# Pskov Region of the Russian Federation

# as Foreign Policy Actor

by

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# A dissertation submitted for the degree of PhD

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May 2006

### ABSTRACT

Subnational foreign activities are a new and relatively unexplored aspect of the international system. The absence of clear and universal rules creates an ambiguous political playground that can be misused by both states and their subnational governmental units for reaching their foreign policy and foreign trade goals.

Worldwide, different patterns for subnational foreign activities in federal states have emerged. For example, in the United States, member states of the federation are fighting over foreign investments mainly. In Germany, on the other hand, members of the federation have delegated their rights in terms of foreign activities to the federal government. In general, federations with long democratic traditions have managed to introduce the formulas for containing subnational foreign activities.

In Russia, in contrast, the breakdown of the Soviet Union confronted both the federal centre and members of federation with a fundamentally new situation. In Soviet times, the territorial units of the Russian Socialist Federative Soviet Republic (RSFSR), were of administrative nature only, i.e. they lacked the political dimension. Some of the Russian regions were using their newly-gained freedom for the purpose of challenging the federal centre. Pskov region of Russia has been one of the most active subnational actors.

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## **List of Abbreviations**

ACCT ('Agence de cooperation culturelle et technique')

CCBR Council for Cooperation of Border Regions

CIS: Commonwealth of Independent States

CoE: Council of Europe

CPSU: Communist Party of the Soviet Union

EC/EU: European Community/European Union

EU: European Union

FRG: Federal Republic of Germany

GDR: German Democratic Republic

GOSKOMSTAT: State Statistics Committee

LDPR: Liberal Democratic Party of Russia

MFA: Ministry of Foreign Affairs

MFER: Ministry of Foreign Economic Relations

NATO: North Atlantic Treaty Organisation

NDR: Nash Dom Rossiya {Our Home is Russia}, a political party in Russia

RSFSR: Russian Socialist Federative Soviet Republic

SU: Soviet Union

USSR: Union of Soviet Socialist Republics

## **Note on Transliteration**

For the transliteration of Russian to English, the author uses a scheme employed by Europe-Asia Studies, except for cases where the respective word is in use in English already (Moscow, for example).

### Acknowledgements

Before beginning to write this dissertation in Glasgow, I met with Dr Hans Oversloot from Leiden University, the Netherlands. Most prominently, I am grateful to him for his advice to address the topic of subnational foreign activities in Russia in my thesis. During one of our conversations in the Netherlands, he pointed out that this aspect of Russian regionalism has not been researched satisfyingly. What I soon discovered was that the phenomenon of subnational foreign activities had not been researched sufficiently not only in Russia but in the world in general.

Dr Andreas-Renatus Hartmann, an adviser for Russian affairs for the European People's Party Group in the Foreign Affairs Committee of the European Parliament is to 'blame' that I undertook the task of writing this thesis. Not only his support and help in finding contacts in Russia and in Brussels, but his sincere interest in Russia in general and in Pskov in particular has motivated me in the first years. He, together with my first supervisor Prof John Löwenhardt, who has left Glasgow, helped me through the first two years in Glasgow.

Prof John Löwenhardt was my first supervisor, who helped me to lay the foundations for the thesis. After he had left Glasgow, Prof Stephen White was kindly

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willing to continue his work. He found the patience to help me through the final years of writing-up.

Last but not least, for the sake of my academic career, my family has sacrificed a great deal of time-together, which was in short supply already. Finding the right balance between the family, business activities and academic research was highly demanding.

The remaining faults remain my own.

### Preface

- Today, the Baltic area may also be a 'zone of change' for Russian foreign policy, a place where Russia might get rid of her Cold-war fears and post-imperial complexes and aim at creating a liberal model of foreign policy based on geographical proximity, economic interests and regional networks ('regional political economy').
- In Medvedev, Sergei. "Geopolitics and Beyond: The New Russian Policy Towards the Baltic States", in: Jopp, Mathias and Sven Arnswald, *The European Union and the Baltic States: Visions, Interests and Strategies for the Baltic Sea Region*. Kauhava: Ulkopoliittinen instituutti - The Finnish Institute of International Affairs and Institut für Europäische Politik, 1998.

When the Union of Soviet Socialist Republics (USSR) broke up in 1991 and Russia became an independent state, some observers predicted that, soon, Russia would follow the path of the Soviet Union. Gloomy scenarios describing the disintegration of the Russian Federation as inevitable, and even as a good thing to happen, began to appear even in academic publications. At that time, several Russian autonomous republics had declared themselves "sovereign". Some authors call this period a 'parade of sovereignties'.<sup>1</sup>

In Tatarstan, radical nationalists even called for independence from Russia. In Chechnya, a secessionist movement succeeded in disarming and expelling Russian troops sent to quell the revolt. Following these events, Russian *krais* and *oblasts* showed an apparently uncontrollable urge to improve their status in the federation, compared to national republics, too. First the Vologda and Sverdlovsk (Ekaterinburg) oblasts and then several other Russian regions announced their intention to proclaim themselves republics. History seemed to repeat itself when, similar to what had happened in Russia after the Bolshevik Revolution, new regional associations were formed, like the "Greater Urals", the "Greater Volga" and the "Siberian Agreement", contributing to the erosion of the already seriously weakened connections with federal centre. Some republics were granted full control over their natural resources.<sup>2</sup>

In the 1990s, western regions of Russia seemed likely to align themselves with neighbouring systems, such as the Nordic countries or the Baltic Sea area, while their far-eastern counterparts were attracted in the same way by China, Japan, the Pacific Rim, Asia, or even the United States. Karelia, Pskov, St Petersburg and Leningrad oblast were developing subnational foreign contacts with their Baltic and Nordic neighbours.

<sup>&</sup>lt;sup>1</sup> Oldberg/Hedenskog (2000): Oldberg, Ingmar and Jakob Hedenskog. *In Dire Straits: Russia's Western Regions between Moscow and the West*. Defence Research Establishment: Stockholm, 2000.

<sup>&</sup>lt;sup>2</sup> For more on how regions were forcing Yeltsin to cede more and more power to them see Melvin (1995):Melvin, Neil. *Regional Foreign Policies in the Russian Federation*. London: Royal Institute of International Affairs (Post–Soviet Business Forum), 1995.

In this context, the visit of Kaliningrad governor Leonid Gorbenko on October 26 and 27 1998 to Vilnius where he met not only with the leaders of the Lithuanian Confederation of Industrialists but also with Economics Minister Vincas Babilius, Foreign Minister Algirdas Saudargas and even with President Valdas Adamkus, must be seen as the peak of a long-standing trend which started in 1992, when more than 150 Russian administrative units (oblasts, administrative regions and even individual cities) applied to the federal authorities with requests to set up so-called free economic zones in their territory in order to stimulate the influx of foreign investments.

The Yeltsin period was a boon to regions and municipalities in Russia, in terms of increasing their freedoms. Establishing regional 'foreign ministries', in the Republic of Karelia, for example, and establishing representations abroad by Russian regions, was in fashion. Thousands of cooperation agreements were signed with foreign partners, without any interference from the federal ministries etc. Some regional leaders were in fact acting as heads of semi-independent states.

The arrival of Vladimir Putin as the President of the Russian Federation in the Kremlin is gradually reversing this trend, however. Step by step, regions are being taken under stricter federal control. This means not only the reduction of their freedom domestically, but tighter control of their dealings with foreign partners, too. As one of the first measures in the campaign of re-centralisation, governors were expelled from the Federation Council, which meant the loss of their impunity status. Subnational foreign activities were directly subordinated to federal ministries. Those steps did alter fundamentally the nature of subnational foreign activities in Russia, but did not terminate them.

#### Subnational Foreign Activities and the International System

For various reasons that are discussed below, the worldwide experience in the field subnational activities has not been researched sufficiently. Important questions are still waiting for an answer. In the contemporary academic literature of international relations the focus is still on national states. To some extent, more recent theories include the notion of new actors from private sector, such as international non-governmental organisations and multinational corporations. Lower levels of government in federal states, such as regional or local, are being ignored by the researchers to a great extent, however.

Subnational foreign activities are an aspect of federalism, regionalism, centre-periphery relations, cross-border cooperation, trans-border cooperation etc. The scope of the rights to engage in foreign activities of a subnational unit in a particular federal system is an important indicator for the relative autonomy of its members from the federal centre. Further research on subnational foreign activities should be undertaken not only for academic purposes. In fact, academic studies could contribute towards finding the optimal role for subnational foreign activities in the international system.

From the viewpoint of the international law, it is the task of a federal system to define the rules for subnational foreign activities of its members using the Constitution. Lax federal regulation and absence of control of subnational foreign activities can lead to absurd developments. As we can observe in the case of Russia, regions began to set up their own foreign ministries, for example in Karelia, in the 1990s. Furthermore, regional administrations, especially in oil-rich

parts of Russia, began to claim the rights over the use of natural resources in their territory.

For the sake of territorial integrity, a federal centre must control subnational foreign activities. It is not to say that subnational foreign activities should be banned, however.

The multitude of voices claiming to represent a federation abroad is another potentially dangerous companion of subnational foreign activities. This multitude can be manipulated by foreign actors in their own interests. For example, a foreign actor can encourage a subnational unit in another state to oppose the official foreign policy of the central government and thereby weaken the negotiating position of the opponent, i.e. the federal centre of another state.

In our inter-linked world subnational foreign activities can pose a threat to a federation. At the same time, giving the subnational units the right to engage in foreign activities can enhance the capabilities of a federation to act in the international scene. Finding the right formula for those activities is, therefore, in the interests of all participants, i.e. the federation and its members. Moreover, subnational foreign activities can contribute to the stability of the international system by offering new negotiating channels, cooperation networks and platforms for the exchange of ideas.

#### Subnational Foreign Activities in Russia

Among other factors, future of Russia depends on the socio-economic development of its 88 regions.<sup>3</sup> Russia's regions will have better chances to

<sup>&</sup>lt;sup>3</sup> Following a referendum on 7 December 2003 the Perm oblast' and Komi-Permyak autonomous okrug were merged as a new entity, Perm krai, starting from 1 December 2005. Further mergers of Russian

succeed economically when direct exchange of ideas with foreign partners is allowed for by the federal centre. Attracting investments from foreign countries is an important aim of subnational foreign activities.

The majority of regions in the Russian Federation are still lacking a clear profile for the outside world. In order to attract foreign investment, regional administrations need to promote their exclusive features of their respective regions abroad. Often, foreigners, speaking of Russia, only have Moscow or St Petersburg in mind. Everybody knows the German *Bundesland* Bavaria, but who has heard of Pskov before? When one hears Bavaria, one thinks of *Oktoberfest*, Alps and BMW. Not too many, however, could name anything in connection with Pskov, for example.

Currently, all of Russian regions are subsidised from the central budget.<sup>4</sup> This fact puts them in a weak position in their dealings with Moscow. As a result of the policy of distributing subsidies, virtually all of Russian regions are heavily dependent on the central government. Under these circumstances, Moscow, which is interested in keeping its 'vassals', i.e. governors in the regions, under control; increases the control over contacts of regions with foreign partners, which can help to strengthen regions both economically and politically. This could pose a threat to Moscow's dominant position.

