001).

21 *Wall Street Journal*, 12 February 2001.

22 “Utro” Online Information Agency. Available at <http://www.utro.ru/articles/2001042515031111239.shtml>.

23 Helmer, John. “Russian Aluminum Answers Accusers in \$ 2.7 bn Suit.” *The Russia Journal*, 17–23 February 2001, pp. 16–16.

24 *Versia*, 13–19 February 2001, p. 11.

25 *Monitor*, no. 48–49 (223–224), 25–31 December 2000, p. 9.

26 Woodruff, David. “It’s Value That’s Virtual: Bartles, Rubles, and the Place of Gazprom in the Russian Economy.” *Post-Soviet Affairs*, no. 15 (1999), p. 139.

FIGs as regional actors. Traditionally, Russia was ruled by institutions that were firmly attached to segments of its vast territory. Yet the creeping logic of globalization tends to restrict the autonomy of individual territories. The globalization paradigm is based on deconstructing the hard linkage between administrative and economic borders.

This trend can be seen in Russia as well. By the end of the 1990s, financial entrepreneurs – regardless of their regional affiliation – had rushed to “new economic platforms,” i.e. those territories where business conditions were the most favorable. These territories are shaped like archipelagos²⁷ (a term coined by the Expert Institute of the Russian Union of Industrialists and Entrepreneurs) and their area not necessarily coincide with the boundaries of the Subjects of the Federation. The new Russian business elite (which emerged in the aftermath of the August 1998 crisis) came up with the idea of defending their property from arbitrary and incompetent decisions of regional superiors, and to integrate existing business structures over several regions. FIGs took advantage of both the managerial shortcomings of the regional elites and their temporary disorientation in the transition period from Yeltsin to Putin.

The logic of economic processes (mergers, purchase of shares, property transfers) has handed much of economic power in the regions to newcomers, people from outside that are not incorporated into existing political and administrative hierarchies in the regions. The regional elites sooner or later had to discover that the development strategies of basic economic actors are decided not locally, but either in a different region (where the headquarters of oil, gas, or metallurgic or aluminum companies may be located), or even abroad. Thus, the authorities of Pskov Oblast (which borders on Belarus, Estonia and Latvia) continually failed to control the large traffic and cargo flows passing through the region.²⁸

Much like in the West, establishments owned by large corporations have started to play decisive roles in regional development. Thanks to their economic, technical and financial dominance, large firms can, through the combined effect of their industrial and location policies, transform themselves into “poles” for development and profoundly influence local and regional development.²⁹ Needless to say, this kind of development naturally provokes conflicts of interest between the regional authorities and big business – as is the case in republic of Komi whose authorities are not happy with the activities of the LUKOil company in the region.³⁰

27 “Rossiia kotoruiu pora uvidet” (The Russia Which Has to be Identified). Available at <http://www.exin.ru/test/doc7.html>.

28 Smirnov, Artemii and Kirill Kozhin. “Pskovskii eksperiment” (The Pskov Experiment). *Ekspert Severo-Zapad*, no. 2 (2001).

29 Dupuy, Claude, and Jean-Pierre Gilly. “Industrial Groups and Territories: The Case of Matra-Marconi-Space in Toulouse.” *Cambridge Journal of Economics*, no. 23 (1999), p. 208.

30 Shabaev, Yurii. “Nedovol'stvo LUKOilom v respublike Komi” (Komi is Dissatisfied by Lukoil). *Russian Regional Bulletin*, no. 8. East-West Institute, 2001.

Compared to the early 1990s, the political interests of the Russian corporations in the regions became more articulated by the end of 1990s. FIGs and large export-oriented companies tend to institute political control over regions where their basic economic interests are concentrated. The best illustration of this was the electoral victory of Aleksandr Khloponin, the former director of RAO Norilsk Nickel, who was elected governor of the Taimyr Autonomous Okrug in January 2001.³¹ Khloponin, who resigned from the directorate on the eve of the election campaign, will undoubtedly champion his company's interests in the region. In a similar way, Roman Abramovich, CEO of the Sibneft' and Russian Aluminum companies, became governor of the Chukotka Autonomous Okrug. Another example is the success of Boris Zolotarev, who used the support of Yukos oil company to defeat his opponents and become governor of Evenkia, a region that holds substantial deposits of oil and gas.³² The support of the Sibal and Magnitogorskii metallurgical plants was instrumental for the political careers of Aleksei Lebed, the governor of Khakassia, and Petr Sumin, the governor of Chelyabinsk Oblast, respectively.³³

It is well known that the Tyumen Oil Company has major political stakes in Tyumen (a region rich in oil deposits) and Ryazan (home to an important oil processing plant). LUKOil, another one of the wealthiest companies, is heavily involved in Volgograd and Astrakhan oblasts. The same goes for Gazprom interests in Bryansk Oblast. Yukos supported the former governors in Voronezh and Ulyanovsk oblasts, while Kas-kol was politically engaged in the gubernatorial election in Magadan Oblast.³⁴

Of course, in some regions, different companies and banks compete for access to policymakers, and some of them fail to achieve sufficient political influence. Typically, FIGs succeed in regions that are completely dependent upon certain types of business or natural resources. By and large, the business groups have their political “protégés” in the key regions, yet relations between these groups and regional elites can be tense nevertheless. For example, there are a lot of tensions between the authorities of Khanty-Mansi Autonomous Okrug and the group of investors – including the Shell and Evikhon companies (the latter is run by British-based Sibir Energy, headed by Russian businessman Shalva Chigirinskii). Local officials claim that investors did not undertake sufficient measures to implement the oil extraction project.³⁵ The same type of conflict emerged between the administration of Ulyanovsk Oblast and the Severstal' company, which owns UAZ, a major car-building factory in the region.

What is more significant is that major regional enterprises might become agents of essential political changes – positive or negative – using their overseas connections.

31 “Strana” Information Agency, at <http://strana.ru/politics/2001/02/05/981356179.html>.

32 [Http://www.gazeta.ru/print/2001/04/12/zolotarev.shtml](http://www.gazeta.ru/print/2001/04/12/zolotarev.shtml).

33 *Nezavisimaia gazeta* Web site, at http://scenario.ng.ru/printed/expertize/2001-03-14/2_strong.html.

34 *Regiony Rossii*. Information Bulletin, no. 5 (25). Inter-regional Foundation for Presidential Programs, 12 February 2001, pp. 4–5.

35 *Vedomosti*, 9 February 2001, B2.

Thus, the aluminum empire of the Chornyi brothers became the main funding source for projects in Krasnoyarsk Krai through a highly sophisticated network of affiliated structures. The brothers were able to control about three-fourths of the aluminum production in Russia. The London-based Trans World Group (TWG), founded by the Chornyi family, is known for purchasing significant shares of the Krai's enterprises ("KrAZ" is one of them) and subsequently draining the profits abroad. According to the Russian media, the TWG sponsored the worldwide collection of material with which to blackmail its opponents in Krasnoyarsk Krai.³⁶ In 1999, the rising Russian Aluminum holding of Roman Abramovich and Oleg Deripaska purchased "KrAZ" and ousted TWG, with Governor Aleksandr Lebed' as its tactical ally.³⁷

FIGs as federal actors. The FIGs' degree of independence should not be exaggerated. It would be misleading to treat them as completely autonomous actors. The federal government's favor was always essential for regional business (the approval of the Chernomyrdin government was required to create the Tyumen Oil Company and Sibneft').

Yet, under Putin, the roles of the FIGs as federal-level actors have changed. Not only have major FIGs invested large funds in Putin's presidential campaign, more significant is the fact that the interests of Putin and major FIGs coincide in their common desire to impose greater control over the regional elites. There is good reason to describe the Putin-FIGs alliance as a long-term, well-considered relationship that is part of the so-called "new social contract."³⁸ This "contract," which in a sense was imposed upon the business elite by Moscow, follows certain rules. The federal state requires greater social responsibility from the business community, and denies them independent political roles in federal issues.³⁹

Putin is counting on the FIGs themselves realizing the advantages of working under federal government protection. Aleksei Mordashov, the general director of Severstal' company, was among the first to recognize that "it is easier to bargain under the state roof."⁴⁰ The importance of the federal state for the FIGs was clearly demonstrated in the lobbying campaign of major regional metallurgic enterprises protesting against the 1999 trade agreement between Russia and the US that maintained restrictions on Russian metallurgic products in the US market.⁴¹ In 2001, the major regional car-producers forced the federal government to drastically raise customs tariffs on imported second-hand cars. It seems that this was one of the rare areas in which the interests of

36 Kanatik, Nataliia. "A otozhmetsia li potom Rossiia" (Will Russia Wring Out Afterwards). *Novye izvestiia*, 30 January 1999, p. 5.

37 *Regiony Rossii*, no. 11 (31), 26 March 2001, pp. 5–13.

38 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/far/2000-04-11/1_regional_politics.html.

39 Zudin, Aleksei. "Biznes i gosudarstvo pri Putine: novyi sotsial'nyi kontrakt" (Business and State Under Putin: New Social Contract). Available at http://www.politcom.ru/c_b.html.

40 "Strana" Information Agency, at <http://www.volga.strana.ru/print/991845172.html>, 6 June 2001.

41 AK&M Press Club, at <http://www.akm.ru/rus/press-club/press280199-1.stm>.

all parties involved – the FIGs, the regional administrations, and the federal government – were almost identical.

Information actors

Information is of primary importance for sub-national politics because its distribution calls for new "epistemic strategies" based on knowledge and expertise, which tends to circulate without borders. Among information actors are the media, think tanks, and a plethora of NGOs trying to make data and know-how available to a broader audience in order to make the political process more transparent (ecology and human rights advocacy are primarily based on information management and implementation). The social importance of information actors is that being voluntary and self-governing institutions, they are in a position to mediate between opposing forces, and to invest in "social capital, the cooperative networks that permit individuals to work together for mutual goals."⁴² These social functions are of ever-growing importance since there is a huge demand for new ideas and approaches to reforming Russian regional society.⁴³

The Russian community of information actors is very different, representing "islands of perfection" surrounded by the sea of old-style conservatism. Yet these communities are important because they facilitate the flow of information between regional, national and trans-national institutions. They signal political change to domestic constituencies, and in doing so serve as interpreters, editors, cue-givers, and filters.

As a participant in the formation of global financial and information space, the Russian media – as a part of the "knowledge market" (or "market of ideas") – is an important actor in terms of integration of the regions into world communication structures and projecting the dominant norms and standards of the "information society." A large section of the regional mass media is broadly integrated into the international communication networks.

Presently, a swift numerical increase of electronic enterprises and media can be witnessed in Russia. In 2001 the Russian Internet was a channel for US\$900 million worth of electronic transactions, compared to US\$460 million in 2000, and US\$250 million in 1999. The same is true for Internet users. Russia was 15th place in the world in terms of the amount of Internet users in 2000.⁴⁴ The largest Internet communities are in Moscow, St Petersburg, Novosibirsk, Ekaterinburg, Krasnodar, Vladivostok, Irkutsk, Chelyabinsk, Samara and Nizhnii Novgorod. The Internet speeds up the process of interest group formation, incrementally increases the educational level of the

42 Boris, Elizabeth. "Nonprofit Organizations in a Democracy: Varied Roles and Responsibilities." Available at <http://www.urban.org/pubs/npag/intro.html>.