The success of regions in the field of foreign activities can increase their leverage vis-à-vis Moscow. Therefore, the central government has grown keener to keep the foreign contacts of regions under closer supervision. Federal

regions will take place: this will reduce the number of members of the federation to 83 by 1 March 2008.

<sup>&</sup>lt;sup>4</sup> For more on the financial situation of Russian regions after federal tax reforms see Orttung (2004): Orttung, Peter W. "Key Issues in the Evolution of the Federal Okrugs and Center-Region Relations under Putin", in Robert W. Orttung and Peter Reddaway (eds.), *The Dynamics of Russian Politics*. *Putin's Reform of Federal-Regional Relations*. Lanham: Rowman & Littlefield Publishers, 2004, p. 30.

government can use a variety several instruments to control subnational foreign activities. The Ministry of Foreign Affairs is probably the most efficient one. As far as the Ministry of Foreign Affairs is concerned, the Russian Federation is a unique state: there are more than twenty domestic representations of the ministry. One of the main tasks of these regional representations is to coordinate foreign contacts of federal subjects. Stated differently, those representations can be used by the central government to keep the foreign relations of the regions under close surveillance.

The study of subnational foreign activities offers clues on the future of Russia in general. The ability and willingness of central government to facilitate the foreign policy and foreign economic interests of regions is a test for the strength of the federal structure of Russia. By simply forbidding subnational foreign activities the federal centre risks increasing tensions inside the federation, which could lead to the emergence of secessionist tendencies.

#### Subnational Foreign Activities in Pskov

This thesis examines the external behaviour of one of the 88 Russian regions. It was only after the collapse of the Soviet Union that Russian regions have re-entered the lists of research topics of political and social scientists. As the number of Russian regions is remarkably high and their diversity overwhelming, it is understandable that not all of the regions have been scrutinised with the same commitment by academics as of now.

Russian regions need foreign investments for economic recovery. To attract foreign investments, regions need intensive foreign contacts. The region this thesis is dealing with – Pskov - has external borders with three foreign countries, all of them former Soviet republics. Pskov has the potential of developing intense foreign contacts, not only with its direct neighbours. In fact, it could even become a model in this respect for other Russian regions.

Pskov oblast' was chosen for various reasons. Most importantly, despite its geographic closeness to the European neighbours of Russia, Pskov has received notably little attention from researchers of Russian regions. There are some publications on the impacts of the EU and NATO enlargement on Russia in general and its regions, which focus on Kaliningrad region mainly, however.

Oldberg, in one of these publications on Kaliningrad, claims the military importance of the Kaliningrad region attracted the attention in the early 1990s. A gradual decline of the military potential of the armed forces in Kaliningrad took place in the course of the 1990s, however. Another crucial issue linked to Kaliningrad exclave is the perception of possible German territorial claims. More recently, however, the socio-economic crises unwinding in the Kaliningrad oblast' has dominated the agenda in the dialogue between Moscow and Russia on the future of the region.<sup>5</sup>

Kaliningrad's situation has been, as a Russian exclave bordering EU members Lithuania and Poland, one of the reoccurring issues in the EU-Russia official dialogue. A group of authors sees Kaliningrad in the spotlight of the EU eastern enlargement, given the fact that there are two Russias, the motherland and Kaliningrad. The so-called 'little Russia', Kaliningrad region, is increasingly inside the EU and as such exposed to EU policies much more than any other

<sup>&</sup>lt;sup>5</sup> Oldberg (2001): Oldberg, Ingmar. *Kaliningrad between Brussels and Moscow*. The Russian Study Group Working Papers Series No 17, Eidgenössische Technische Hochschule Zürich: Centre for Security Studies and Conflict Research, 2001, pp. 13, 19, 29.

Russian region. Since Kaliningrad and 'big' Russia are intertwined, the EU cannot implement its policies in Kaliningrad separately from Russia itself. The authors claim.<sup>6</sup>

The case of Pskov is interesting since this oblast' was governed by Mr Zhirinovsky's ally Mr Mikhailov for nearly a decade. Mr Zhirinovsky and his party LDPR (Liberal Democratic Party of Russia) were famous for their antiwestern rhetoric. Was this rhetoric reflected by the pattern of subnational foreign activities of the regional administration?

There are a small number of publications on Pskov oblast''s fate after the collapse of the Soviet Union, most prominent of which is the article by Mikhail A. Alexseev and Vladimir Vagin in <u>Europe Asia Studies</u>. In this article, authors describe the case of Pskov as 'especially instructive' because of the geographical location of the oblast'.<sup>7</sup>

The authors of the above-mentioned publication indicate several aspects which make the case of Pskov oblast' interesting. Firstly, the regional elite of Pskov were confronted with foreign policy and foreign trade issues suddenly, after the republics of Estonia, Latvia and Belarus became independent from the Soviet Union. Secondly, a transformation of the foreign activities of Pskov regional administration can be observed during the 1990s. A strong sympathy for Belarus as the main foreign partner has been replaced by a Baltic orientation for economic reasons. Thirdly, Pskov region is confronted with inter-regional competition with Leningrad oblast', which has been chosen by the federal centre

<sup>&</sup>lt;sup>6</sup> Joenniemi/ Dewar/ Fairlie (2000): Joenniemi, Pertti, Dewar, Stephen, and Lyndelle D. Fairlie. *The Kaliningrad Puzzle – A Russian Region within the European Union*. Karlskrona: The Baltic Institute, 2000, p. 3.

<sup>&</sup>lt;sup>7</sup> Alexseev/Vagin (1999): Alexseev, Mikhail A. and Vladimir Vagin. "Russian Regions in Expanding Europe: The Pskov Connection," *Europe-Asia Studies 1999*, 51 (1), pp. 43-64.

for an ambitious port project. The new ports in Ust-Luga village in the northern part of Leningrad oblast' would divert from Pskov oblast' a large share of Russian transit goods to the West.

Another publication on Pskov by a Russian academic Andrey Makarychev lists the possible foreign orientations of the regional elite. The regional elite seem to be torn between neighbours – Belarus on the one hand and Latvia and Estonia on the other. Moreover, Makarychev explores the roles played by two initiatives of the European Union, the 'northern dimension' and the 'eastern dimension'.<sup>8</sup> The impact of these two EU initiatives will be discussed in Chapter 2 of this thesis.

Some Russian authors believe that Pskov oblast' is a 'classic example' for the failures of subnational foreign activities. It is weakly developed socioeconomically and, therefore, unable to establish sustainable contacts with foreign partners. As Mezhevitch and Litovka underline, it is not Pskov' fault: the Soviet heritage of weakly developed border areas of the Russian SFSR is to blame. The self-isolation policy of the Soviet Union caused grave disparities in the regional economies of the RSFSR – relevant industrial potential was concentrated in the central regions of Russia.<sup>9</sup> As far as Pskov region is concerned, it is, indeed, weakly developed; process of the regional economic demise compared to some other Russian regions began in the 1970s already.<sup>10</sup>

 <sup>&</sup>lt;sup>8</sup> Makarychev (2005): Makarychev, Andrey. "Pskov at the Crossroads of Russia's Trans-border Relations with Estonia and Latvia: Between Provinciality and Marginality," *Europe-Asia Studies 2005*, 57 (3), pp. 481-500. Makarychev (2005).
 <sup>9</sup> See Mezhevitch/Litovka (2002): Litovka, O. P. and N. P.Mezhevitch. *Globalizatsiya i Regionalizm* –

<sup>&</sup>lt;sup>9</sup> See Mezhevitch/Litovka (2002): Litovka, O. P. and N. P.Mezhevitch. *Globalizatsiya i Regionalizm – Tendentsii Mirovovo Razvitiya i Faktor Socialno-ekonomicheskovo Razvitiya Rossii*. Kult-Inform-Press, St. Petersburg, 2002, p. 69.

<sup>&</sup>lt;sup>10</sup> Read more on socio-economic indicators of Pskov regional economy in Chapter 3 of this thesis.

This thesis focuses on subnational foreign activities in Pskov region. There are three types of subnational actors engaged in foreign activities – regional, local municipal and local rural actors. This thesis examines all these types of actors in Pskov region, which makes it the first of its kind in this field. Usually, the relevant literature focuses on regional actors only. By taking a closer look at the subnational foreign activities in the Pskov oblast' on all subnational levels, i.e. on the regional and local municipal/rural levels of government one can try and predict the behaviour of both Russian regions and Russia as a federal state in the field of subnational foreign activities. Examining the recent changes in the structure of the Pskov regional administration can offer us clues on how Russian subnational regional units will reorganise their foreign activities in order to comply with new standards introduced by the Putin administration in Moscow.

#### **Methods**

The existing framework of theories and concepts for explaining subnational foreign activities will be discussed in the Chapter 1 of this thesis. In general, there are several weaknesses related to existing theories. The main flaw of the existing theories on subnational foreign activities is the lack of measurement tools. Currently, comparison seems to be the only tool for evaluating the extent of international involvement of a particular subnational unit.

The method of comparison displays its deficiencies when applied in the case of subnational foreign activities in Russia, however. Relevant inputs on subnational foreign activities have not been collected in most cases. Moreover, the data compiled using the method of comparison is not usable as long as the criteria by which this information will be assessed has not been universally defined and accepted by researchers.

I will use both qualitative and quantitative methods in this thesis. Since official information on subnational foreign activities is scarce in Pskov, interviews with relevant actors from federal, regional, municipal and district authorities and NGO-s were crucial sources of information. Numerous interviews were conducted by the author, in Pskov and Estonia. Local and national – both Estonian and Russian – newspapers, magazines were other source of interviews.

Quantitative data on subnational activities in Pskov originates from official documents of regional/local administrations mainly, especially publications of the Statistics Committee. Furthermore, statistical data was available in newspaper articles and magazines.

The use of qualitative data on subnational foreign activities of Pskov was, to a certain degree, hindered by the reluctance of relevant officials of to be quoted, however. Especially, officials from federal authorities preferred to remain anonymous.

As far as quantitative data is concerned, given the circumstance that a model for evaluating this type of data in the case of subnational foreign activities has not been proposed and universally accepted by academics, the extent of its usability remains limited.

#### Period

This thesis examines the foreign activities on the subnational level in the Pskov region in the years 1991-2000 mainly - the Yeltsin period - from the last days of the Soviet Union to the recent political changes in the federal centre, which have brought about a gradual reduction of rights of the members of federation.

Why was this period chosen? Since the regions of an independent Russia did not have the same status in the Soviet Union, the year 1991, the last year of the break-up of the union, would be the correct start for the examination of subnational foreign activities. In the year 1999, the first Russian president Boris Yeltsin resigned from his post. The then-Prime Minister Vladimir Putin, a former head of the internal security service (FSB), became the acting president. The elections in March 2000 were more or less just a formality, a 'coronation' of the new 'tsar', hand-picked by the previous one.