43 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/far/2000-12-19/1_big.html.

44 *Delovaia pressa* Web site, at <http://www.businesspress.ru/newspaper/article.asp?mId=21961&ald=64860>.

users, and lets them make their voices heard before crucial decisions are made.⁴⁵ That is why growing regional Internet communities can strengthen the positions of regional information actors significantly and make some red-tape institutions obsolete.

Thanks to the spread of information, people living in remote cities and towns are able to compare their living standards and draw their conclusions accordingly. The mass media also contribute to inter-regional competition by focusing ratings on economic attractiveness of regions and the political influence of their chief executives on each other.

At the same time, not all actors in the field of information dissemination foster greater transparency. Some of them try to monopolize certain segments of the information market and impose their owners' views on consumers. Taking into account that the mass media remain the main translator of political preferences and the basic tool for reshaping collective consciousness,⁴⁶ it is no wonder that the television broadcast business and the press have developed into a major battlefield of political and ideological factions. Actors in the information arena are widely used as political tools besides serving educational purposes. That is why great efforts have been undertaken to incorporate the largest media conglomerates into the Kremlin's sphere of influence.

With the spread of smear campaigns, the governors have started to realize how sensitive a field media policy is. Sverdlovsk Oblast governor Eduard Rossel' met personally with Vladimir Gusinskii – at that time the owner of the NTV television channel – to discuss the coverage of events in his region.⁴⁷ The governors of Penza, Orenburg and Kemerovo oblasts were among the first to face negative PR challenges coming from the Internet. By the same token, the local TV channels "TVK-6" and "Afontovo" were used by Krasnoyarsk tycoon Anatolii Bykov to boost his political ambitions against governor Aleksandr Lebed'.⁴⁸

Most of the governors try to survive in the information battle by nurturing loyal contacts in the media. Egor Stroeve, the head of Orel Oblast and the chair of the Federation Council, ordered the creation of a regional TV channel completely funded by the regional administration, without asking permission from the Russian State Company for Television and Broadcasting (VGTRK).⁴⁹ The administration of Kirov Oblast is known for forcing the state institutions to subscribe to its official newspaper.⁵⁰

45 Shadrin, Artem. "Transformatsiia politicheskikh institutov i perekhod k informatsionnomu obshchestvu" (Transformation of Political Institutions and Transition to Information Society). Available at http://www.gallup.spb.ru/journal/archive/journal2/j2r1s1_p.html.

46 *Nezavisimaia gazeta* Web site, at http://scenario.ng.ru/printed/interview/2001-04-11/1_russia.html.

47 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/far/1999-12-07/1_and_rule.html.

48 "Utro" Information agency, at <http://www.utro.ru/articles/2001051100040613529.shtml>.

49 National News Service Web site, at <http://www.nns.ru/Elect-99/analit/comments/kom1705.html>.

50 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/far/1999-12-28/2_4power.html.

The administration of Krasnoyarsk Krai is tightening its grip over the largest regional newspaper, *Krasnoiarskii rabochii*.⁵¹

Numerous attempts have been made to introduce more restrictive changes to the "Law on Mass Media," which was adopted in 1991. Most proposals from the legislative, executive and even juridical branches are directed against the freedom of speech. Either they suggest placing the media under the direct or indirect control of the authorities (the presidential administration, regional governors, the State Duma, heads of local administrations, parliamentary commissions etc.), or they insist on establishing regulatory organs that could exercise "gentle" control over material selected for publication or broadcast. Attempts to sue regional or local authorities for violating laws led to no positive results, as the majority of Russian courts defend the interests of the local power elite.

Some of the governors were quick to treat the media not as an information channel between themselves and the people, but rather as their direct opponents. After being elected governor of Ulyanovsk Oblast, General Vladimir Shamanov voiced threats against the local media, which had not supported his campaign with repercussions, in his first interview.⁵²

Everyday experience in the regions shows that the mass media are highly vulnerable to political and administrative influences. The Glasnost Defense Foundation argues that a number of instruments are widely leveled against the media in the regions: pressure is applied to varying degrees ranging from indirect (informal bargaining) to direct coercion (threats), while other instruments include the refusal to provide information, financial control over media outlets, etc.⁵³ The most inimical attitudes towards the free media were reported in Kalmykia, Tatarstan, Northern Ossetia, Ingushetia, and Dagestan.⁵⁴ Radio Liberty has extensively covered violations of journalists' rights by authorities in Yaroslavl and Belgorod oblasts (resulting in legal charges being brought against leading journalists Elvira Mezhennaia and Olga Kitova, respectively).⁵⁵ Other regional experiences testify to governors' unfriendly treatment of the independent media. The authorities of Bashkortostan applied a variety of administrative measures to close the *Russkii obozrevatel'* opposition newspaper.⁵⁶ The same means of coercion were applied against the *Khronometr* newspaper for criticizing the administration of

51 "Strana" Information Agency, at <http://www.strana.ru/print/993047907.html>.

52 *Regiony Rossii*, no. 1 (21), 15 January 2001, p. 32.

53 Glasnost Defense Foundation official Web site, at <http://www.gdf.ru/monitor/2001/obsor/ob01-04.shtml>.

54 "The Silent Regions." Available at <http://www.gdf.ru>.

55 Radio Svoboda, 1 June 2001. Available at <http://www.svoboda.org/programs/avp/2001/avp.060101.shtml>.

56 Radio Svoboda, 30 March 2001. Available at <http://www.svoboda.org/programs/CH/2001/CH.033101.shtml>.

Kostroma Oblast.⁵⁷ The situation in Omsk Oblast is no better, where the governor Leonid Polezhaev has openly called for “cleansing the media from foreign evil” and obstructed the work of opposition TV channels STV-3 and Antenna-7.⁵⁸ The governor of Magadan Oblast, Valentin Tsvetkov, urged the Moscow head office of the publishing house *Argumenty i Fakty* to discontinue publications of its regional edition “AiF-Magadan” on the basis of his disagreement with the coverage of regional election campaign by this newspaper.⁵⁹

To sum up, the regions have faced the most serious challenges from the combined efforts of major FIGs and of other players in the field of information dissemination. Yet this is not to say that the regions are doomed to accept a situation of reduced influence. They are more likely to transform into more effective units that are better prepared to meet the challenges of globalization. In the course of this transformation, both administrative and non-administrative avenues are open to the regions. In the following chapter we assess the opportunities and the limitations of each of them.

57 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/gubern/2000-04-11/3_chronometer.html.

58 Radio Svoboda, 7 April 2001. Available at <http://www.svoboda.org/programs/CH/2001/CH.040701.shtml>.

59 “Local Edition Claims Moscow Headquarters Acting as Political Censor.” *RFE/RL Russian Federation Report*, no. 7 (2001).

Regions’ administrative markets

Administrative channels have always been available to the regions. The totality of these channels form a unique “administrative market,” which includes a variety of official institutions, each with its predetermined place in the hierarchy of state power.

2.1 Regions and the Federation Council

For a long period before Putin’s administrative reform, the Federation Council – the upper chamber of the Federal Assembly – held considerable power in political questions of major importance – such as declaring a state of emergency, deployment of military forces abroad and impeachment of the president.⁶⁰ As the only central state institution that benefited from the evolution of regionalization, it became an advocate of the regional representatives, played a key role in developing relations between the center and the regions and received the right to control an important part of the legislative procedure. The Federation Council always provided the legal context for governors’ meetings. During the 1990s, the Federation Council continually increased its role within the central state hierarchy and achieved the highest authority in 1999, when it insisted that 55% to 45% of the state budget be made available to regions. Politically, at that time it became the third major power after the president and his government.

The Federation Council has already undergone three stages of transformation. From 1993 to 1995, members of the Council were elected. Since 1995, the Council has consisted of heads of regional executive and legislative branches, and will continue to have this composition until 1 January 2002. The new law on the Council, adopted

60 Petrov, Nikolai. “Sovet Federatsii i predstavitel’stvo interesov regionov v tsentre” (Council of the Federation and Representation of the Regions’ Interests in the Center). Available at <http://pubs.carnegie.ru/books/1999/08np/15.asp>.

in the course of Putin's administrative reforms in 2000, envisages a new membership structure that will finally take effect after January 2002. Representatives of the regional executive and legislative branches will join the Federation Council as new members, but the Council will not include the heads of these organs.⁶¹

Since the Federation Council is a part of the "administrative market," recruitment of its new members is under the control of its most weighty actors. Gennadii Savel'ev, the governor of the Komi-Permyak Autonomous Okrug, and Yurii Spiridonov, the head of the Republic of Komi, quite explicitly acknowledged that the federal center and the administration of the federal districts had insisted on pushing their own candidates from each of the Subjects of the Federation.⁶² Not all regional leaders approve of this state of affairs. Alexander Prokhorov, the governor of Smolensk Oblast, and Mur-taza Rakhimov, the president of Bashkortostan, have criticized the widespread practice of distributing the Federation Council seats among influential figures residing in Moscow, with no experience in the regions they are supposed to represent in the upper chamber of parliament.⁶³ Yet the new recruitment model is evidence of the changing significance of territoriality in Russian politics: for example, the republic of Khakassia has nominated Arkadii Sarkisian – deputy director of the "GAZ" factory located in Nizhnii Novgorod and vice president of the "Sibal" group – to be its representative in the Federation Council.⁶⁴ Regional allegiances matter less than professional linkages and qualifications, as well as affinity to a certain interest group.

It is doubtful that Putin's reforms have undermined the power of the regional chief executives. Even deprived of their seats in the upper chamber of parliament, they still have some leverage left over to control their new representatives there. Yet the validity of the Federation Council is being questioned. Two main options can be identified.

Under the first scenario, the members of the Federation Council would be popularly elected. The liberal parties (SPS and Yabloko), Sergei Kirienko, Konstantin Titov and some other regional leaders are among the proponents of this idea. The second option would be to abolish this institution or significantly diminish its rights and, consequently, expand the rights of the State Council (as advocated by Vladimir Zhirinovskii, Mintimer Shaimiev,⁶⁵ Aleksandr Dzasokhov, Aman Tuleev, Mikhail Prusak and some others).

61 The full text of the law on formation of the Federation Council of the Federal Assembly is available at <http://www.gazeta.ru/zakonproekt1.shtml>.

62 *Regiony Rossii*, no. 2 (22), 22 January 2001, p. 35.

63 *Regiony Rossii*, no. 12 (32), 2 April 2001, p. 20.

64 "Utro" Information Agency Web site, at <http://www.utro.ru/articles/2001042818202011977.shtml>.

65 "Future of Russia." Online Project, at <http://www.futureussia.ru/build/forum/zhirin.htm>.

2.2 Regions and the State Duma

The State Duma, the lower chamber of the Federal Assembly and another administrative actor, succeeded the Supreme Council that was forcefully dismissed by Yeltsin in October 1993. Apart from its legislative activities, the State Duma approves the prime minister after his presentation by the president and is empowered to initiate impeachment procedures. The basic channels of the State Duma's influence are powers to decide on the state budget, the ratification of international agreements,⁶⁶ and hearing reports of ministry officials, which give parliament an opportunity to debate serious policy issues, without, however, the authority to make any legislative decisions.

The State Duma is an important link in a chain of regional interests. The experience of the last ten years proves that the state budget frequently becomes an element in political rivalries between the executive and legislative powers on the one hand, and regional lobbies on the other. In its turn, the executive power ignored its own obligations, even using state resources to apply pressure on the political opposition (by making selective subventions available only to loyal regions and newspapers).