With President Putin, a new period in the history of Russia started. Whereas Yeltsin had often relied on the then-powerful regional leaders for political backup, Putin had other backers. His previous positions as head of the internal security service (FSB) or the secretary of Security Council enabled him to build up a close relationship with the vast and powerful intelligence community in Russia. In contrast to Yeltsin, Putin did not necessarily need the support of the regional governors; many of them had become warlords or semi-dukes. Putin decided to reduce the freedoms of regional bosses, whose actions were partly perceived in Moscow as dangerous to the territorial integrity and the strong state.

As Peter Reddaway points out in his recent book *The Dynamics of Russian Politics*, in Russian history, there are repetitive cycles of authoritarianism combined with the weakening of the central state. The periods of relative weakness of the federal centre and the emergence of regions as more powerful actors are followed by the rapid strengthening of the centre.<sup>11</sup> A similar pattern can be identified during the 1990s and early 21<sup>st</sup> century when a period of gradual weakening of the federal centre in the Yeltsin era was followed by a period of recentralisation under Putin.

The purpose of this dissertation is to single out the various steps of the above-mentioned cycle in Pskov region. Seeking more autonomy in dealings with the outside world was one of the accompanying effects of this process of decentralisation. The thesis has been completed in the hope of giving not only clearer indications for the future path of one of the North-western regions, but also of the future of centre-periphery relations in Russia in general.

The thesis is dealing with two levels of government in Pskov oblast' below the national level: regional and municipal. The municipal level, for its part, has been divided into municipal and rural units.

In the broader context of Russian-European relations, it is worth examining, why Pskov has been a pioneer or even an 'oracle' of the developments in these relations. Pskov regional administration did not whole-heartedly attempt to establish a good-neighbourly relationship with its pro-Western Baltic neighbours of Estonia and Latvia in the 1990s, despite potential economic advantages..

What happened in Pskov in the course of the 90s, happened in the Russian-European, or even Russian-Western relations in general after the

<sup>&</sup>lt;sup>11</sup> This intriguing hypothesis can be found in Reddaway (2004): Reddaway, Peter. "Historical and Political Context", in Robert W. Orttung and Peter Reddaway (eds.), *The Dynamics of Russian Politics*. *Putin's Reform of Federal-Regional Relations*. Lanham: Rowman & Littlefield Publishers, 2004, p. 3.

replacement of Yeltsin by Putin in the late 90-s. National interests and security concerns returned to the political agenda in Moscow, pushing economic considerations aside. In Pskov oblast', frequently, politics have prevailed over economic reasoning during the last fifteen years.

#### Structure

The thesis has been divided into six chapters, which are followed by a conclusion. First three chapters are of introductory nature. Chapter 4 examines the topic of Pskov subnational foreign activities in detail. Chapter 5 will go to the 'grass-root' level of subnational activities. For this purpose, two case studies have been chosen. The last Chapter tests the validity of the existing theories on subnational foreign activities in the case of Pskov regional, local municipal and local rural administrations.

In the first chapter, *Regions as foreign policy actors*, an overview will be given of the worldwide experience in the field of subnational foreign activities. Moreover, an extensive overview will be given of the terms and definitions applied by the researchers. The last sections of Chapter 1 will give examples of subnational foreign activities in several federations, such as the United States of America or Germany, for example. Moreover, the impact of a supranational organisation, the European Union, on subnational foreign activities will be examined.

As far as terms and definitions are concerned, there is some confusion in the relevant literature. There is no universally accepted terminology for subnational foreign activities or subnational actors. The first chapter takes a close look at the terminology used by authors in this field. A new terminology, which will partly overlap with existing terminologies, will be offered in the hope of contributing to greater clarity.

Russian regions and municipalities are relatively new players in the international arena. Subnational units in some other federations such as the United States, Canada or Germany have begun to discover the world of subnational foreign activities in the 1950s already. The Canadian province Quebec is a prominent example of far-reaching subnational foreign activities, which have been a cause for numerous conflicts with federal centre.

In the section of examples, the experience in the field of subnational foreign activities in several federations with democratic traditions will be examined. A special emphasis will be put on *procedures* that have been developed by federations for facilitating the foreign interests of their members. What could Russia learn from the experience of other federations in that respect?

Following the introductory chapter on worldwide experience in subnational foreign activities, comes Chapter 2, which will explain the political and legal environment, in which Russian regions operate in terms of foreign activities. Relevant federal laws will be analysed. Here, special emphasis will be put on constitutional limitations to subnational foreign activities.

A constitution establishes the general division of power in a state. As will be discussed in Chapter 2, in most cases, Constitution does not prevent members of the federation from acting in the international arena by default. However, it establishes the prerogatives of the federal government in terms of foreign affairs. The general view among experts in International Law is that it is up to the federal constitution to define the rights of subnational units in terms of foreign activities. Therefore, the study of the Russian constitution is relevant for the purpose of this thesis. Beside the Constitution, federal laws define the rights and obligations of the federation and its members in terms of foreign affairs. These laws will be analysed here in order to give an overview of the rights and obligations of Russian subnational units when engaging in foreign activities.

Furthermore, Russian centre-periphery relations will be discussed in this chapter. Subnational foreign activities are an aspect of centre-periphery relations, and, therefore, one of the battlefields where regions try to increase their room for manoeuvres. The federal centre, on the other hand, must try and contain subnational foreign activities. Forbidding these activities is not an option in a democratic society; the methods and instruments of the federal centre for controlling them will be scrutinised in Chapter 2.

Chapter 3 begins with an overview of the historic origins of the Pskov region as we know it today. The history of subnational foreign activities goes back to the 16<sup>th</sup> century, when Pskov had its own foreign ministry. The history of Pskov region is rich in contacts with foreign partners, and, in many cases, foreign enemies. The Hanseatic League is the prime example of the benefits that direct interaction with the outside world has brought to Pskov. The forced accession of Pskov to the centralist Russian state brought about a decline of foreign activities, however.

The ability and willingness of a particular subnational unit to engage in foreign activities depends on its socio-economic situation and the availability of natural resources. As scholars such as Neil Melvin have pointed out, the urge to gain control over the export of natural resources is one of the main drivers behind subnational foreign activities. Therefore, an overview of the development of the regional economy in the 1990s will be given.

The nature of subnational foreign activities on the regional level of government will be examined along with local municipal/ rural levels in the fourth chapter. A closer look will be taken at the actors and their motivations that lie behind those activities. These two levels of subnational government will be compared in terms of foreign activities as far as the existing theories allow for it, in Chapter 6.

In order to give examples and in-depth analysis of the practical side of subnational foreign activities of some particular subnational units, two case studies have been added to the thesis in the form of Chapter 5. The first case study will examine the attempts by subnational units to establish two euroregions on the Russian-Estonian and Russian-Latvian borders. Here, the regional administration has demonstrated a strong interest in a trilateral undertaking with subnational partners from Estonia and Latvia. This case study will look for answers to several questions. Why has the regional administration of Pskov met resistance from foreign and domestic partners when trying to increase its exposure to foreign affairs? Who were the main actors trying to 'twist its arms'? Is the concept of *euroregion* suitable for the Russian-Estonian-Latvian triangle of border areas?

In the second case study a closer look will be taken at the implications of post-imperial relationship between a former Soviet republic of Estonia and the successor state of the Soviet Union, the Russian Federation, on the economic level in the field of subnational foreign activities. The re-establishing of the ship link

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between Tartu (Estonia) and Pskov has become a modern saga without an end in sight. This case study will try and examine the political factors that have contributed to the failure of this cooperation project.

Further in this case study, possible motivations of the Pskov regional administration behind its drive to boost foreign activities will be examined. For the sake of illustration, the dimension of subnational private actors, i.e. private companies, has been included. Generally in the thesis, subnational foreign activities of private units are not covered for reasons, which will be discussed further on. In this particular case study, however, subnational private units play central role and will, therefore, be included.

Taking Brian Hocking's concept of *international actorness* as a point of departure, findings of this thesis in the case of Russia in general and in Pskov oblast' in particular will be reflected in Chapter 6. Using the inputs proposed by Hocking, the international actorness of subnational units in Pskov region will be examined. How should inputs obtained by using Hocking's theory be evaluated? Are the inputs collected using Hocking's theory comparable in the case of Pskov regional administration, City of Pskov administration and administrations of border-located rayons? Can it be measured using Hocking's theory, which of the subnational units in Pskov region is the most active or successful in terms of foreign activities?

Directions, goals, structures and resources of the regional administration, the City of Pskov and some of the border-located rayons of the Pskov region in terms of foreign activities will be singled out in this chapter. By comparing the regional unit and local municipal/rural units, similarities and differences in their foreign activities can be singled out. Here, the theory of international actorness proposed by Brian Hocking will be applied for collecting information for relevant inputs in his theory.

In the concluding part of the thesis, some suggestions will be made on how to improve the instruments for measuring the phenomenon of subnational foreign activities. Are the theories and concepts developed by Western authors suitable for the understanding of the complex nature of subnational foreign activities in Russia? What is the state of knowledge on Russian subnational foreign activities?

In this part, proposals will be made on how the existing theoretical framework could be developed in order to make them usable for the analysis of subnational foreign activities in the case of Russia. Russia is an asymmetric federation<sup>12</sup>, i.e. its members have different status; this further complicates the analysis of Russian subnational foreign activities; a fact that needs to be taken into account when applying existing theories

Further in the conclusion, possible future scenarios for subnational foreign activities both in the global and Russian contexts will be discussed. How do federal reforms affect centre-periphery relations? Will the unrelenting drive of central government under Putin to increase the level of centralisation in Russia end the era of subnational foreign activities? More specifically, how did the election of the new governor in Pskov change the relationship with foreign partners? Does the relationship of Pskov with its Western partners offer clues on how Russian-Western relations will develop?

<sup>&</sup>lt;sup>12</sup> The asymmetric nature of the Russian Federation, especially in financial terms, has been analysed by Treisman in Treisman (1998): Treisman, Daniel. "Deciphering Russia's Federal Finance: Fiscal Appeasement in 1995 and 1996", *Europe-Asia Studies*, Vol. 50, Nr. 5, 1998, pp. 893-906 and in Treisman (1999): Treisman, Daniel. *After the Deluge: Regional Crises and Political Consolidation in Russia*. Michigan: The University of Michigan Press, 1999.

## **Chapter 1 Regions as Foreign Policy Actors**

In international relations the last decades of the 20<sup>th</sup> century were a period of rapid change and re-orientation. The end of the Cold War and the collapse of the Soviet Union radically changed the international environment. The factors that encouraged the emergence of subnational foreign activities existed long before those events, however.

This chapter will offer an overview of the worldwide experience in the field of subnational foreign activities. Moreover, terms and definitions applied by the researchers in this field will be discussed. The last articles of this chapter give examples of subnational foreign activities in several federations, such as the United States of America or the Kingdom of Belgium.

*Globalisation* is a term that is often used to explain the recent rapid global changes. These changes are of a different nature: geopolitical, geoeconomic, geosocial, geocultural and geoenvironmental, but they all take place on a global scale. Some authors argue that one of the main features of globalisation is the fact

that the nature of human activities has changed from *state-centred* to *global*.<sup>13</sup> When globalisation is defined as a process where world's economies, societies and cultures are becoming ever more closely intertwined<sup>14</sup>, then several questions occur in the context of the subnational foreign activities. Are these activities simply a response to the process of globalisation? How do these activities change the international system? Are they undermining the monopoly of the state as actor in the international system?

In different parts of the world, subnational units of government have launched, continued, or, in some cases, intensified, their efforts to enter the international arena. The legal framework of those activities remains to be clearly defined, however. What is the status of subnational units of government from the viewpoint of international law?

The ability of central governments to control subnational units of government in general, and their foreign activities in particular, is subject to the process of globalisation. Central governments still have the unquestionable prerogative over main foreign policy issues, such as peace and war. But, for various reasons, which are discussed below, subnational units of government have intensified their attempts to enter the international system, in some cases circumventing foreign-policy authorities of central governments. What instruments are available to central governments to control and co-ordinate subnational foreign activities? How do these activities affect centre-periphery relations?

<sup>&</sup>lt;sup>13</sup> For a definition of globalisation see Johnston/ Taylor/ Watts (1995): Johnston, Ronald J., Peter J. Taylor and Michael Watts (eds.). *Geographies of Global Change: Remapping the World in the Late Twentieth Century*. Oxford: Blackwell Publishers, 1995, p. 6.

Several authors have contributed to the study of the nature of foreign activities of subnational units. Scholars from different continents have examined the nature, and impact, of the changes in the centre-periphery relations in terms of subnational foreign activities. The number of publications on this subject is not particularly high, however. Some authors believe that the reason for the "academy's bored disinterest" in subnational foreign activities lies in the underestimating of these activities by national governments, on the one hand, and the overestimating of their own importance by subnational governments, on the other.<sup>15</sup>

Jain Purnendra, who has studied extensively the foreign activities of Japanese subnational governments, gives three reasons for the low interests of theorists in the phenomenon of subnational foreign activities. First, the fast growth of the number of new actors in the international arena has over-stretched the theorists' attention. Second, the media ignores subnational foreign activities to a large extent, since they lack the clout of the foreign activities of national governments, The third reason is the fact that the inheritance of the Cold War period, which makes the majority of international relations' theorists believe that national government is still the 'unitary and predominant player'. <sup>16</sup>

Clearly, more academic work needs to be done in describing and analysing subnational foreign activities. The list of major authors, who have contributed to knowledge in this field so far, includes Ivo D. Duchacek<sup>17</sup>, Elliot J. Feldman and

<sup>&</sup>lt;sup>15</sup> Darel (2005): Paul, Darel E. *Rescaling International Political Economy: Subnational States and the Regulation of Global Political Economy*. New York: Routledge, 2005, p. vii.

<sup>&</sup>lt;sup>16</sup> Purnendra (2005): Purnendra, Jain. *Japan's Subnational Governments in International Affairs*. New York, Routledge, 2005, p. 14. Purnendra (2005)

<sup>&</sup>lt;sup>17</sup> Duchacek's main contributions include Duchacek/ Latouche/ Stevenson (1988): Duchacek, Ivo D., Daniel Latouche and Garth Stevenson (eds.), *Perforated Sovereignties and International Relations: Trans-Sovereign Contacts of Subnational Governments*. New York: Greenwood Press, 1988 and

Lily Gardner Feldman, and Brian Hocking. These authors have contributed towards general concepts for explaining subnational foreign activities. This thesis uses the inputs from the above-mentioned authors.

On various aspects of subnational foreign activities have contributed Francisco Aldecoa, Jean Beaufays, Luc Bernier<sup>18</sup>, Earl H. Fry<sup>19</sup>, Michael Keating, John Kincaid, John M. Kline<sup>20</sup>, Daniel Latouche, Yves Lejeune<sup>21</sup>, John Loughlin, Hans J. Michelmann, Paul Painchaud<sup>22</sup>, Jain Purnendra (Japanese subnational activities) and Panayotis Soldatos.

More specifically on Russian subnational foreign activities have contributed Oleg B. Alexandrov<sup>23</sup>, Andrei S. Makarychev, Neil Melvin, and Jeronim Perovic,

The research results of most of the above-mentioned authors are discussed

below. It should be underlined that these authors not only apply a variety of

Duchacek (1990): Duchacek, Ivo D., "Perforated Sovereignties: Towards a Typology of New Actors in International Relations," in Hans J. Michelmann and Panayotis Soldatos (eds.), *Federalism And International Relations: The Role of Subnational Units*. Oxford: Oxford University Press, 1990, pp. 1-33.

<sup>&</sup>lt;sup>18</sup> An expert in subnational foreign economic activities: Bernier (1988): Bernier, Luc. "The Foreign Economic Policy of a Subnational State: The Case of Quebec", Ivo D Duchacek, Daniel Latouche and Garth Stevenson (eds.), *Perforated Sovereignties and International Relations: Trans-Sovereign Contacts of Subnational Governments*. New York: Greenwood Press, 1988, pp. 125-140.

<sup>&</sup>lt;sup>19</sup> Fry has specialised in foreign activities of US states. See for example, Fry (1993): Fry, Earl H. "The US States and Foreign Economic Policy: Federalism in the 'New World Order' ", in Brian Hocking

<sup>(</sup>ed.), *Foreign Relations and Federal States*. London: Leicester University Press, 1993, pp.122-139. <sup>20</sup> Kline is an expert in the role of subnational governmental units in co-shaping the US foreign policy: Kline (1993): Kline, John M. "Managing Intergovernmental Tensions: Shaping a State and Local Role in US Foreign Relations," in Brian Hocking (ed.), *Foreign Relations and Federal States*. London: Leicester University Press, 1993, pp. 105-121. <sup>21</sup> Lejeune has his research focus on Belgian subnational foreign activities: Lejeune (1990): Lejeune,

 <sup>&</sup>lt;sup>21</sup> Lejeune has his research focus on Belgian subnational foreign activities: Lejeune (1990): Lejeune,
 Yves. "Belgium," in Hans J. Michelmann and Panayotis Soldatos (eds.), *Federalism And International Relations: The Role of Subnational Units*. Oxford: Oxford University Press, 1990, pp. 142-175
 <sup>22</sup> Painchaud has examined the nature of the Canadian province of Quebec foreign activities: Painchaud

<sup>(1988):</sup> Painchaud, Paul. "The Epicenter of Quebec's International Relations," in "" in Ivo D Duchacek, Daniel Latouche and Garth Stevenson (eds.), *Perforated Sovereignties and International Relations: Trans-Sovereign Contacts of Subnational Governments*. New York: Greenwood Press, 1988, pp. 91-98.

<sup>&</sup>lt;sup>23</sup> A case study on Karelia: Alexandrov (2001): Alexandrov, Oleg B. *The role of the Republic of Karelia in Russia's foreign and security policy*. The Russian Study Group Working Paper Series No. 5. Eidgenössische Technische Hochschule Zürich: Center for Security Studies and Conflict Research, 2001. Alexandrov (2001).

concepts, but also use different terminology to describe the same concept. Therefore, a rather comprehensive overview of terminology applied by them is necessary in this thesis.

Additionally, it should be mentioned that there is a substantial amount of criticism among authors concerning other authors' research. Especially, some of them seem to feel that the specialised literature is mainly focussing on negative, i.e. disintegrating and fragmenting, aspects of foreign activities of subnational units.<sup>24</sup>

The main subject of this thesis is the subnational foreign activities of all levels of government in the Pskov region, one of the members of the Russian federation. Therefore, an overview will be given on what authors have written on the subject of foreign activities of subnational units of government in *federations* during the last decades of the 20<sup>th</sup> century. In order to illustrate the different experiences that have been made by states or international organisations when handling subnational foreign activities, several cases are examined in the section 'Examples' of this chapter. The European Union, Kingdom of Belgium, Federal Republic of Germany, the United States of America, and the Quebec of the Canadian Confederation were chosen as the examples for subnational foreign activities for the purposes of this thesis.

<sup>&</sup>lt;sup>24</sup> For a critical review of contemporary academic research on subnational foreign activities see Soldatos (1990): Soldatos, Panayotis, "An Explanatory Framework for the Study of Federated States as Foreign Policy Actors," in Hans J. Michelmann and Panayotis Soldatos (eds.). *Federalism And International Relations: The Role of Subnational Units*. Oxford: Oxford University Press, 1990, p. 40.

# 1.1. Terms and Definitions

There is a disturbing confusion of definitions that have been used by authors to describe the subject of foreign activities of subnational units. Indeed, Aguirre is correct to regret the use of 'buzz-words', often with no clear definition, in this context.<sup>25</sup> The terminology applied by contemporary authors will be discussed below.

As far as the actors are concerned, the terms vary widely. Duchacek, one of the first researchers in this field, used the general term 'subnational unit', with two subdivisions 'subnational groups/subnational private groups' and 'subnational territorial communities/authorities' or 'subnational units of government' or 'noncentral governments'.<sup>26</sup> Hocking, for his part, speaks of 'noncentral government<sup>27</sup>, and, in his more recent publications, additionally, of 'substate region' and 'substate territorial actor'.<sup>28</sup> Aguirre, the critic of the use of 'buzz-words' mentioned above, adopts 'non-central government'.<sup>29</sup>

<sup>&</sup>lt;sup>25</sup> A list of bizarre terminology including 'mytho-diplomacy', 'anti-diplomacy', techno-diplomacy', 'crypto-diplomacy', and 'macho-diplomacy' can be found in Aguirre (1999): Aguirre, Inaki. "Making Sense of Paradiplomacy? An Intertextual Enquiry about a Concept in Search of a Definition," in Francisco Aldecoa and Michael Keating (eds.). *Paradiplomacy in Action: The Foreign Relations of Subnational Governments*. London: Frank Cass Publishers, 1999, p. 185, 194-195.

<sup>&</sup>lt;sup>26</sup> For example, in Duchacek, Ivo D, Daniel Latouche, and Garth Stevenson (1988).

<sup>&</sup>lt;sup>27</sup> In Hocking (1993): Hocking, Brian (ed.). *Foreign Relations and Federal States*. London: Leicester University Press, 1993.

<sup>&</sup>lt;sup>28</sup> Hocking (1999): Hocking, Brian. "Patrolling the 'Frontier': Globalization, Localization and the 'Actorness' of Non-Central Governments," in Francisco Aldecoa and Michael Keating (eds.). *Paradiplomacy in Action: The Foreign Relations of Subnational Governments*. London: Frank Cass Publishers, 1999, pp. 17-39.

<sup>&</sup>lt;sup>29</sup> In Aguirre (1999), p. 185.