Under Putin's new political regime, the governors continue to use the State Duma deputies as their lobbyists on a regular basis. This was the case in the summer of 2000, when the governors succeeded in amending Putin's legislation proposals concerning the reform of governance. These governors were behind the clauses stipulating "soft rotation" of the governors from the Federation Council, and the right of the governor to unilaterally appoint and recall his representative to the Federation Council. To some extent, due to governors' lobbying, Putin's project lost much of its initial anti-regional drive.⁶⁷

2.3 Regions and the State Council

The governors are motivated by the desire to maintain their residual powers and privileges. Their reaction to Putin's reform was a mix between looking for compromises and opposition to the federal center (as exemplified by President Nikolai Fedorov of the Chuvash republic). Putin's reforms were applauded by those regional leaders that adhered to strengthening the central government. For example, Oleg Korolev, the governor of Lipetsk Oblast, deems that "the state ought to be either strong or non-existent. That is why we need a powerful and mighty center that is able to restore the order."⁶⁸

The State Council was invented by Putin in the aftermath of his administrative reform. Since the governors were to be deprived of their seats in the upper chamber

66 Pursiainen, Christer. "The Role of Civil Society in Russian Foreign Policy." In *New and Old Actors in Russian Foreign Policy*, ed. Jakub M. Godzimirski, p. 187. Oslo: NUIP, 2000.

67 "Stringer Agency" Web site, at http://www.stringer-agency.ru/020Gazeta/98_02/001Article/Default.asp.

68 "Future of Russia" Online Project, at <http://www.futureussia.ru/build/forum/korolev.htm>.

of parliament, the president offered them political compensation in the form of State Council membership. This body is not envisaged in the Constitution, which makes its functions shaky and blurred. Putin himself has said that he treats the State Council as a “political organ of strategic purpose” that is not, however, intended to serve as a substitute for either the parliament or the government.⁶⁹ In Putin’s concept, the State Council is the platform for negotiations between the center and the provinces.⁷⁰

Nevertheless, Fedorov is convinced that this institution has no power, and nobody knows what it is about exactly.⁷¹ Gennadii Savel’ev of the Komi-Permyak Autonomous Okrug has called the State Council a “not completely legitimate organ.”⁷²

The political background of the State Council was revealed in a report issued by a group of mostly left-wing economists and presented by Khabarovsk Krai governor Viktor Ishaev at the first session of the State Council. This document is very uncertain with regard to Russia’s globalization perspectives. It stipulates that the federal government should support both the leading sectors of Russia’s economy, giving them greater potential for global competitiveness, and should aid the underdeveloped sectors, such as agriculture, that have few investment opportunities. However, the Ishaev Report strongly suggests that domestic investments are to prevail in furthering Russia’s economic reforms. It even raises the idea of introducing limitations for foreign capital in those industries where the Russian producers have obtained good economic results. There is no indication in this paper that tackling ecological issues, transportation problems, economic security and other matters is possible only with strong international support.

The Report is very unclear with regard to which regions ought to be given priority in terms of the federal center’s economic policy. It assumes that disparities between rich and poor regions are a menace for the country’s integrity, and proposes that the Northern and Far Eastern regions, as well as border territories merit special treatment and privileges. At the same time, the Report recognizes that the process of concentration of the capital in advanced areas should be supported as well.⁷³

The political perspectives of the State Council are still dubious. Gleb Pavlovskii admits that one of the most likely options is its transformation into a weak body of regional politicians eager to have access to the President.⁷⁴

69 “Open Economy” Web site, at <http://www.opec.ru>, 22/11/2000.

70 “Political Comments” Web site, at http://www.politcom.ru/p_pr.html.

71 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Archiv/1os/Fedorov29.10.2000/getindex>.

72 *Regiony Rossii*, no. 2 (22), 22 January 2001, p. 35.

73 “Strana” Information Agency, at <http://www.strana.ru/special/dossier/2000/11/23/974987386.html>.

74 “Strana” Information Agency Web site, at <http://www.strana.ru/print/9742911821.html>.

2.4 Experimentation with federal districts

The election of Putin has clearly demonstrated that notions of a strong state and order, supplemented by the idea of modernization, were perceived as the top priority of the Putin’s team. Putin began his administrative reform by dividing the Russian Federation into seven federal districts, the borders of which (with one small exception) corresponded to the military districts. This did not go unnoticed, and the appointment of five high-ranking military officers to run these districts only increased public concern about the future of federalism in Russia. These new entities also created a new model of relationship with the federal center, based on a new distribution of resources that favored the federal districts.

Several goals were pursued in the creation of federal districts:

- greater centralization and unification;
- undermining regional Mafia structures based on patronage; and
- elimination of inter-regional conflicts.

In accordance with the reform, federal structures located in regions (courts, regional public prosecutors’ offices and regional units of the Interior Ministry etc.) are to be removed from the control of regional authorities and placed under the supervision of presidential plenipotentiaries. The president justified the creation of federal districts by the great number of regional and republic laws contradicting the federal constitution. Hence, the general idea was to insist on the implementation of federal laws throughout the whole of Russia. Meanwhile, presidential envoys in the seven federal districts received the right to attend meetings of the cabinet of ministers with a consultative voice, and to participate in sessions of the government commissions and councils.⁷⁵ Earlier, Putin had nominated presidential envoys as members of the Security Council.

The federal districts are janus-faced institutions. On the one hand, they are part of Putin’s agenda for globalization, as they were designed to breakdown trade and commercial barriers between the regions, and foster the free movement of capital and information.⁷⁶ So far, Putin has argued that strengthening the presidential vertical axis of power in response to extreme decentralization and mismanagement in previous years poses no danger to democratic institutions, and even strengthens them. In his opinion, fortifying the state institutions and giving federal structures a leading role in reforming the country does not contradict the tendencies of globalization and regionalization he

75 *RFE/RL Russian Federation Report*, vol. 2, no. 30, 23 August 2000.

76 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Archiv/1year/Rahimov17.03.2001/getindex>.

would like Russia to be involved in.⁷⁷ In accordance with the president, his representative in the North West Federal District, Viktor Cherkesov pointed out that “it is time to finish up with all that complicates the life of investors – complicated accounting system, opaque financial flows, and violations of minority shareholders’ rights. Investors can not feel secure in a country where, from time to time, rumors still circulate about reconsidering the status quo of privatization.”⁷⁸

Yet on the other hand, the federal districts are very much in tune with the logic of the administrative style of decision-making. The expansion of administrative and regulative functions of the heads of districts gave rise to harsh criticism among political experts. Leonid Smirniagin, Sergei Borisov and other specialists had questioned the necessity of redrawing the regional map of Russia along the lines determined by Putin. Basically, the arguments are that the new administrative borders are arbitrary and badly demarcated.⁷⁹ With the nomination of seven “governors-general,” the regions are likely to become more dependent on the federal center and less free to develop international projects.

Political leaders also voiced their criticism. Thus, Nikolai Fedorov posits that the very model Putin adheres to – the president relying on an expanding system of bureaucratic institutions with special roles for the military and secret services – is the relic of a totalitarian regime.⁸⁰ He is supported by the deputy chairperson of the “Yabloko” faction in the State Duma, Sergei Ivanenko.⁸¹ The State Duma member Viktor Pokhmelkin (representing the Union of Right-Wing Forces) deems that there is a danger of the president’s representatives actively encroaching upon the prerogatives of other institutions.⁸² Sergei Kirienko’s admission that his staff has regular consultations with regional policy-makers concerning the nomination of candidates to the Federation Council, can be considered proof of the latter tendency. “We do not deny that we will have to work with these people in the future,”⁸³ Kirienko said.

It is very revealing that the importance of the federal districts is assessed by their heads in purely administrative terms – the decisive criterion being how regularly the contact with the head of state is maintained. What is more, the presidential representatives have a say in the nomination of candidates for public office and hold control over

77 Gornostaev, Dmitrii. “Na Okinave Rossiia sygrala na ravnykh” (In Okinawa Russia Played as Equal). *Nezavisimaia gazeta*, no. 136 (2000).

78 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/authority/2001-06-19/1_cherkesov.html.

79 Research Institute for Social Systems Official Web site, at <http://niiss.ru/nii/Publications/Seminar/polpred/avtonomov.htm>.

80 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Archiv/1os/Fedorov29.10.2000/getindex>.

81 “Strana” Information Agency Web site, at <http://www.strana.ru/print/989587410.html>.

82 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Archiv/1year/part17getindex>.

83 *Regiony Rossii*, no. 12 (32), 2 April 2001, p. 28.

federal subsidies and targeted federal programs in strategically important industries. Some of the presidential representatives want to supervise the state’s shares in certain industrial enterprises.

Even more symptomatic is the fact that the representatives of the presidents resist all attempts to – set a legal framework and constraints for their sphere of responsibilities, keeping them as broad (and indistinctive) as possible. Konstantin Pulikovskii argues that new tasks may be added on an *ad hoc* basis, and that “life itself” has to define their goals. Georgii Poltavchenko, the head of the Central Federal District, would like to have – as would other presidential representatives – additional financial powers (in particular, he discussed the idea of creating a regional development fund, or assigning part of the federal budget to the federal districts). Petr Latyshev, the head of the Ural Federal District, was even more explicit when he insisted “there are no issues which I would not treat as mine.”⁸⁴ Russian political analyst Viacheslav Nikonov has testified that in the North West Federal District, the governors are in no position to get in touch with federal ministries without first reporting the matter to the presidential representative.⁸⁵

As a result, the competencies of the heads of the federal districts are so broad that they interfere with almost all segments of regional life.⁸⁶ This uncertainty might easily divert their attention from top priority issues to peripheral ones, like repairing urban sewerage networks or supervising local parties, and deprive Putin’s reform of the much-needed sense of mission (it is quite revealing that Sergei Kirienko, when asked about his long-term strategic goals, quite frankly responded: “Don’t know yet.”)⁸⁷

The political attitudes of the districts’ heads are also questionable from the perspective of facilitating globalization. Thus, Georgii Poltavchenko posits that, “there should not be such a notion as a free market economy.” He complained that, “the Russian market is overstocked with foreign products of doubtful quality.”⁸⁸ Skeptical attitudes towards international cooperation can also be heard in Viktor Kazantsev’s statement that “there was too much flirting with the cozy idea of twinning relations

84 “Stringer Agency” Web site, at http://www.stringer-agency.ru/020Gazeta/97_04/006Article/Default.asp.

85 “Liberal Mission” Foundation Web site, at <http://www.liberal.ru/sitan.asp?Num=2>.

86 National News Service Web site, at <http://www.nns.ru/Elect-99/analit/comments/kom1711.html>.

87 Volga Federal District official Web site, at <http://www.pfo.ru/main/news.phtml?id=1433>.

88 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Arhiv/1year/Pol21.03.2001/getindex>.