It is relatively common for one author to use different terms when referring to actors. For example, Latouche uses three different terms: 'intra-state actor', 'subnational state actor' and 'state-connected actor' when referring to subnational units of government.<sup>30</sup> Melvin, however, refrains from the use of different terms. But he uses terminology not to be found elsewhere. He refers to actors as 'sub-state organizations', using this term in general for all - governmental and private - kinds of subnational units.<sup>31</sup> Kincaid, for his part, has shifted from 'constituent government'<sup>32</sup> to the more precise 'state and local governments'.<sup>33</sup> Another author, Michelmann, favours 'component units'.<sup>34</sup> Keating, again, uses 3 terms: 'regions', 'regional governments' and 'sub-state governments'.<sup>35</sup>

Soldatos is more precise, using the term 'federated units' when referring to subnational *federated* units. For subnational units in general, he uses the term 'subnational actors', which includes regions, municipal communities and cities. He distinguishes between subnational and transnational actors. 'Transnational

<sup>&</sup>lt;sup>30</sup> For example in Latouche (1988): Latouche, Daniel. "State Building and Foreign Policy at the Subnational Level," in Ivo D. Duchacek, Daniel Latouche and Garth Stevenson (eds.), *Perforated Sovereignties and International Relations: Trans-Sovereign Contacts of Subnational Governments.* New York: Greenwood Press, 1988, pp. 29-42.

<sup>&</sup>lt;sup>31</sup> In Melvin (1995):Melvin, Neil. *Regional Foreign Policies in the Russian Federation*. London: Royal Institute of International Affairs (Post–Soviet Business Forum), 1995.

<sup>&</sup>lt;sup>32</sup> In Kincaid (1990): Kincaid, John. "Constituent Diplomacy in Federal Polities and the Nation-State: Conflict and Cooperation," in Hans J. Michelmann and Panayotis Soldatos (eds.), *Federalism and International Relations: The Role of Subnational Units*. Oxford: Oxford University Press, 1990, pp. 54-76.

<sup>&</sup>lt;sup>33</sup> See, for example, Kincaid (1999): Kincaid, John. "The International Competence of US States and their Local Governments," in Francisco Aldecoa and Michael Keating (eds.), *Paradiplomacy in Action: The Foreign Relations of Subnational Governments*. London: Frank Cass Publishers, 1999, pp. 111-133.

<sup>&</sup>lt;sup>34</sup> The use of ,component units' is unique by Michelmann: Michelmann/Soldatos (1990): Michelmann, Hans J. and Panayotis Soldatos (eds.). *Federalism And International Relations: The Role of Subnational Units.* Oxford: Oxford University Press, 1990.

<sup>&</sup>lt;sup>35</sup> Keating (1999): Keating, Michael, "Regions and International Affairs: Motives, Opportunities and Strategies," in Francisco Aldecoa and Michael Keating (eds.), *Paradiplomacy in Action: The Foreign Relations of Subnational Governments*. London: Frank Cass Publishers, 1999, pp. 1-16.

actors' are in this context the multinational corporations engaged in 'external activities'.<sup>36</sup>

The above-mentioned terms, except for those referring to subnational private units (private companies, pressure groups, NGOs, etc.) or transnational actors (multinational companies, international NGOs, etc.), refer to subnational units of *government*. To be more precise, they refer to the subnational federated state/regional/provincial level (federated units' level) and, in some cases, to the municipal or local level. However, occasionally it remains unclear whether other than federated units' level, i.e. municipal and local, is included as well, because no clear definition is provided. Some authors, like Latouche, define 'state-connected actors' more precisely: central, provincial, regional and local.<sup>37</sup>

The terminology to describe the foreign *activities* of subnational units of government is occasionally confusing, too. Again, authors use different terms to refer to the same concept. Some authors provide explanations of why they prefer certain terms, but not all of them do so.

Duchacek uses the general term 'trans-sovereign activities', with several subtypes: 'paradiplomacy', 'macrodiplomacy', 'protodiplomacy'.<sup>38</sup> At least one of his terms, 'paradiplomacy', is still being used widely.<sup>39</sup> Nevertheless, some authors use a very different terminology. Foreign actions taken by subnational units have been referred to as 'constituent diplomacy'.<sup>40</sup> Melvin uses both 'foreign policy' and 'external policy'.<sup>41</sup> Latouche, however, adds an adjective,

<sup>&</sup>lt;sup>36</sup> In Soldatos (1990).

<sup>&</sup>lt;sup>37</sup> Latouche (1988), p. 34.

<sup>&</sup>lt;sup>38</sup> In Duchacek/Latouche/Stevenson (1988), and in Duchacek (1990), pp. 1-33.

<sup>&</sup>lt;sup>39</sup> In Keating (1999).

<sup>&</sup>lt;sup>40</sup> In Kincaid (1990).

<sup>&</sup>lt;sup>41</sup> In Melvin (1995).

obviously for clarity's sake. He prefers the term 'subnational foreign policy'.<sup>42</sup> Other authors prefer the more neutral 'international involvement'.<sup>43</sup> Some authors Feldman Feldman prefer 'territorial stick to one term: and transgovernmentalism'.44

Soldatos uses three different terms: 'external activities', 'foreign policy', and 'paradiplomacy'. He argues that the use of the term 'foreign policy' is appropriate in the context of foreign activities of federated units, as there are 'objectives. strategies, tactics, institutions, a decision-making process, instruments, and a 'foreign-policy output'. Moreover, the manifestations of foreign activities of federated units, such as visits abroad, agreements with foreign partners, representations in foreign countries, are similar to the ones of foreignpolicy activities of states.<sup>45</sup>

But not every author is satisfied with the terms 'paradiplomacy' and 'foreign-policy'. Hocking favours the terms 'multi-layered diplomacy'46 and 'extranational involvement' or 'international involvement'<sup>47</sup>, claiming that the term 'paradiplomacy' would be as inappropriate as the use of the foreign-policy paradigm for explaining the foreign activities of subnational units.<sup>48</sup> Moreover, he dismisses the use of the term 'foreign policy' in this context as 'unhelpful and

<sup>&</sup>lt;sup>42</sup> In Latouche (1988).

<sup>&</sup>lt;sup>43</sup> In Aguirre (1999).

<sup>&</sup>lt;sup>44</sup> Feldman/Feldman (1988): Feldman, Elliot J. and Lily Gardner Feldman. "Quebec's Internationalization of North American Federalism", in Ivo D Duchacek, Daniel Latouche and Garth Stevenson (eds.), Perforated Sovereignties and International Relations: Trans-Sovereign Contacts of Subnational Governments. New York: Greenwood Press, 1988, pp. 69-80.

<sup>&</sup>lt;sup>45</sup> In Soldatos (1990), pp. 34-35.

<sup>&</sup>lt;sup>46</sup> In Hocking (1993). <sup>47</sup> In ibid.

<sup>&</sup>lt;sup>48</sup> He makes his argument against the term paradiplomacy proposed by Duchacek in Hocking (1999), p. 33.

misguided' as it fails to reflect the complex net of interlinked motivations that drive the foreign activities of subnational units.<sup>49</sup>

The inability of authors to agree on a single terminology is an indication that the opinions between authors in the field of subnational foreign activities differ to a great extent. For readers, this circumstance may be both confusing and annoying. Therefore, one of the aims of further research of foreign activities of subnational units should be the search for a universally accepted terminology.

#### **Terms Explained**

There are two groups of *subnational units* engaged in subnational foreign activities, *governmental* actors and *private* actors. In this thesis I will use the term *subnational unit* when generally speaking of an actor that is a subnational (federated, provincial/regional or local) unit of government or a private unit. When referring to non-private subnational units only, I use the term *subnational governmental unit*, whereas when I explicitly refer to an actor that represents the subnational federated, regional, provincial or local unit of government, I use the term *federated unit*, *regional unit*, *provincial unit* or *local unit* respectively. In the case of *local units*, I will make a distinction between two subgroups: *municipal units* (cities and towns) and *rural units* (districts/rayons).

The second group of actors engaged in subnational foreign activities includes non-governmental, i.e. private actors. I refer to these as *subnational private units*. This group includes private companies, NGO-s, pressure groups etc, i.e. all private organisations engaged in foreign activities.

<sup>&</sup>lt;sup>49</sup> Further to dismissing the term paradiplomacy Hocking rejects the use of 'foreign policy' in the case of subnational units as inappropriate in Hocking (1999), p. 34.

I share the view of Soldatos that multinational companies are not of subnational nature.<sup>50</sup> They should be included in the separate group of transnational units. I would additionally include in the group of transnational units international non-governmental organisations, such as Amnesty International, Greenpeace, etc. As the foreign activities of transnational units are not of subnational nature, in this thesis they are only dealt with when transnational foreign activities affect subnational units. (For example, if a multinational company or an international non-governmental organisation targets a subnational unit of government.)

When referring to foreign actions taken by subnational units I will use the general term subnational foreign activities. Foreign activities of subnational units may occur both inside the federal state and in foreign states. Inside the federal state, subnational units can influence the foreign policy of central government by lobbying, for example. In foreign states, subnational units can engage in autonomous or non-autonomous (from the federal government) types of foreign activities. Subnational units may become targets of foreign actors. The *reactions* to the actions taken by foreign actors towards subnational units are covered by the term subnational foreign activities, too.

The main type of subnational foreign activities will in this thesis be referred to as *paradiplomacy*, a term proposed by Duchacek in the 1980s. I agree with Hocking that in the context of subnational foreign activities the term 'foreign-policy' could be misleading.<sup>51</sup> This term should only be used in the case of the international activities of central governments.

<sup>&</sup>lt;sup>50</sup> See Soldatos (1990), p. 35. <sup>51</sup> See Hocking (1999), p. 33.

## **1.2.** Subnational Actors in the International System

The list of subnational units that have recently entered the international system is relatively long. Authors include various actors in this list. However, as far as the main subcategories of subnational units engaged in foreign activities are concerned there is a broad consensus among authors, with some modifications.

Again, many authors have followed Duchacek's lead. He proposes the following scheme: there are two subgroups of subnational units engaged in foreign activities: (1) *subnational private groups* (pressure groups, private companies, etc.) and (2) *subnational territorial authorities* (federated states, provinces, regions, etc.).<sup>52</sup>

Soldatos shares Duchacek's view in general, but argues that the governments of *federated units* are of different nature, and, therefore, should not be included in the subgroup of subnational territorial authorities. As the reason for this separation he quotes the fact that the foreign activities of federated units have the constitutive elements of foreign policy, such as objectives, strategies, tactics, institutions, a decision-making process, instruments and a 'foreign-policy' output. Moreover, the foreign activities of federated units are in their manifestations - for example, visits and missions abroad, concluding agreements with foreign partners - similar to the foreign activities of the state. Consequently, he classifies federated units as 'non-sovereign state actors', whereas he labels non-federated regional governments, municipal communities, municipalities, etc. as 'infra-state actors'.<sup>53</sup>

<sup>&</sup>lt;sup>52</sup> A typology of subnational actors can be found in Duchacek (1988), p. 4.

<sup>&</sup>lt;sup>53</sup> Soldatos (1990), pp. 35, 39.