89 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Arhiv/1os/Kaz20-10-00/getindex>.

with foreign cities,” which turned out to be ineffective and of much less potential than twin-sister relations between Russian cities.⁸⁹

Latyshev was known for his cordial relations with Belarusian President Aleksandr Lukashenko (in Latyshev’s opinion, “nowadays Belarus is not facing such large-scale problems as Russia is”).⁹⁰ In accordance with most Russian hard-liners, Viktor Cherkosov praised the most recent version of the Russia’s information security doctrine, which was rather controversial within the media community due to its overwhelming emphasis on state secrecy and anti-liberal wording.⁹¹

Thus, the federal districts by and large represent an administrative response to the challenges of regional development. The logic of district-building resembles very much the logic of region-building, with heavy administrative measures applied. Putin’s representatives themselves confirm this view. Poltavchenko admitted that he “served all his life in a rather rigid administrative structure, and became used to receiving all decisions as orders.”⁹² On another occasion, he said that he was not inclined to “discuss the issue of whether the president had to introduce federal districts or not. The chief executive formulated the task, and we ought to fulfill it.”⁹³ It is very telling that Poltavchenko, in his own words, still has a small statue of Felix Dzerzhinskii, the founder of KGB, on his desk.⁹⁴

Though Kirienko argues that the core function of presidential envoys is “policy coordination,”⁹⁵ in practice most of them have an aversion to horizontal interactions. Konstantin Pulikovskii was the first of the presidential representatives to overtly call for a ban on democratic governor elections.⁹⁶ This can be seen most clearly in Latyshev’s ostensibly negative attitude towards the “Larger Ural” inter-regional association.⁹⁷ It is likely, however, that some governors will continue to treat the associations as an alternative pattern of integration and communication with the federal government. The “Larger Ural” and “Siberian Accord,” for example, are rather active in promoting their agenda concerning economic issues without involving presidential representatives. It may be that competition between the federal districts and the inter-regional associations will intensify in the near future.

90 Ural Federal District Official Web site, at <http://www.uralfo.ru/interview4.html>.

91 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Arhiv/1os/Cher12.10.2000>.

92 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Arhiv/1year/Pol21.03.2001/getindex>.

93 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Arhiv/1year/Pol27-03-2001/getindex>.

94 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Arhiv/Interv/Pol20.07.2000/getindex>.

95 Volga Federal District official Web site, at <http://www.pfo.ru/main/news.phtml?id=2131>.

96 Gazeta.ru Web site, 27 June 2001. Available at <http://www.gazeta.ru/lastnews.shtml>.

97 “Economy of Chelyabinsk Region” Web site, at <http://www-iso.chel.su/infoural/delur/2001/r2/6-3-2.html>.

It is worthwhile noting that relations between two administrative structures – the Subjects of the Federation and the federal districts – are far from being peaceful as well. Novgorod Oblast governor Mikhail Prusak and the president of Bashkortostan, Murtaza Rakhimov, consider the institution of presidential envoys to be unjustifiable.⁹⁸ Samara Oblast governor Konstantin Titov declared that he does not consider himself to be a political subordinate to the presidential representative in the Volga Federal District. Vladimir Egorov, the newly-elected governor of Kaliningrad Oblast, prefers to communicate directly with the federal government on core issues, bypassing the presidential representative in the federal district. The most notorious conflict is that between the governor of Sverdlovsk Oblast, Eduard Rossel’, and Latyshev, who is known for his caution and adherence to half-measures, and has lost momentum in such important areas as economics and foreign relations.⁹⁹ Another telling example is the refusal of the president of Ingushetia, Ruslan Aushev, to submit to Viktor Kazantsev (“He has no constitutional powers (...) He might elaborate on issues but is in no position to give me directions.”).¹⁰⁰

The federal districts’ troubles in dealing with capital or information brokers are the same as those experienced by the Subjects of the Federation. This is due to the fact that there is not much difference between these two administrative actors (the regions and the federal districts) in terms of the attitudes towards the business and information communities. Like the governors, each head of the federal district tries to develop a unique economic program and get access to financial resources.¹⁰¹ Like most governors, Latyshev “openly offers to the businessmen to solve all their problems through his office.”¹⁰² In the tug-of-war between Rossel’ and Latyshev, each side has to rely upon the support of the wealthiest entrepreneurs. Pulikovskii has imposed a great deal of administrative control over the media outlets that have been serving the former governor of Primorskii Krai, Evgenii Nazdratenko.¹⁰³

98 *Regiony Rossii*, no. 5 (25), 12 February 2001, p. 18.

99 National News Service Web site, at <http://www.nns.ru/Elect-99/analit/comments/kom2296.html>.

100 “Utro” information agency Web site, at <http://www.utro.ru/articles/politics>, 28.11.2000.

101 “Strana” information agency Web site, at <http://www.strana.ru/print/989662513.html>.

102 Inter-regional Foundation for Presidential Programs Web site, at <http://www.materick.ru/mfpp/polika/0026/vlast.htm>.

103 Radio Svoboda, 24 May 2001. Available at <http://www.svoboda.org/program/avp/2001/avp.052401.shtml>.

104 “Karnavala ne budet. Politicheskie budni bol’shoi reformy” (No Carnival is Expected: Political Routine of the Big Reform). *Center for Political Technologies Report*. Available at http://www.politcom.ru/p_pr.html.

105 *Russian Regional Report*, no. 12. Moscow: East-West Institute, 2001.

Latyshev, with the financial support of tycoon Deripaska, has started a new TV project to cover his policies in the district.¹⁰⁴ Leonid Drachevskii did the same in Siberia.¹⁰⁵

The big problem is that purely administrative measures can hardly help the regions (neither small nor big ones) to survive. Poltavchenko has recognized that “the President awaits our proposals.”¹⁰⁶ Hence, what matters for district-level “anti-crisis management” (one of Kirienko’s most widely used phrases)¹⁰⁷ are intellectual products like new ideas, recommendations, advice, etc.

Putin assumed that the presidential representatives would be the core figures in creating local civil society.¹⁰⁸ He did not give any details about what is meant by that, which in itself is very revealing. Most likely, what Putin had in mind was for his representatives to strengthen the political resources of some of the regional actors that could contribute to divesting the governors of excessive powers – like the regional legislatures and local branches of all-Russian political parties. Yet it is difficult to expect presidential envoys to be apt for the delicate task of nurturing civil institutions. Presidential representatives’ attitudes towards the media are, for example, very similar to those of the governors. In their view, mass communications are basically instruments for mobilizing public opinions and reshaping the mass awareness. Some of the presidential representatives have already understood that in order to work successfully, they will have to achieve some degree of personal popularity, which is unthinkable without information actors.¹⁰⁹ Thus, since coming to office, Cherkesov has talked about building a “unified information space” within the confines of his federal district. In particular, Cherkesov would like to have a greater say in the content of media coverage.¹¹⁰

At the same time, according to Leonid Drachevskii, not all of the presidential representatives’ activities ought to be made public.¹¹¹ Even Kirienko, apparently the most liberal among the seven districts heads, assumes that only the president – not the general public – should judge how effective his work is.¹¹²

A year and a half after Putin’s reform, there is still no consensus among policy-makers as to its long-term effects. Federal districts are going through a period of differentiation. Relations between the federal center and the seven federal districts are

106 Volga Federal District Commission of Spatial Development Official Web site, at <http://okrug.metod.ru/books/ppp/Arhiv/1year/Pol21-03-2001/getindex>.

107 Volga Federal District official Web site, at <http://www.pfo.ru/main/news.phtml?id=2672>.

108 “Strana” Information Agency Web site, at <http://www.strana.ru/print/989999621.html>.

109 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/gubern/2000-06-16/1_trap.html.

110 Orttung, Robert. “Viktor Cherkesov: Putin’s Man in the Northwest”. *EWI Russian Regional Report*, no. 6 (2001).

111 “Strana” Information Agency, at <http://www.strana.ru/print/989592619.html>.

112 “Strana” Information Agency, at <http://www.strana.ru/print/989834706.html>.

113 Zaznaev, Oleg. “Respublika Tatarstan.” *Konstitutsionnoe pravo: vostochnoevropeiskoe obozrenie*, no. 3 (32), 2000, p. 124–125.

still being shaped. The process of bringing the regions’ legislation into accordance with the federal laws has also had mixed success. Tatar President Mintimer Shaimiev, for example, still adheres to the principles of sovereignty of his republic as a political entity associated with the Russian Federation,¹¹³ while the leaders of the Udmurt Republic were quick to delete from the region’s laws all provisions detracting from Russia’s federal legal acts (“sovereignty” was swiftly changed to “autonomy,” the clause of Udmurtian citizenship was canceled, private property was guaranteed).¹¹⁴

Districts are still in search of their international identities. In some cases, the concept of cultural integration is being put forward. Kirienko, for example, has noted that the territorial area of responsibility of Russia’s leaders, both national and sub-national, is defined not by administrative borders, but rather by cultural factors (he refers to the “area within which people think and speak Russian.”).¹¹⁵ In other cases (Southern Federal District) “the larger regions” seek to contribute to peace enforcing and to ease the whole panorama of security-related matters, including sociocultural ones.

It is still unclear how far the federal districts are to go. From Kirienko’s perspective, federal districts are political instruments of the president rather than autonomous political institutions. Fedorov, on the contrary, argues that the federal districts will inevitably evolve into new sub-national governments.

There is much uncertainty with regard to the extent to which the federal districts can be treated as new regions. On the one hand, “districts are not new regions and will never be,”¹¹⁶ as Kirienko assumes. On the other hand, Latyshev deems that “the new configuration of the Ural within the boundaries of the federal district is a fundamental organizational prerequisite for deeper integration (...) which fully corresponds to the national interests of Russia.”¹¹⁷

2.5 Regions and the military

Using military and security structures for civilian governance does not correspond to the standards of democracy, yet the peculiar symbiosis between civilian and military elites at the regional level could be treated as another response of the regions to the challenges they have to face. This response could be described in terms of the “administrative network” model. Several high-ranking military officers, such as Ruslan Aushev in Ingushetia, Aleksandr Lebed’ in Krasnoyarsk Krai, Aleksei Lebed’ in Khakassia,

114 Egorov, Igor’. “Udmurtskaia respublika.” *Konstitutsionnoe pravo: vostochnoevropeiskoe obozrenie*, no. 3 (32), 2000, p. 131.

115 Kirienko, Sergei. “My ne ivliaemsia samostoitel’nymi igrokami” (We Are Not Independent Players). *Nezavisimaia gazeta*, 25 October 2000, p. 8.

116 “Strana” Information Agency, at <http://www.strana.ru/print/989834706.html>.

117 “Strana” Information Agency, at <http://www.strana.ru/print/989595170.html>.

Aleksandr Rutskoi in Kursk Oblast, and Aslan Maskhadov in Chechnya, have started civilian political careers under Yeltsin.

In choosing “men in uniform” as governors, the regions have experimented with another type of administrative market response to the challenges of modernization. As Steven Main puts it, the generals “know how to obey orders and understand the importance of working with a clearly defined hierarchy and, where one does not already exist, they will create it (...) You cannot find more manageable governors than generals.”¹¹⁸

Russian military forces have played a considerable role in political processes,¹¹⁹ including at regional level, since 1991, when by refusing to participate in the putsch they decided the fate of the newly-born Russian democracy. Of all generals who have embarked upon governor careers, Lebed’ seems to be the best known internationally. Before being elected as the head of Krasnoyarsk Krai, he was known for his peacekeeping efforts in Transdnestr and Chechnya (he signed the famous Khasaviurt agreements that stopped the bloodshed in 1996 on behalf of the Russian government). His political views were a mix of patriotic traditionalism, pragmatism and moderate liberalism. Lebed’ is widely known in the West – suffice it to recall that prior to his victorious campaign in Krasnoyarsk Krai, he went to the US to spend ten days there discussing the perspectives of investments.¹²⁰ Foreign observers have ascribed to him “enormous political strength (...) Only Lebed’ (...) can blame the new suffering on old policies, remove old officials en masse and institute a new policy that gives people some hope that the new suffering will pay [off].”¹²¹

Yet those hopes – both international and domestic – proved to be exaggerated and misleading. None of the “first wave” regional leaders with a military background became a national leader. The ex-military officers in their capacity as regional politicians became involved in harsh economic and political debates. Aleksandr Rutskoi,

118 Main, Steven. “Kaliningrad: The Role of the Military in Regional Politics.” In *European Security and Post-Soviet Space: Integration or Isolation?* Aberdeen: Conflict Studies Research Centre, December 2000, p. 63.

119 Vladimirov, A. I. “Nekotorye aspekty voenno-grazhdanskikh otnoshenii” (Some Aspects of Civil-Military Relations). In *Voenno-grazhdanskije otnosheniya v demokraticeskom obshestve*. Moscow: MONF, 1998.

120 Petrov, Nikolai. “Aleksandr Lebed v Krasnoyarskom krae” (Alexander Lebed in Krasnoyarsk Krai). Moscow Carnegie Center, 2000. P.31.

121 Hough, Jerry. “The Lebed’ Factor in a Turbulent Nation.” *The Los Angeles Times*, 21 October 1996.

122 *Obschaia gazeta*, no. 43 (377), 26 October – 1 November 2000, p. 2.

123 Lebed’, Aleksandr. “Rossii nuzhna diktatura” (Russia Needs Dictatorship). *Kommersant*, no. 214, 17 November 1998, p. 3.

124 Radkevich, Stanislav. “Lebed’.” *Literaturnaia gazeta*, no. 3 (5729), 1999, p. 4.

the governor of Kursk Oblast, encountered enormous tensions from local elites and the federal law-enforcement agencies in the region, which finally led to the end of his political career in the region.¹²² Aleksandr Lebed’ acquired a very controversial reputation by calling for a dictatorship in Russia¹²³ and relying on forceful methods to resolve political disputes.¹²⁴

It is believed that under Putin, the military has felt a new impulse to become involved in politics. In the fall of 2000, several of them were elected as governors: Vladimir Egorov in Kaliningrad, Vladimir Shamanov in Ulyanovsk, and Vladimir Kulakov in Voronezh. In Mari El, Kursk and Chelyabinsk oblasts the military candidates were close runners-up.¹²⁵

It is hard to unequivocally ascertain, however, that the penetration of regional politics by the military is part of a deliberate strategy of the federal government. Nevertheless, the increasing number of generals in Russian political life indicates the new formula of governance that Putin is about to introduce. The case of Vladimir Egorov, the Baltic Fleet commander, who was supported by Vladimir Putin in his battle for the governorship in Kaliningrad Oblast, reflects the presidential approach to tighten methods of governance over military and strategically important centers and border regions that are set in complicated geopolitical surroundings.

The creeping militarization of Russian politics is a matter of major concern for civil society. On the other hand, the military governors might, paradoxically, foster liberal reforms in the regions. Thus, the new governor of Voronezh Oblast pledged to lead this region out of the stagnating “red belt,”¹²⁶ while the Kaliningrad governor’s administration has contracted Egor Gaidar’s think tank to draft a strategic program for regional development.

To sum up the administrative market analysis, we conclude that the regional political regimes still have political and institutional resources. The electoral cycle of 2000-2001 confirmed the vitality of the institution of governorship: in 20 regions out of 35 the incumbents won the elections, and in two regions, the winners were directly

125 “Elections in Russia” Web site. Available at <http://www.vybory.ru/journal/jopurn0101/01j01arta6.html>.

126 *Nezavisimaia gazeta* Web site, at <http://www.regions.ru/article/comments/id/545609.html>.

127 *Nezavisimaia gazeta* Web site, at http://scenario.ng.ru/printed/expertize/2001-03-14/2_strong.html.

Regions and new forms of territorial mobility: towards non-administrative responses

supported by former chief executives. Statistically speaking, the governors' regimes scored better than in the 1996 electoral cycle, when incumbents won in less than 50% of all elections held.¹²⁷ Yet statistics do not reflect the whole extent of the essential transformations that are taking place within the regions. In the next chapter, we take a closer look at these changes, which undoubtedly are a part of the globalization agenda for Russian regions.

The administrative market, as we have seen above, has its constraints and limitations. A world of networking communications is developing into a parallel structure in which the regions have to participate and develop new forms of interaction with other new actors. These might be relations of both conflict and partnership.

3.1 *“The burden of geography:” why the regions are disadvantaged*

By the end of the first ten years of the formation of new public actors, an animated discussion intensified about prospective models of Russia's development. The first model was exemplified by territorial actors, namely the regions. Since they are bound to specific locations, their operational space is constrained by fixed geographical limits. Yurii Trutnev, the governor of Perm Oblast, has formulated a “philosophy of localism” in the following way: “we have more trust in our local business operators, those who

128 Free Lance Bureau Web site, at <http://www.flb.ru/pfo/dj13040104.html>.

129 Belova, V. Ya. Regionovedenie. Regionoobrazuiushchie factory (Regional Science and Region-Building Factors). Available at http://77www.auditorium.ru/magazines/Social_humanitarian/Sgz99-2/5.htm.

live and work in our land, because they are more interested in the development of the region.”¹²⁸

The second model was developed by trans-territorial actors who are not tied to specific geographic boundaries. These are FIGs, the media, as well as NGOs. Their greatest assets are mobility and networking potential. Their operational space is defined not by territory but by economic and financial rationale.¹²⁹ Their resources are much more diversified and dispersed all across the country and the world. As Joseph Camilleri puts it, “civil society is constructed and reconstructed, as people from a given locality (or from a multiplicity of interacting localities) penetrate each other’s space, pursue common tasks, and establish, or re-establish, communities that cross spatial boundaries.”¹³⁰

The administrative model of spatial development of Russia, which can be seen in the activities of regional elites, came into open contradiction with the liberal paradigm favored by other actors (FIGs, mass media, NGOs). The widespread practice of keeping flows of goods and information from coming within the regional borders hurts the interests of new actors who support the free circulation of capital, technologies and information. The most active business and information actors became “agents of globalization” and began to restructure the territorial, administrative and informational space of Russia.

From the beginning of the 1990s, the existence of an “administrative oligarchy” (a group formed of businessmen and managers of information resources close to the state) facilitated the interplay between the regions and new actors. A number of regions are capable of taking control of FIGs or export companies. The best illustration of this capability is the case of Tatarstan, where the president controls the oil and petrochemical business.¹³¹ Tatarstan does not have “oligarchs” as independent political and economic actors.

Resource-rich regions have unique leverage over FIGs oriented towards the export of raw minerals. For example, it was Leonid Polezhaev, the governor of Omsk Oblast, who initiated the creation of the “Sibneft” oil company which was to become one of largest regional businesses in Russia.¹³² Natural resources, as a rule, remain the property of a particular republic or region, and therefore any question concerning the exploitation and processing of these resources is subject to agreements between regions and the FIGs.

And yet, the 1998 economic meltdown and the rise of Putin in 2000 considerably weakened the power of the governors, depriving them of former administrative

130 Camilleri, Joseph, ed. *State, Civil Society, and Economy in the State in Transition: Reimagining Political Space*. Boulder and London: Lynne Rienner Publishers, 1995, p. 217.

131 National News Service, 17 January 2001.

132 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/club-89/1999-12-07/4_polezhaev.html.

benefits and thus preparing the way for a new generation of economic and information actors.

The report issued by Kirienko’s think tank in the fall of 2000 accused the regional governors of creating an economic climate suitable only for a rather limited number of “proxies” (especially enterprises with high export revenues), granting special immunities and privileges to them, establishing red-tape hierarchies, erecting barriers obstructing the free movement of goods, introducing “administrative taxation” for business operators, giving budget subsidies to insolvent and inefficient enterprises, and other protection measures incompatible with integration to the global world. The regions’ survival strategies in the international arena are chiefly based on either the arms trade (which is based on perpetuating international conflicts and the arms race), or on the export of raw materials.

Very few of the regional governments have proven themselves as organizational, intellectual, or financial leaders. As a result, entrepreneurs were quick to protest against troublesome administrative restrictions and tough regulations by turning away from the regional governments (“the revolt of capital”). The number of regions going through economic depression has grown since the August 1998 financial crisis, while the aggregate role of the regions in elaborating the nation’s strategic priorities has decreased. This is basically due to the fact that the regional governments have neglected the fact that market forces do not coincide with the administrative borders, and have failed to react adequately to the most essential modernization challenges.¹³³

The territorial actors are becoming increasingly disadvantaged where they are challenged by mobile trans-territorial actors. This was the case, for example, with the Deripaska’s “Siberian Aluminum” group that succeeded in imposing its conditions on the governor of Chelyabinsk Oblast, Petr Sumin, and on Nizhnii Novgorod Oblast governor Ivan Skliarov.

There are several reasons why the trans-regional holdings and corporations can cause problems for the regional elites. First, the newcomers have at their disposal greater maneuverability. They are in a perfect position to mobilize resources from different territories and industries.

Second, the corporate elites are much more consolidated than their regional counterparts. The latter can be easily divided along different lines, which gives the business groups the chance to promote their own agendas.

Third, business groups have much higher coalition potential. To challenge the regional elites, they usually team up with the media, NGOs, and foreign institutions.

133 Na poroge novoi regionalizatsii Rossii (On the Doorstep of a New Regionalization of Russia). *First Annual Report of the Presidential Representative in Volga Federal District to the President*. Nizhnii Novgorod, 2000.

134 Volga Federal District Commission of Spatial Development Web site, at <http://kprpfo.chat.ru/oppr.html>.

For the regions, the only reliable partner is the federal center and the “administrative market” under its control.

The threat of losing to the competition makes regional authorities invent new models of development. The regional elites (at least the most advanced among them) make efforts to diminish the burden of territorial immobility. To survive in an increasingly competitive environment, the regional administrations have to invest more resources into networking and horizontal communication.¹³⁴ Some of them are thinking seriously about creating their own communication networks.¹³⁵ To increase their adaptive and transformational capacity, the regions have to be in motion, incorporating and accommodating both human and institutional demands.¹³⁶ The regions try to reorder and reshape their operations, to remove administrative barriers and enhance interregional cooperation.¹³⁷ The impossibility of creating “regional banking systems” or “regional production cycles” becomes more and more apparent.

Some theorists see regional governance as a type of corporate governance. Interestingly enough, even physical residence in the region is no longer required of the regional chief executives: thus, Taimyr governor Alexander Khloponin has assumed that his place of residence – Moscow or Noril’sk – will be determined by its effectiveness.¹³⁸ What is peculiar is that these changes, closely associated with the spread of globalization, came from inside Russia, and are being developed as domestic phenomena.