Mainly the specialised literature focuses on foreign activities of *subnational governmental units*. Especially, researchers have been interested in foreign activities of subnational units of federal systems, i.e. *federated units*. Lower and non-federated subnational levels of government, such as regional, provincial, municipal and local and private actors have attracted less attention from researchers. Subnational private groups are usually dealt with in the context of *economic paradiplomacy* or *foreign policy localization* (Hocking).

In Hocking's view, traditional literature of foreign policy is state-centred and 'describes a world which no longer exists.' Authors that include the subnational dimension, on the other hand, describe 'a world which has not yet arrived'. <sup>54</sup>

There is a major weakness to be pointed at in the specialised literature. Authors often omit, or only mention briefly, the *legal aspects* of subnational foreign activities. It is an important topic, however. The central question is, and the legal dispute continues here, whether subnational units can be subjects of the International Law. I will come back to this issue later in this Chapter when I discuss the instruments available to subnational units when engaging in subnational foreign activities.

<sup>&</sup>lt;sup>54</sup> In Hocking (1997): Hocking, Brian. "Regionalism: An International Relations Perspective," in Michael Keating and John Loughlin (eds.), *The Political Economy of Regionalism*. London: Frank Cass, 1997, pp. 90-111. In Hocking's definition, foreign policy localization is a form of social activism by subnational actors, both state and private, which is directed towards affecting both domestic affairs and foreign policy.

## **1.3. Reasons for Subnational Foreign Activities**

Generally, most of the authors agree that the major *factors* accompanying foreign activities of subnational units include crisis of the state, globalisation, glocalisation (combination of globalisation and localisation), the end of the Cold War, and introduction of new technologies, especially communications technologies. Some authors, on the other hand, insist that one single event might have been the deciding catalyst for subnational foreign activities.

It should be noted here, however, that some authors have chosen a different approach than trying to find factors explaining subnational foreign activities. For example, Latouche suggests we should give up the habit of repeating that 'the international arena is not what it used to be,' trying to explain the emergence of subnational actors in the international system. Instead, we should accept these new actors as what they are, 'less a result than an illustration of a new interdependent international context'.<sup>55</sup>

The opinions do not differ widely on the *factors* accompanying subnational foreign activities. However, the discussion over the specific *reasons* for these activities is much livelier. The authors divide the reasons usually in two groups: domestic and external.

However, in recent publications, the necessity of searching for domestic and external reasons has been critically questioned. Hocking argues that it is the *interaction* between globalisation and localization we should look at when trying

<sup>&</sup>lt;sup>55</sup> See Latouche (1988), pp. 30-33.

to find reasons for subnational foreign activities. Moreover, it is important to remember that the local would not be the antithesis of the global in this context, but just another dimension of the processes of globalisation. Subnational foreign activities would be driven by the need of individuals and groups to use the 'linkages between policy arenas'. Regions or localities are simply a 'route to influence' for these groups and individuals.<sup>56</sup>

The variety of viewpoints on *reasons* why subnational units have entered the international system is presented below. In general, authors divide the reasons into two groups: domestic and external reasons. Domestic reasons for subnational foreign activities are often processes that emerge over a period of time. External reasons, for their part, seem to represent single events, such as oil-shock (OPEC oil embargo on industrialised states).

#### **Domestic Reasons**

Domestic reasons for foreign activities of subnational units indicated by authors are more numerous than the external ones. This fact does not imply, however, that domestic reasons are considered to be more important.

Probably the most comprehensive overview of domestic reasons has been provided by Soldatos. He indicates twelve such reasons for the emergence of 'paradiplomatic activities'. Those reasons are divided into two *types: federal-level causes* and *federated-units-level causes*.

On the *federal* level, Soldatos identifies the following five reasons for subnational foreign activities. Firstly, *federal errors* and/or *inefficiency* in the

<sup>&</sup>lt;sup>56</sup> In Hocking (1999), pp. 18-19.

conduct of foreign policy. In this case, federated units may attempt to offer alternatives to the official foreign policy, either by supportive or substitutive paradiplomacy. Secondly, *problems with the 'nation-building process'*: federated units may have conflicting interests with the federal centre in the issues of foreign policy and may demand subnational control over the conduct of foreign policy. Thirdly, an *institutional gap*. Here, the absence of a federal institution to represent federated units or being able to make an impact on foreign policy decisions triggers paradiplomacy. Fourthly, *constitutional uncertainties:* federated units take as much responsibilities as possible, foreign policy included, in order to enforce a subsequent *de jure* recognition of these roles. And, fifth, *foreign-policy domestication*, which refers to a trend that emphasis in foreign policy is being put on 'low-politics' issues, such as economic growth, environmental protection, social justice, etc. Therefore, subnational governmental units that are responsible for the success in these issues in their constituencies are interested in engaging in subnational foreign activities.<sup>57</sup>

Soldatos' list of federated-units-level causes has seven entries. First, *objective segmentation*, which refers to geographic, cultural, linguistic, religious, political, and other features that make a federated unit different from other unit(s). Second, *perceptual segmentation (electoralism)* is the segmentation of attitudes, perceptions, loyalties, conceptions of interest, etc. of elites and populations leading to 'many voices' in foreign policy. Perceptual segmentation is the consequence of objective segmentation or of subjective perception of objective segmentation. Third, *regionalism/nationalism* ('we-feeling') can be caused by the first two entries. The perception of being underrepresented in international affairs

<sup>&</sup>lt;sup>57</sup> For a more detailed list see Soldatos (1990), pp. 44-48.

encourages federated units to consider paradiplomacy. Fourth, *asymmetry of federated units*: differences in the demographic, economic or administrative weight of federated units can cause resentment towards some foreign policy or external economic policy initiatives that seem to benefit only certain members of the federation. Fifth, *growth of federated units*: growing institutions, budgets and functions of federated units encourage subnational elites to seek new fields of activity, including foreign policy, which leads to 'externalization' of these units. Sixth, the so-called '*me-tooism*' or imitation: certain federated units imitate other federated units in their foreign activities.

Duchacek adds to the list of domestic reasons the introduction of a 'tutelary concept of welfare government' on all levels of government. In his opinion, governments are being held responsible for the overall socio-economic situation in the units governed by them. In order to maintain and increase the living standards of their subordinates, subnational governments are required to deal with external issues. Foreign trade, investments and tourism are factors that can help to boost revenues, create new jobs, enable transfer of know-how etc. According to Duchacek, the subnational unit's welfare, and consequently the political survival of its leaders, increasingly depends on the elite's ability to handle external issues. Especially, the regional leaders' success in combining the intra-federal resources (such as links to the central government and its funding agencies) with external sources (such as economic, financial and industrial power centres) has become an important criterion for voters.<sup>58</sup>

<sup>&</sup>lt;sup>58</sup> See Duchacek (1990), p. 6, 8.

Kincaid argues that the democratisation of foreign-policy-making has encouraged the federated units to participate in this process.<sup>59</sup> As the foreign policy issues are discussed more openly in the society, subnational units feel entitled to articulate their interests, too.

#### **External Reasons**

External reasons for subnational foreign activities have been examined in depth by Soldatos, who has provided the most comprehensive overview of domestic reasons, too. In addition to the above-mentioned seven domestic reasons, he indicates four external reasons for paradiplomatic activities.

The external reasons for subnational foreign activities include, according to Soldatos: (1) *global interdependence* (in two ways: first, as national boundaries cannot protect federated units from external influences, such as structural unemployment, they search for contacts with foreign actors in order to improve the situation, and, second, global interdependence can encourage federal government to retake control over foreign policy in order to increase the efficiency of its conduct, thereby subordinating the interests of subnational units), (2) *involvement of external actors* (Soldatos uses the example of the French President Charles de Gaulle's role in developing the international profile of Quebec), (3) *macro-regional interdependence* (between non-neighbours; such as Quebec and France), and, (4) *micro-regional interdependence* (between

<sup>&</sup>lt;sup>59</sup> He makes this remark in Kincaid (1990), p. 66.

neighbouring communities, such as the 'regional continentalism' between Canada and the US).<sup>60</sup>

Duchacek indicates that an important external reason is the shift in foreign policies during the second half of the 20<sup>th</sup> century from defence and status matters to economic, social, cultural and environmental issues. External interests of subnational governments used to be entirely subordinated to 'national security' issues. But, increasingly, non-military issues such as trade, investment, energy transfers, environment, cultural exchange, migration, commuting workers, drug traffic, epidemics and social issues would find their place on the foreign relations' agenda. Usually, these issues are still considered less important than national security, military balance or diplomatic status ('hard security'). However, in some cases, they are considered equally important now.<sup>61</sup>

It is noteworthy that some authors see one single event with its consequences as the trigger for subnational foreign activities. Several authors consider one of the major reasons for subnational units to enter the international system the oil embargo imposed by OPEC in 1973 and the energy crisis that followed.<sup>62</sup> The 'oil shock' and its global consequences increased the awareness of subnational elites of vulnerability to distant events.<sup>63</sup>

In more recent publications, authors have included in the list of external reasons the emergence of transnational regimes for military purposes (NATO), for trade (NAFTA), for political integration - formulating and implementing common policies, such as common security and foreign policy or common monetary policy

<sup>&</sup>lt;sup>60</sup> For the full list of external reasons for subnational foreign activities see Soldatos (1990), p. 48.

<sup>&</sup>lt;sup>61</sup> For more on the evolving understanding of security issues read Duchacek (1990), p. 2.

<sup>&</sup>lt;sup>62</sup> At least two authors point the so-called oil-shock out as a catalyst for the beginning of subnational foreign activities: Duchacek (1990), p. 6, and Hocking (1997), pp. 94-95.

<sup>&</sup>lt;sup>63</sup> In Duchacek's view the perception of subnational actors that they are affected by events in distant countries leads to subnational foreign activities, see Duchacek (1988), p. 7.

- (EU) and for the protection of human rights (European Convention on Human Rights). As these regimes deal with issues partly under subnational jurisdiction or on their territory, they are bound to 'draw regions into the international arena'.<sup>64</sup>

Hocking believes that the 'hybrid actorness' of subnational governmental units, i.e. the ability to operate simultaneously or sequentially in various networks (subnational, governmental, intergovernmental, transgovernmental), encourages them to engage in subnational foreign activities, as it may be advantageous. Still, from these networks, the governmental and intergovernmental channels would offer the shortest way to achieve their goals in terms of subnational foreign activities.<sup>65</sup>

 <sup>&</sup>lt;sup>64</sup> Keating (1999), p. 1. As we shall see later in this thesis, the EU and NATO enlargements have been powerful factors behind subnational regional foreign activities in Pskov, too.
 <sup>65</sup> Hocking believes that participation in networks including the national government are the most

<sup>&</sup>lt;sup>65</sup> Hocking believes that participation in networks including the national government are the most efficient way for subnational units to pursue their international goals, in Hocking-(1999), pp. 29-30.