3.2 New “spatial mutability”

There are several ways of achieving “spatial mutability” that have been tried by the regions. One is by forming inter-regional associations of economic cooperation. Eight of these are currently functioning, each uniting neighboring regions with shared problems and demands (North-West, Central Russia, Greater Volga, Black Earth, North Caucasus, Greater Urals, Siberian Accord, Far East and Trans-Baikal.)¹³⁹ Another type of association brings together regions sharing common economic concerns. This is

135 Martynov, V. L. “Kontsepsiia kommunikatsionnoi sredy i ee primeneniye v issledovaniakh problem razvitiya prigranichnykh territorii” (The Concept of Communication Milieu and its Applicability to the Studies of Border Territories Development). In *Prigranichnye rayony, prigranichnoe sotrudnichestvo* (Border Regions, Border Cooperation). Moscow: EPIKON, 2000, pp. 6–8.

136 Jarvis, Anthony, and Albert Paolini, eds. *Locating the State, in the State in Transition: Reimagining Political Space*. Boulder and London: Lynne Rienner Publishers, 1995, pp. 5–13.

137 Newman, David. “Geopolitics Renaissance: Territory, Sovereignty and the World Political Map.” *Geopolitics*, vol. 13, no. 1 (1998), pp. 3–5.

138 *Regiony Rossii*, no. 6 (26), 19 February 2001, p. 51.

139 “Prospects for Interregional Cooperation in Russia.” *EWI Russian Regional Report*, November 1999.

140 Surovtsev, Yuri. “Ukrupnenie rossiiskikh regionov? Zachem i kakim obrazom?” (Enlarging the Russian Regions? What for and How?). *Rossia i sovremennyyi mir*, no. 3 (24), 1999, p. 83.

the Union of Grain Producing Regions, formed in 1998 to foster the creation of inter-regional markets and create the necessary conditions for free movement of products within Russia, regardless of administrative constraints.¹⁴⁰

During the 1990s, interregional associations had moderate political ambitions, and it was only the attempts of charismatic governors to use them as tools for boosting their political careers (as in the cases of Sverdlovsk Oblast governor Eduard Rossel’ and Krasnoyarsk Krai governor Alexander Lebed’) that gave these associations serious political clout. Established to promote interregional cooperation and to increase the standing of regions towards the federal center, interregional associations succeeded in finding ways to better present their interests against the center, and their economic potentials abroad. Associations were also one of the federal government’s instruments in its attempts to make Russian foreign policy more coherent – the Kremlin insisted that each Subject of the Federation should voluntarily give up some of its powers, including in the area of foreign economic policy, in favor of the associations. For example, concerning one of the most sensitive foreign policy issues, the Russian government wants Belarus to deal with the association instead of dealing with separate regions.

However, the associations failed to achieve the necessary cohesion between their members to transform them into influential entities in Russian politics. Having reached their apex under Prime Minister Evgenii Primakov in 1998 (who invited some of the leaders of the interregional associations to participate in his government), the “big eight group” exhausted its lobbying potential and now stands on the periphery of Russian politics. In the field of external economic relations, the associations faced difficulties stemming from individualistic policies pursued by governors of prosperous regions that preferred to establish personal ties to foreign countries rather than to promote common interests. Moreover, the member-regions are at different stages of industrial performance (from agrarian to post-industrial). Under Putin’s presidency, the inter-regional associations are trying to keep their residual influence (the Siberian Accord [thus styled in the 1st paragraph of this section], for example).¹⁴¹

The second group of arrangements consisted of bilateral cooperation agreements:

- between Russian regions, including geographically remote ones. These agreements help the regions to expand the markets for their industries and to find new regional partnerships in response to heightened economic competition;
- region-to-region cooperation (“twinning relations”) with foreign provinces and territories. This form of communication connects the regions to international networks and favors humanitarian and information exchange; and

141 *Nezavisimaya gazeta* Web site, at http://regions.ng.ru/printed/gubern/2000-02-08/3_siberia.html.

142 “Strana” Information Agency, at <http://strana.ru/state/2001/04/24/988110088.html>.

- city-to-city cooperation is one of the still underestimated resources for regional policy in Russia. One of most recent examples was the “Club of Six” created by the most populated cities of the Volga Federal District. The statement issued by the “Club” explicitly indicated that in a globalized world, these major cities are the focal points for innovations, new managerial culture, developing information resources and elaborating strategic approaches to the future.¹⁴² The urban potential – still undiscovered by many regional leaders – lies in the diversity of resources (business and intellectual activities, human and cultural capital, information and management, transportation and communications networks, media, banking and insurance services).¹⁴³ Cities are important because its residents possess the highest degree of social and professional mobility, since they live in a developed milieu of consumer services, high educational standards, and innovation potential.¹⁴⁴ This vision of the new roles of the major cities is completely in tune with approaches being developed in the West that treat “city-regions” as the spatial foundations of the new world system, with essential autonomy of action on national and international stages.¹⁴⁵

The third way of widening the regions’ horizons was to foster trans-border cooperation and form trans-border regions (modeled on the “Euroregions,” like “Saule” and “Karelia”). As Yurii Deriabin points out, these collaborative endeavors might link up some of the Russian regions with the system of EU-sponsored funds, projects, and contracts.¹⁴⁶

Another example is the Council of the Leaders of Border Regions of Russia, Ukraine and Belarus, which was instituted in 1996. However, “apart from the trade, there is very little evidence that true sub-regional processes are taking root in this area. Also, it does not appear not that Russian regions and their CIS neighbors are trying to address the kind of issues that usually make up the agendas of more developed

143 Alexeev, O. B. and P. I. Lapshev. *Strategicheskoe planirovanie prostranstvennogo razvitiia Privolzhskogo federal'nogo okruga kak smena paradigmy sotsial'no-ekonomicheskogo prognozirovaniia* (Strategic Planning of the Spatial Development in the Volga Federal District as the Shift of Paradigm in Social and Economic Forecasting). Proceedings of the conference “The Problems of Spatial Organization of Large Cities.” Volga Federal District Commission on Spatial Development, 2001.

144 Alexeev, O. B., O. I. Genisaretskii, P. G. Schedrovitskii. Ostov Rossii. “Vozrozhdenie ekonomiki nachnetsa s gorodov” (The Core of Russia: The Revival of Economy Will Start From the Cities). *Izvestia*, no. 228 (25328), 4 December 1998.

145 Scott, A. J. “Globalization and the Rise of City-Regions.” Available at <http://www.lboro.ac.uk/departments/gy/research/gawc/rb/rb26.html>.

146 Deriabin, Yurii. *Severnoe izmerenie politiki Evropeiskogo Soiuzu i interesy Rossii* (The Northern Dimension of the EU Policy and Russian Interests). Moscow: Exlibris Press and The Institute of Europe, Russian Academy of Sciences, 2000, pp. 52–53.

147 Shklyar, Natan. “Russian Regions in Subregional Cooperation.” In *Building Security in the New States of Eurasia: Subregional Cooperation in the Former Soviet Space*, eds. Renata Dwan and Oleksandr Pavlik, pp. 110–111. East West Institute. Armonk, New York, and London: M. E. Sharpe, 2000.

sub-regional organizations. The rhetoric and the official declarations of intent for sub-regional and ‘bottom-up’ initiatives have mostly remained purely declaratory.¹⁴⁷

Transport corridors such as the Via Hanseatica, the North-South Corridor connecting Europe to Iran and India, the Trans European corridors, etc. also played a role. Usually, all of these projects are directly supported by regional authorities, since they are expected to open new markets and widen geographical horizons.

The fourth tool was found in specific economic and financial arrangements for certain territories that go beyond the traditional practice of business settlement. There were numerous experiments to introduce new forms of spatial and territorial regulations in order to strengthen regions’ competitive advantages on a global scale:

- off-shore zones (“Ingushetia,” “Kalmykia,” “Kabardino-Balkaria,” “Altai”);
- free economic zones (“Nakhodka” in Primorskii Krai, “Iantar” in Kaliningrad Oblast, “Dauria” in Chita Oblast);
- free entrepreneurial zones (in Vyborg, Nakhodka, Novgorod);
- free customs zones (in Moscow, St Petersburg, Rostov-on-Don, Ulyanovsk, Nakhodka). In this category we can also place “port & customs” sub-zones (Oranienbaum and Kronstadt in Leningrad Oblast);
- export production zone, exemplified by Russian-Korean industrial complex, which is a part of free economic zone “Nakhodka;”¹⁴⁸
- special economic zones (in Magadan Oblast);
- economically friendly zone (in Mari El Republic, Ingushetia);
- special economic region (southern Kuzbass in Kemerovo Oblast);
- territorial productive zones, created – in Nizhnii Novgorod Oblast – on the basis of individual enterprises eager to develop reconversion projects;
- technopoles (International Technopark in St Petersburg, Scientific & Technological Park in Tomsk). The idea of technocopoles (in Komsomol'sk-on-Amur, Noril'sk, Arkhangel'sk and Apatity) and agropoles (Leningrad Oblast) are being discussed.¹⁴⁹

148 Levchenko, T. Ya. “Poiski vzaimodeistviia Rossii s KNDR I RK v krizisnykh usloviakh” (Russia’s Search for Anti-Crisis Interaction with North and South Korea). In *Problemy Aziatsko-Tikhookeanskogo regiona i vneshniaia politika Rossii*. Moscow: Epikon Publishers and INION, 2000, p. 90.

149 “Svobodnye ekonomicheskie zony: opyt Rossii” (*Free Economic Zones: Russia’s Experience*). *Topical Bulletin*, no. 4, series “Economic and Social Problems of Russia.” Moscow: INION, 1997, pp.18–20, 22–23, 39–41, 52–54, 56, 58, 62–63, 68, 75, 103, 105, 111, 115.

Some experts are inclined to think that those zones should not overlap with the boundaries of the Subjects of the Federation, since such overlaps might be regarded by others as unfair competition. That is why the federal center gave priority to smaller zones, which are expected to be more efficient.

Of course, not all of the zones were success stories. Many of them were mismanaged due to lack of experience and corruption. Other factors, such as scarce support from the federal government, as well as incoherent federal policy in this issue, have also had negative results. Yet the cumulative effect of all these arrangements has been the erosion of rigid hierarchical structures, and new openings for associating with the global world.

The fifth option was networking along ethnic lines. Establishing relations with ethnic groups abroad is an important part of expanding cooperation, communication and influence for Tatarstan, Karelia, Komi, Dagestan and other ethnically distinct republics. Thus, there is an ambitious project for the integration into information channels of Finno-Urgian people living in Russia (Karelia, Mari El, Mordovia, Udmurtia, Khanty-Mansi), Hungary, Finland and Estonia.¹⁵⁰

All these new phenomena create different political, economic, and social hierarchies at various levels. Ever-increasing activities now occur in the form of long-distance, cross-regional relationships.¹⁵¹ The regions thus learn how to survive in the “network society” that is one of the side effects of globalization. The networking practices are very much deregulated – as Kenneth Waltz put it, “there is no one to complain to or to petition for release (...) No one is in charge.”¹⁵² This deregulation brings a new sense of uncertainty for the regional elites: for example, Nizhnii Novgorod Oblast governor Sergei Obozov has claimed to be very unsure about the strategic goals of major investors that have taken over the local enterprises.¹⁵³

Challenged by resourceful and mighty trans-territorial actors, the regions seek to strengthen themselves by acquiring some of their rivals’ advantages. Like the finan-

cial and industrial groups, the regions are eager to diversify their resources. Like the media organizations, the regions are eager to develop their own information strategies – the authorities of St Petersburg, Ekaterinburg,¹⁵⁴ Yaroslavl,¹⁵⁵ Perm,¹⁵⁶ Khanty-Mansi Autonomous Okrug¹⁵⁷ and Volga Federal District¹⁵⁸ were the first sub-national units to introduce their own strategies of telecommunication and digitalization development.

The regions’ new “multidimensionality” (they are involved in different projects simultaneously) increases the number of available alternatives, accumulates their resources and helps to maintain multiple options. Of course, the possibilities of adapting to the “network society” vary from region to region. It has to be kept in mind that in terms of export volume and concentration of foreign investments, the regions differ by orders of magnitude. The Northwest regions of Russia are very much privileged to be located in close proximity to the EU, and especially to the “Northern Dimension” and Baltic Sea areas which are being built upon horizontal, multi-sector cooperative networks.¹⁵⁹ There is a clear understanding in this part of Europe that “in a world dominated by global markets, local, regional or national competitiveness is no longer only a question of natural resources or inheritance in any way, but primarily a question of whether or not a location is capable of facilitating dynamism, innovation and competition.”¹⁶⁰

The concept of “roaming economic regions,” advanced by Sergei Kirienko’s think tank in the Volga Federal District, is one of several possible responses to regionalism as it developed in the late 1990s. This concept refers to regions with no clear geographic boundaries that would depend on economic rationale and technological considerations.¹⁶¹ Being a part of an administrative subordination and networking cooperation, the region might take advantage of each of them, very much in the same way as the financial and industrial groups profit from having their businesses in a number of regions and industries simultaneously.

150 Volga Federal District Commission of Spatial Development Web page, at <http://ekg.metod.ru/anons/finn-prn.html>.

151 Scott, *Op.cit.*

152 Waltz, Kenneth. “Globalization and Governance.” Available at <http://www.apsanet.org/PS/dec99/waltz.cfm>.

153 “Hotcom” Web site (Nizhnii Novgorod), at <http://www.hotcom.ru/main?id=11174>.

154 “Ural Net” Web site, at http://strategy.burg.ru/res8_p2.html.

155 “Russian Developmental Portal.” Available at http://www.russia-gateway.ru/index.php3?lang=ru&chapter=key_documents.

156 <http://www.permoline.ru/-enter/june/koncept.htm>.

157 Khanty-Mansi Okrug Official Web site, at <http://www.hmao.wsnet.ru/Infopm/LAW/hmao.htm>.

158 Perm State University Official Web site, at http://www.psu.ru/science/pfo/18_2.html.

159 Engstrom, Andres. “Cooperation through Networking – Contributions by the Cities in the Baltic Sea Region.” Available at <http://www.ubc.net/today/010900.html>.

160 Larsen, Martin Ruby. “Baltic Sea Cooperation Beyond 2000: Visions and Strategies on the Local and Regional Level.” Available at http://www.bssc.com/pages/documents/documents_bal.htm.

161 *Vmeste*, no. 1, December 2000.

162 Hurrell, Andrew. “Regionalism in Theoretical Perspective.” In *Regionalism in World Politics: Regional Organizations and International Order*, eds. Louise Fawcett and Andrew Hurrell, p. 40. Oxford: Oxford University Press, 1995.

To sum up, the logic of the new involvement of regions contains an intrinsic duality. On the one hand, the regions are defined by territorial context and are location-dependent. On the other hand, regions make efforts to remove the barriers (and burdens) of territory by networking, and bring different economic, social and political developments into ever-closer contact. Regionalization might therefore be conceptualized in terms of 'complexes,' 'flows,' 'mosaics,' 'synergies,' or 'transactions.'¹⁶²

3.3 *Challengers becoming partners: politics and business forming alliances*

The new competitive and demanding environment poses essential challenges for regional elites, yet their roles as facilitators and arbiters between competing groups are increasing important.¹⁶³ The regions still have unexplored potential for surviving rivalry with their challengers. Territorial entrenchment is a power factor, since close proximity brings together the representatives and interests of members of different organizations. The regions must become more integrated at the technical, productive and organizational levels, rather than merely adopting industrial strategies from the economic sphere.

There is certainly some room for positive interaction between the regions and major non-administrative, trans-territorial actors. The regions' actions are embedded in solid, ongoing systems of social relations, and these relations might facilitate profitable strategies for generating revenue. Just by cooperating with other new actors as equals, the regions may be able to strengthen their social capital, which could be defined in terms of structural fixation (the structure of overall assets based on relations), cognitive fixation (the degree to which the actors share a common code and a system of meaning and information), and resource fixation (the degree to which the network ties contain valuable and instrumental resource potential).¹⁶⁴

As a rule, interaction between regions and FIGs emerges at the intersection of the actors' respective interests and potential. Some regions seek to make use of FIGs' to widen their resource potential. Several trade unions, supported by the regional authorities of Ulyanovsk, Perm, Kazan, Kursk, and Ufa, took the lead in All-Russian action in defense of the interests of the domestic aircraft industry.¹⁶⁵

The media can also be a strategic partner for the regions, which could use the public coverage of events as an important tool for advertising the regional potential. Otherwise, regions try to actively explore the possibilities of the Internet to create their

own regional image and provide potential investors with the necessary information. In the case of the "Local Democratic Network" project, the administration of Nizhnii Novgorod participated along with partners from Tampere and Bologna. As a result of the project, the municipal authorities have created computer and communication network that are accessible to ordinary users and contain a plethora of information concerning legislation, the municipal database, press releases, etc.¹⁶⁶

Some regions regularly and systematically use media publicity for strengthening their international credentials. According to Nikolai Petrov and Aleksei Titkov, a number of Russia's regions might be called newsmakers – chiefly referring to Moscow, St Petersburg, Nizhnii Novgorod Oblast, Krasnoyarsk Krai, Kalmykia and Sverdlovsk Oblast. Among the most important newsmaking factors, they mention heads of the region that were widely known and had a good reputation (such as Boris Nemtsov in Nizhnii Novgorod prior to 1997, Aleksandr Lebed' in Krasnoyarsk Krai, and Aleksandr Rutskoii in Kursk Oblast).¹⁶⁷

The cooperative relations of regional NGOs are also increasingly important. Perhaps, the best examples are the multiple forms of partnership between the Soros Foundation and Russian regional authorities in such varied fields as fostering employment programs (a project in cooperation with the "Siberian Accord" inter-regional association), creating distance learning studios (in St Petersburg), reforming the penitentiary system (in Nizhnii Novgorod Oblast), and improving the quality of teaching in schools (in Samara Oblast), etc.¹⁶⁸ In St Petersburg, the Leontieff Center was the chief contractor for the city's strategic development plan in 1997.

It can be observed that the regions are becoming more systematic in their networking strategies and pay much attention to recruiting resource-rich and powerful actors for their networks. These new relations are more turbulent and dynamic in comparison to the more stable economic and social milieu in the West. Not all networks will be success stories. Wealthy, powerful and prestigious actors are likely to form their cluster of successful power brokers and protect their domains.¹⁶⁹

3.4 *Uncertainties for the regions*

Our basic point was that the regions would survive provided they were willing and able to redefine themselves as simultaneous members of a territorial family of actors and the partners for such non-territorial actors as were described above. It is no longer sufficient or effective to rely exclusively upon the administrative mechanisms of

163 "Birzha" weekly (Nizhnii Novgorod) Official Web site, at <http://www.birzhaplus.sandy.ru/birzha/5.htm>.

164 Batjargal, Bat. *The Dynamics of Entrepreneurial Networks in a Transition Economy: The Case of Russia*. William Davidson Institute at the University of Michigan Business School. Working Paper, no. 350, December 2000, pp. 3, 7.

165 National News Service Web site. Available at <http://www.nns.ru/chronicle/region/#z1>.

166 *Novoe Delo*, 4–10 May 2001, p. 21.

167 Petrov, Nikolai and Alexei Titkov. "Rossiiskoe obshchestvo v 1998 g" (Russian Society in 1998). In *Russian Regions in 1998: An Annual Supplement to Russia's Political Almanac*. Carnegie Endowment for International Peace, 1999, pp. 31–39.

168 *Otkrytoe obshchestvo*, no. 5 (17), 2000.

169 Batjargal, *Op. cit.*, pp. 9, 11, 12.

170 [Http://www.polit.ru/printable/423373.html](http://www.polit.ru/printable/423373.html).

regional governance. The regions have to admit – sooner or later – that these financial, industrial and information actors are giving birth to Russia's new corporate and managerial culture. These actors might become a new resource for Russia's regional governance.¹⁷⁰

Yet the future of the regions is also complicated and obscured by the general crisis of territoriality in Russia. The late 1990s have witnessed the escalation of the whole range of territorial issues all across Russia. According to the Ministry of Federal Affairs, there are currently 32 territorial disputes in the country.

The first pattern of territorial uncertainty comprises attempts to integrate regions. Vyacheslav Pozgalev, the governor of Vologda Oblast, is a proponent of enlarging the Subjects of the Federation. In his view, “we do not need toy kingdoms. All subjects are supposed to be more or less equal in terms of their possibilities.” He suggests that it would be economically rational to leave not more than 50 Subjects of the Federation instead of 89.¹⁷¹ Saratov Oblast governor Dmitrii Aiatskov thinks that instead of seven federal districts, the President ought to create between 30 and 50 “big regions,” each of which would include several Subjects of the Federation or even some other post-Soviet republics.¹⁷² Gennadii Osipov, the Director of the Institute for Socio-Political Studies at the Russian Academy of Sciences, has predicted that the Russian Federation will be composed of 11 enlarged subjects over time.¹⁷³ Eduard Rossel', the governor of Sverdlovsk Oblast, and the chair of the State Duma, Gennadii Seleznev, agree.¹⁷⁴

Some steps were undertaken implementing these ideas in practical terms. Governor Yurii Trutnev has launched a process to integrate his oblast of Perm with the Komi-Permyak Autonomous Okrug.¹⁷⁵ Mikhail Prusak, the governor of Novgorod Oblast, has suggested that eventually this region might merge with Pskov Oblast. Arkhangelsk Oblast and Nenets Autonomous Okrug could also form a single region, along with St Petersburg and Leningrad Oblast.¹⁷⁶ Eventual mergers are expected between Kamchatka and Koryak Autonomous Okrug, as well as between Buryat Autonomous Okrug and Irkutsk Oblast.¹⁷⁷ Interestingly enough, the chain of mergers might be extended to the military districts: it is expected that the Volga Federal District might be united with the Volga military district.¹⁷⁸

171 *Regiony Rossii*, no. 1 (21), 15 January 2001, p. 19.

172 *Nezavisimaia gazeta*, 21 February 2001, p. 3.

173 “St Petersburg” Web site, at http://saint-petersburg.ru/politics/2001/May/21/17_30_00/

174 <http://lenta.ru/russia/2001/06/19/rossel/>.

175 *Regiony Rossii*, no. 13 (33), 9 April 2001, p. 18.

176 *Regiony Rossii*, no. 8 (28), 15 March 2001, p. 28.

177 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/club-89/2001-04-24/4_maleev.html.

178 *Regiony Rossii*, no. 7 (27), 26 February 2001, p. 49.

179 Ivanov, Nikita. “Nachinaetsia novyi etap reformy federativnogo ustroistva Rossii” (On the Eve of the New Stage of Federal Reform in Russia). Available at <http://www.businesspress.ru/newspaper/article.asp?mId=40&ald=72594>.