# 1.4. Conceptual Framework: Types of Subnational Foreign Activities

A number of concepts have been proposed to explain the subject of this study, *foreign activities of subnational governmental units*. Most authors have accepted the concept of *paradiplomacy* developed by Duchacek. Other authors, however, argue that we need more sophisticated concepts to analyse these activities. The following concepts have been proposed: *paradiplomacy* (formerly *microdiplomacy*), *protodiplomacy*, *paradiplomatic action*, *segmentation* (formerly *fragmentation*), *transnational relations*, *comparison* with similar entities, *international actorness* and *plurinational diplomacy*.

Duchacek is a pioneer of the research of subnational foreign activities. He developed the concepts of *paradiplomacy* and *protodiplomacy* in the 1980s. He defines paradiplomacy as a parallel, subsidiary or accessory form of diplomacy. He sees no major differences between the traditional, central-state diplomacy and *paradiplomacy* in terms of its aims, which is 'negotiating and implementing an agreement based on conditional mutuality', i.e. both sides solemnly promise to behave in a certain way in the future, provided the other party will honour the agreement as well. Both on para- and macrodiplomatic level, there is no common superior authority to be called in if the agreement is not honoured. Despite the absence of institutions able to enforce such diplomatic agreements, the

circumstance that both sides normally remain interested in the advantages of the respective agreement guarantees the mutual adherence to it.<sup>66</sup>

According to Duchacek there are three categories of paradiplomacy, which are based on the criteria of geography and territory.<sup>67</sup> The first category is called *transborder regional paradiplomacy*. This category includes transborder contacts between adjacent regions - institutional, formal and informal - which are predominantly conditioned by geographic proximity and the resulting similarity in the nature of common problems and their possible solutions, such as border crossings by migrants and immigrants, movement of goods, fight against smuggling, drug traffic or excess purchases on the other side of the border (for example, the shopping sprees of US American citizens in Mexico in the wake of numerous devaluations of the Mexican peso), joint management of water resources, energy transfer (transfer of hydroelectric power between Quebec, New York State, and New England states, for example), etc.

The second category, *transregional* or *macroregional paradiplomacy* refers to relations and negotiations between 'subnational governments' that are not neighbours geographically, but whose national governments are. Transregional paradiplomacy is more formal in its nature than transborder paradiplomacy. This can cause conflicts with diplomatic protocol.

The third category by Duchacek is *global paradiplomacy*: politicalfunctional contacts with distant nations that bring 'non-central governments' into contact not only with trade, industrial, or cultural centres on other continents but also with various branches or agencies of foreign national governments.

<sup>&</sup>lt;sup>66</sup> Duchacek (1990), pp. 16, 25.

<sup>&</sup>lt;sup>67</sup> More on these three categories of subnational foreign activities can be found in Duchacek (1990), pp.15-27.

Duchacek illustrates this category by the example of the Canadian province of Quebec, which has permanent missions in Paris, Brussels and Tokyo. Global paradiplomatic initiatives are part of the 'transborder regional contacts' in Europe, too. For example, German *Länder*, French regions and Belgian communities are engaged in global paradiplomacy with various partners worldwide.<sup>68</sup>

The second concept from Duchacek is called *protodiplomacy*. Protodiplomacy is fundamentally different from paradiplomacy as far as its objectives are concerned. In Duchacek's definition, protodiplomacy refers to subnational foreign initiatives and activities of federated units, which are likely to have a separatist final objective. Protodiplomatic activities in the fields of external economic relations and social or cultural links with foreign nations are of preparatory nature. More precisely, in the case of protodiplomacy, federated units use foreign activities in their preparations for future secession; it would pave the way for a future recognition of a new sovereign unit in the international system. In order to explain protodiplomacy Duchacek uses the political criterion, i. e. the political will of federated units to secede, expressed by protodiplomacy. He uses for illustration the example of the Canadian province of Quebec, which has undertaken various protodiplomatic activities since 1960s.<sup>69</sup>

In 1990, Feldman & Feldman proposed the use of *comparison* when evaluating subnational foreign activities. In their view, six dimensions should be taken into account: motivations, bureaucratic organization, budgets, external presence, geographic emphasis, and the nature of activity.<sup>70</sup> This is a rather

<sup>&</sup>lt;sup>68</sup> See Duchacek (1990), pp. 13, 26-27.

<sup>&</sup>lt;sup>69</sup> Ibid, p. 27.

<sup>&</sup>lt;sup>70</sup> The proposal to use comparison as a method for analysing subnational foreign activities was made in Feldman/Feldman (1988), pp. 69-80.

descriptive approach, however, because no in-depth analysis follows the description.

In the early 1990s, Soldatos proposed an adapted version of the concept of *segmentation*.<sup>71</sup> In his view, there are two types of segmentation: (1) *territorial* or *vertical segmentation* and (2) *functional* or *horizontal segmentation*. Territorial segmentation would occur on different levels – federal, federated, municipal – of government. When it comes to the relationship between the federal level and the federated level, there is not always a clear subordination between them in terms of power and importance in this context, he argues. Functional segmentation, on the other hand, refers to a situation, where different departments and agencies of the same governmental level are engaged in foreign activities. He believes functional segmentation is caused by the 'domestication' of foreign policy.

Territorial segmentation has four sub-levels. The concept of segmentation explains how the first level, *objective* or *situational segmentation* in a territorial unit, which is caused by objective factors such as peculiar features of the unit: economic structures, geographic situation, and political, linguistic, cultural, and religious background, leads to *perceptual* or *image segmentation*. Perceptual segmentation is the segmentation of perceptions, loyalties, conceptions of interests of the elites and populations in the unit, 'based on the reality of objective segmentation or on a perception of such segmentation'. Consequently, he believes that perceptual segmentation can be based on false perceptions of the local elites and populations. Perceptual segmentation is the reason for the phenomenon of 'many voices' in foreign policy.

<sup>&</sup>lt;sup>71</sup> This concept was originally proposed by Ivo D Duchacek in Duchacek (1984): 'The International Dimension of Subnational Self-Government', *Publius*, 14/4 (1984), pp. 5-31.

The previous two levels of segmentation would lead to the third sub-level of segmentation, *policy segmentation*. Policy segmentation means that in a federated system numerous positions on foreign issues coexist. Policy segmentation can cause *actor segmentation*, which is the fourth sub-level of segmentation: the occurrence of the previous levels can encourage federated units to use their institutions for developing 'foreign-policy activities'. However, if a federated unit is relatively well-positioned in the federation it will – despite the policy segmentation – accommodate itself with the federal foreign policy apparatus and use it for its own advantage, i.e. actor segmentation would not occur.<sup>72</sup>

Soldatos claims that actor and policy segmentation are the two essential elements of federated units' *paradiplomacy* and defines it as 'direct and, in various instances, autonomous involvement of federated units in external-relations-activities'. The concept of paradiplomacy Soldatos uses is different from Duchacek's in one aspect. He uses the term *global* when classifying categories of paradiplomacy in a functional rather than geographic meaning, i.e. *global paradiplomacy* deals with issues of global concern, such as peace and war or trade liberalisation.<sup>73</sup>

The second concept from Soldatos, the concept of *paradiplomatic actions*, uses the degree of cooperation between central government and federated units in the field of foreign activities as the criterion. Consequently, the paradiplomatic actions are categorised as *cooperative/supportive* or *parallel/substitutive*. Cooperative action can be taken by federated units either in a coordinated way

<sup>&</sup>lt;sup>72</sup> Soldatos (1990), pp. 36-37.

<sup>&</sup>lt;sup>73</sup> In the case of global paradiplomacy subnational units deal with issues affecting the international system as a whole, see Soldatos (1990), p. 37

(coordinated by the federal government) or as a joint action of the federal government and federated unit(s). Parallel action, on the other hand, can be taken by federated units in harmony or in disharmony with the federal government. Federal institutions do not always monitor the paradiplomatic actions taken in harmony with the federal government. The actions taken in disharmony with the federal government are a potential source of conflict with the centre.<sup>74</sup>

In recent publications, other concepts have been proposed. Hocking, for example, argued in 1999 that both concepts, *paradiplomacy* and *protodiplomacy*, would indicate that these activities are merely imitations of diplomacy on subnational level. He disagrees on this and, in his concept, called the concept of *international actorness*, new criteria are used to evaluate foreign activities of subnational units. No longer the traditional criteria – sovereignty, territory, population, recognition, foreign policy capacity – but alternative criteria – aims and motivations, extent and direction of involvement, structures and resources, levels of participation, strategies – should be applied.

This approach would help to clarify the confusion caused by the fact that some of the traditional criteria, such as territory, population and sovereignty, are shared by federations and federated units. Additionally, it would end the debate as to who are important actors in world politics. In 1988 Feldman & Feldman made a similar attempt, although not in a similarly sophisticated way (see above).

Hocking's concept is aimed at *measuring* international actorness. He underlines that several important aspects need to be kept in mind when measuring

<sup>&</sup>lt;sup>74</sup> Soldatos (1990), p. 38.

the extent of engagement of subnational governmental units in the field of foreign activities: <sup>75</sup>

As far as the 'aims and motivations' are concerned, he warns us not to confuse subnational foreign activities with foreign policy. We should not forget that, for example, the representations of subnational governmental units abroad have usually very limited scope and resources. In fact, they often consist of a single part-time consultant. He believes the main focus of subnational foreign activities is on trade issues, especially on non-tariff barriers and regulation. The increasingly complex and fluid nature of the policy-making processes forces actors to seeks new ways to intervene; subnational foreign activities is an important tool in this respect as it enables subnational governmental units to build alliances with similar actors in other states or participate in international forums to make their voices heard.

The 'extent and direction of involvement' is affected by several factors: bureaucratic resources, geographic location, location in policy environments (EU, NAFTA, etc.), asymmetry within the given federal system and powers assigned to subnational governmental units. Subnational foreign activities are characterised by continuity and their focus on specific issues ('low policy', i.e. non-military agenda). Subnational governmental units become increasingly interested in nonmilitary security issues, such as drug trafficking, climate change or BSE ('mad cow disease').

The 'structures and resources' of subnational governmental units depend mainly on the diversity and wealth of a particular unit. Hocking reminds us not to measure the international actorness in terms of financial resources available only.

<sup>&</sup>lt;sup>75</sup> Hocking (1999), p. 21-35.

Often, bureaucratic resources are of paramount importance. For example, in some policy issues such as fishery the central government alone may be deficient, whereas subnational governmental units can offer high-quality expertise. When compared to subnational private actors, subnational governmental units enjoy crucial privileges as they can access national diplomatic networks and international negotiations.

Hocking writes that the 'levels of participation' is the most important input in the concept of international actorness. The variety of networks in which subnational governmental units can operate includes subnational, governmental, intergovernmental, transgovernmental and transnational organisations. These networks are now less clearly defined and the interaction and interdependence between them is more evident. Moreover, they are no longer dominated by states, as a growing number of new actors have entered the networks. In fact, the success of central government in achieving its foreign-policy goals in these networks is increasingly determined by its ability to boost relations with other types of actors, such as subnational governmental units, and even adopting their behaviour in some cases.