What are the stimuli for those regional leaders that foster the integration of the regions? Some of them expect to stay at the head of enlarged provinces; others want to assimilate weaker neighbors. Their opponents are chief executives of autonomous okrugs that are part of larger Krai, and thus could become primary candidates for losing their status of a Subject of the Federation. Leaders of ethnic republics also oppose this idea since they are fearful of losing their identities and privileges.¹⁷⁹

The second type of uncertainty is related to the redrafting of boundaries of existing units. Thus, Murtaza Rakhimov, the president of Bashkortostan, has applied for membership in the Urals Federal District (instead of the Volga Federal District in which his republic was placed by Putin's decree).¹⁸⁰ Though Nizhnii Novgorod won the bid for capital of the Volga Federal District, its governor Skliarov has nevertheless complained that two oblasts – Volgograd and Astrakhan – stayed outside it.

A number of politicians from Kaliningrad are eager to convince the federal government to convert this oblast into a special federal unit, separating it from the North-West Federal District.¹⁸¹ Similarly, Boris Nemtsov, the leader of the Union of Right-Wing Forces, has proposed to form a special federal district for Chechnya.

The prospects of altering the current state of affairs are voiced at a lower level, too. Two districts of the underdeveloped Kurgan Oblast have openly expressed their intention to become part of neighboring Sverdlovsk Oblast because of their economic proximity to its large industrial city of Ekaterinburg.¹⁸² Similarly, Ivanovo residents have appealed to join neighboring Yaroslavl Oblast.

Of course, the plans for reshuffling the territories are not free of conflicts of interest. As soon as Krasnoyarsk Krai authorities began publicly debating the possibility of absorbing Taimyr Autonomous Okrug (TAO), TAO governor Alexander Khloponin proposed to include Krasnoyarsk Krai in TAO.¹⁸³ The situation is complicated since TAO – where “Norilsk nickel,” the world's foremost producer of nickel, is located – is a Subject of the Federation and simultaneously part of Krasnoyarsk Krai.¹⁸⁴

Other conflicts occur as well. There are fears in Perm Oblast of being divided between Samara and Saratov oblasts.¹⁸⁵ Relations between the Altai Krai and the

180 *Regiony Rossii*, no. 11 (31), 26 March 2001, p. 43.

181 <http://www.elections.koenig.ru>.

182 *Regiony Rossii*, no. 12 (32), 2 April 2001, p. 39.

183 Inter-regional Foundation for Presidential Programs official Web site, at <http://www.materick.ru/mfpp/polika/0034/newgub.htm>.

184 Inter-regional Foundation for Presidential Programs official Web site, at <http://www.materick.ru/mfpp/polika/0033/vlast.htm>.

185 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/far/2001-05-29/1_penza.html.

186 *Russian Regional Bulletin*, vol. 3, no. 11, 4 June 2001. Moscow: East-West Institute.

187 *Nezavisimaia gazeta* Web site, at http://regions.ng.ru/printed/gubern/2000-09-05/3_sud.html.

Republic of Altai became even more tense after the latter declared its intentions to incorporate the former.¹⁸⁶ An intense conflict over a piece of land divides Astrakhan Oblast and Kalmykia.¹⁸⁷

As we have shown, Putin's reform did not offer a satisfactory response to the confused territorial makeup of Russia. Neither regional nor federal elites treat the current federal arrangements as final.

Some preliminary conclusions can be drawn from the current state of relations between the regions and other new actors. First, regionalism in Russia today is an extroverted rather than an introverted phenomenon. The federal districts, established primarily for solving domestic matters, rapidly began positioning themselves in the wider international ambit. Federal districts are "regions-in-the-making." They are developing from passive objects of the Kremlin's policy into actors capable of articulating their own interests and policies.

Second, regionalism constitutes an open-ended phenomenon. Federal districts are social and political entities that can be constructed and deconstructed. Discussing regionalism – assessing its strength and weakness and exposing the various approaches to it – means participating intellectually in its construction or deconstruction.¹⁸⁸

Third, we may discern certain levels of regionality. Federal districts were created as "regional spaces" (initially they were purely geographic units existing only in presidential decrees). Next, they were transformed into administrative units, each marked by exceptional loyalty to the federal center. Those administrative structures gave birth to "regional complexes" as political units, cemented by common interests and solidarity. Some of these political units are currently on their way to becoming "regional societies" (by striving for stronger social integration and cohesiveness). Some districts are in search of their international identities (Kirienko, for instance, adheres to the concept of cultural integration within federal districts).

The potential formation of "regional societies" in the federal districts is an important landmark, because if Putin's reforms should develop only within the administrative and political elite boundaries, it will be doomed to failure (and subsequent deconstruction). In assessing the state of progress in a new territorial division of the country, one should keep an eye on the advancement of the institutions of civil society.

Putin's territorial reform augmented the number of sub-national actors and of the options available to each of them, including those related to coalition building. Three of these can be distinguished (the restoration of the union as the least feasible option is disregarded in this analysis).

Option 1

¹⁸⁸ Hettne, Bjorn and Fredrik Soderbaum. "Theorising the Rise of Regionness." *New Political Economy*, vol. 5, no. 3 (2000).

An increased importance of the federal districts: By maintaining strategic contact with explicitly liberal economists (such as German Gref, Andrei Illarionov, Aleksei Kudrin, Viktor Khristenko, Sergei Kirienko and other pro-market reformers), the federal districts can benefit from the concentration of resources, the rationalization of economic management, and greater compatibility between national and sub-national legislation. Another beneficiary under this scenario might be the municipal authorities, one of the few presidential representatives' potential allies in their tug-of-war with the governors. At the same time, the influence of the Subjects of the Federation and inter-regional associations will be reduced under this option.

Option 2

Renewed influence of the Subjects of the Federation: This might be the case should the federal center decide that the institution of federal districts had served its purpose and could be discarded. This alternative might be accompanied by mounting activism of the inter-regional associations as the most feasible instrument available to the governors in their opposition to the presidential representatives.

Conclusion

Option 3

A gradual process of enlarging the Subjects of the Federation through mergers with the neighboring provinces: In this case, the regional elites would be divided along political lines: the most loyal regional leaders would undoubtedly support Putin, while others would disagree. Enlarged regions might challenge both inter-regional associations and federal districts.

As we have said before, the regions have to be identified as actors belonging to both the vertical and horizontal vectors of communication. The differences between the two are summarized in the table below.

189 Barberia, Lorena, Simon Johnson and Daniel Kaufman. *Social Networks in Transition*. The William Davidson Institute at the University of Michigan Business School. Working Paper, no. 102, October 1997, p. 2.

190 "Problems of Theory and Practice of Management" Online Journal. Available at http://www.ptpu.ru/issues/6_00/12_6_00.htm.

Vertical communication	Horizontal communication
Administrative market of state institutions	Networking between equal actors, including non-state actors
Patronage politics	Interest groups politics
“Hard hierarchy” based on administrative connections and personal loyalties	“Soft hierarchies” based on resource potential (chiefly economic and informational)
Single center of strategic decision-making	No single decision-making center exists; plurality and diffusion of authority and rivalry between competing poles of gravitation are the rule
Subordination of political relations	Coordination of political relations
Strict and highly formalized rules of bureaucracy	Flexible and adaptable frameworks of relations based on emerging agendas (often informal ones) ¹⁸⁹
Strict limits to institutional influence	No strict limits – all influences reach trans-regional and trans-national levels
Bureaucratic rivalries of different institutions, each eager to augment its influence at the expense of others (zero-sum-game)	Self-restraint is an indispensable precondition for effective functioning of the system ¹⁹⁰
Inward-oriented relationship aimed at mustering domestic resources	Outward-oriented relationship fostering internationalization and globalization

Russian regional institutions share a sort of “double identity” – they function in the administrative and networking spheres simultaneously.¹⁹¹ In this sense, we may assume that the future model of federalism in Russia could be described by the formula “administrative strategies plus networking.”

The federal factors – like the tug-of-war between the “Yeltsinite” and “St Petersburg” groupings – have a direct impact on regional developments (as exemplified by the election campaign in Tomsk Oblast¹⁹² in 2001 and other regions). Regions are also very sensitive to business conflicts like the one dividing RAO “EES” and “Russian Aluminum,” which is a high-profile issue for Krasnoyarsk Krai.¹⁹³

The regions are trying to get used to the new network reality, and even to catch up with the trend. This is conducive to positive changes in Russian economic and political performance. An alliance of three major metal producers – Severstal’, Magnitogorsk and Novolipetsk enterprises, supported by the governors of Chelyabinsk and

Belgorod oblasts and Udmurtia – has made a concerted effort to get “market economy status” for Russian metal makers in the US, thus increasing the country’s export potential.¹⁹⁴ It is very telling that information-gathering and adapting to the international legal, accounting, and ecology standards were seen as vitally important for the success of their networking.

Of course, actor-to-actor horizontal cooperation is a very delicate process. For example, two metal producers – Cherepovets and Magnitka plants – refused to lobby against the US-Russian trade agreement of 1999, and were harshly criticized for that by other regional enterprises.¹⁹⁵ At the same time, networking between different actors (basically FIGs and regional administrations) does not necessarily foster a pro-globalization agenda: for example, the decision to close the Russian domestic market for second-hand foreign vehicles was based on an alliance between governors (Konstantin Titov of Samara Oblast), presidential representatives (Sergei Kirienko), and obviously the car-producers themselves (Oleg Derispaska).¹⁹⁶ A number of Russian FIG tycoons (like Kakha Bendukidze of the “Uralmash-Izhora” group and Andrei Petrosian of the Novolipetsk metallurgical plant) are very doubtful about Russia’s accession to the WTO for fear of stronger competition.¹⁹⁷

Yet what is most important is that at the threshold of the 21st century, Russian regionalism is increasingly exposed to global influences. The growing role of information poses a serious challenge to regional autarky and stimulates the development of democracy and an open society. In turn, big business largely determines the interplay between the regions and new actors; being one of the major challengers of regionalism, it shapes new forms of development. Yet, it would be misleading to negate the vitality of Russian regionalism. As shown above, the interrelationship between the regions and new emerging actors is becoming more and more complex. The actors discussed above are not static. They are evolving entities, and their evolution is predetermined very much by the constant interaction between them. Due to this interaction, in the regional societies, “the local, the national and the global have become intimately related.”¹⁹⁸ Russia is about to take a new turn in its political transformation, challenging the present forms of institutional and non-institutional interaction between regions and other policy actors.

191 *Nezavisimaia gazeta* Web site, at http://scenario.ng.ru/printed/interview/2000-10-11/5_future.html.

192 *Nezavisimaia gazeta* Web site, at http://faces.ng.ru/printed7dossier/2001-01-25/4_lucky.html.

193 “Strana” Information Agency, at <http://www.strana.ru/print/989333679.html>, May 8, 2001.

194 AK&M Press Club, 22 March 1999. Available at <http://www.akm.ru/rus/press-club/990322report.stm>.

195 AK&M Press Club, 30 July 1999. Available at <http://www.akm.ru/press-club/990730report.stm>.

196 Nizhnii Novgorod Information Agency Web site, at <http://www.infonet.nnov.ru>, June 7, 2001.

197 Center for Strategic Research Official Web site, at <http://www.csr.ru/about-publications/18.04.2001-vrmn.html>.

198 Jarvis/Paolini, *Op. cit.*, p. 15.

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