The above-mentioned inputs are necessary for measuring the 'international actorness' of subnational units. The *evaluation* of subnational foreign activities, based on the findings from this input cannot be accurate if we do not abandon the state-centred foreign policy paradigm, Hocking argues. Instead, we should examine the 'international actorness' in the context of 'multilayered policy environments' that constitute world politics. These environments are characterized by the interdependence of actors and the potential of 'linked strategies' for various networks. This new approach would enable us to more

accurately explore the diversity of subnational foreign activities. However, no 'coherence in the patterns underpinning regional internationalization' would exist. Moreover, in terms of foreign activities, subnational governmental units are as little unitary actors as are the states.

Hocking distinguishes between two categories of *strategies* of subnational governmental units for foreign activities: *mediating* and *primary* strategies. In the case of mediating strategies, subnational governmental units use their access to the national policy-makers, including intergovernmental networks that deal with issues under (partial) subnational jurisdiction. Primary strategies, on the other hand, presume 'direct international action'. Those subnational governmental units would consider primary strategies that think their foreign interests are not sufficiently represented by central government. Not every subnational governmental unit is free to choose between these strategies, however. Hocking believes that peripheral subnational governmental units are more likely to choose primary strategies, although they often lack the resources to be directly present abroad.

Hocking effectively disputes the validity of all previous concepts for explaining subnational foreign activities. They are preoccupied, in his opinion, with the out-of-date state-centred foreign-policy paradigm. He comes to the conclusion that subnational governmental units are 'hybrid actors' in the international system. Their ability to operate simultaneously and sequentially in different networks makes it impossible to explain subnational foreign activities using the state-centred foreign-policy paradigm with its emphasis on the role of governmental and intergovernmental networks. The concept of *transnational relations* deals with subnational foreign activities in a specific case. Risse-Kappen, who in the 1990s reactivated the discourse on transnational relations, believes that there is a direct correlation between transnational foreign activities and subnational governmental units. When we analyse the interactions between transnational units such as multinational companies and international non-governmental organisations on the one side and domestic/international structures of governance on the other side, then we discover that the success of transnational foreign activities directly depends on the response from state structures– both national and subnational - Risse-Kappen argues.<sup>76</sup>

The last concept on our list is the concept of *plurinational diplomacy*. This concept has been developed in order to explain subnational foreign activities in the context of a supranational organisation, the European Union. Aldecoa, the author of this concept, regrets that both concepts – paradiplomacy and protodiplomacy – are too old-fashioned to explain the 'transformed diplomacy' in the contemporary world.

Aldecoa argues that the EU is affecting both national and subnational foreign activities of member states substantially. Therefore, a new concept to explain these activities in the EU is thought to be necessary. He has introduced the concept of *plurinational diplomacy* for the study of the EU's subnational foreign activities. Plurinational diplomacy is, in Aldecoa's definition, 'definition, decision and execution of matters of foreign relations which in a plurinational

<sup>&</sup>lt;sup>76</sup> For more on transnational foreign activities and on their interaction with subnational foreign activities see Risse-Kappen (1995): Risse-Kappen, Thomas (ed.). *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions*, Cambridge Studies in International Relations. Cambridge: Cambridge University Press, 1995.

state are the object of formalised political negotiation, whether it is executed at the level of central administration or autonomous substate administration'. In other words central administration needs to consider the interests of subnational units in its foreign-policy decisions. Subnational units, for their part need a 'state dimension' in their foreign activities. In order to meet the challenges of shared sovereignty, it is necessary to redefine the making of foreign-policy, Aldecoa argues.<sup>77</sup>

The member states should take into account both the European dimension and the 'sub-state' dimension in the contemporary EU. Aldecoa makes some rather provocative proposals, arguing that 'substatal' units should be asked to participate in the negotiations of treaties on shared, i.e. state and subnational, competences, their treaty-making capacity should be recognised, a multicultural and plurinational citizenship should be introduced and a 'double loyalty' of 'substatal' units in foreign-policy issues units is to be permitted.<sup>78</sup>

 <sup>&</sup>lt;sup>77</sup> Aldecoa (1999): (Aldecoa, Francisco. "Towards Plurinational Democracy in the Deeper and Wider European Union (1985-2005)," in Francisco Aldecoa and Michael Keating (eds.), *Paradiplomacy in Action: TheForeign Relations of Subnational Governments*. London: Frank Cass Publishers, 1999, pp. 84, 90.

<sup>&</sup>lt;sup>78</sup> Ibid, pp. 89-92.

# **1.5. Instruments**

As far as the *instruments* available to subnational units for foreign activities are concerned, there is no standard, internationally accepted, set of rules. Legal and political discussions continue, what kind of instruments are subnational units entitled to use when dealing with foreign issues.

As was mentioned in the section 1.2. *Subnational actors in the international system* some authors in the field of subnational foreign activities often omit the issue of the legal basis for these activities. I believe, however, that it is important to examine what the international law, constitutions and federal laws say about the right of federated units to use different instruments in their foreign activities.

From the viewpoint of international law, the relevant question is, whether subnational federated units of federation possess international personality. International law does not establish clearly the right of federated units to engage in the international system independently from federal government, i.e. possess international personality. Despite this, some experts believe they are not banned from doing so either. Shaw, for example, argues that federated units, which have been 'provided with certain restricted international competence' by the constitution of their respective federation, may be considered, from the perspective of the international law, as having a 'degree of international personality'.<sup>79</sup> This rather vague definition leads us to the next question. If federated units have a 'degree of international personality', are they entitled to enter legally binding international documents with foreign counterparts?

Article 5 (2) of the International Law Commission's Draft Articles on the Law of Treaties was an attempt to establish the right of federated units to conclude internationally binding documents with foreign counterparts. In the 1950s the opinions differed on whether federated units can conclude 'treaties in the meaning of international law' (Lauterpacht) or are they only entitled to act as agents on behalf of the federation, which is a subject of international law and is, therefore, the entity bound by the treaty and responsible for its implementation (Fitzmaurice). An amendment was proposed to the Vienna Conference on the Law of Treaties, which would have entitled 'member states of a federal union' to 'possess a capacity to conclude foreign treaties if such capacity is admitted by the federal constitution and within the limits there laid down', i. e. to possess international personality. In 1969, the Vienna Conference on the Law of Treaties rejected this draft proposal, which would have granted federated units the right to conclude treaties, for two reasons. Firstly, this amendment would have enabled third states to intervene in the internal affairs of federal states by 'seeking to interpret the constitutions of the latter'. Secondly, this change would have 'unduly' enhanced the powers of domestic law in issues of international personality at the cost of international law.<sup>80</sup>

<sup>&</sup>lt;sup>79</sup> For more on the legal aspects of subnational foreign activities see Shaw (1991): Shaw, Malcolm N. *International Law.* Cambridge: Grotius Publications, 1991, p. 152.

<sup>&</sup>lt;sup>80</sup> Ibid, pp. 152-153.

In recent publications, the right of subnational units to conclude treaties has been defined more clearly. O'Brien claims that, from standpoint of the international law, subnational units of a state may, if it is allowed by the constitution, conclude treaties with foreign counterparts in 'matters of local interest', such as maintenance of joint facilities and infrastructure.<sup>81</sup>

The Council of Europe has approved the Convention on Transfrontier Cooperation<sup>82</sup> in 1980, and the additional Protocol in 1995. Especially the additional Protocol brought some clarity to the issue of rights of subnational units to conclude agreements with their counterparts on the other side of the border. The Protocol establishes the right of regional units to conclude agreements on cooperation under their administrative jurisdiction.<sup>83</sup>

The federation must decide whether to allow its federated units to possess a degree of international personality or capability. Federal states have found several ways to deal with subnational foreign activities. The right of federated units to use the instrument of treaty-making is established by the federal constitution.

Federal constitutions vary widely in terms of rights of federated units' foreign activities. Some constitutions grant federated units the right to enter international agreements 'exceptionally' (Switzerland), others establish central government as the sole international actor (India, Pakistan, Mexico, etc.), whereas in certain federations the constitutions allow federated units to enter international

<sup>&</sup>lt;sup>81</sup> O'Brien (2001): O'Brien, John. International Law. London: Lavendish Publishing, 2001, pp. 145-146.

<sup>&</sup>lt;sup>82</sup> For the text of the convention and the additional protocol see the homepage of the Council of Europe at www.coe.int.

<sup>&</sup>lt;sup>83</sup> Sodupe (1999): Sodupe, Kepa. "The European Union and Inter-regional Co-operation", in Francisco Aldecoa and Michael Keating (eds.), *Paradiplomacy in Action: The Foreign Relations of Subnational Governments*. London: Frank Cass Publishers, 1999, p. 63.

agreements in 'more or less strictly confined circumstances' (the United Arab Emirates, Argentina, etc.). In some federations, the constitution, without granting international capacity to federated units, seeks to protect them from their opinion being ignored in external relations on issues under their jurisdiction by the central government. Generally, experts believe that there is a contradiction between effective national foreign policy and advanced protection by the constitution of the right of subnational units' foreign activities: when the positions of central government on foreign policy issues differ from those of the federated units, and such a situation is perceived abroad, the federation's international bargaining position weakens. Despite these aspects, for two reasons, the debate on the issues of subnational foreign activities of federated units is bound to continue. Firstly, federated units are still capable of entering into agreements with foreign states, unless it is established as the exclusive right of the federal government by the constitution. Secondly, the central government is capable of 'invading' issues under subnational jurisdiction by entering and effectuating international agreements on these issues.<sup>84</sup>

Besides signing legally binding documents with foreign partners, there are several other instruments that subnational units can use for foreign activities. Generally, Duchacek argues, subnational units have two options to choose from: they can try to persuade the central government to pursue their interests on their behalf or they can go it alone. When they choose the first option, the subnational units use lobbying efforts toward central government branches. When they decide

<sup>&</sup>lt;sup>84</sup> For more on the constitutional aspects of subnational foreign activities see Craven (1993): Craven, Greg. "Federal Constitutions and External Relations," in Brian Hocking (ed.), *Foreign Relations and Federal States*. London: Leicester University Press, 1993, pp. 9-26.

to act independently, the subnational units develop *trans-sovereign contacts*; a practice that can cause conflict with the official foreign policy.<sup>85</sup>

Duchacek indicates seven main formulas for subnational foreign activities. The first formula is the establishment of permanent offices in foreign capitals, which both encourage the inflow of foreign investments, and help officials of the administration of a subnational unit to communicate with foreign national governments, and gather relevant information for various lobbying activities. Second, subnational units organise visits of their top-level officials abroad. These visits are usually well-promoted and well-publicized. Third, subnational governments send fact-finding missions to gather information on a particular subject. Fourth, subnational units send their representatives to trade and investment shows, with emphasis on tourism promotion. Fifth, they establish on their territories foreign trade zones.. Sixth, they participate in the work of international conferences or organisations. Seventh, they appoint own representatives to the diplomatic missions of the federal government abroad. This practice is called *co-location*. In Canada, for example, several provinces had appointed their 'foreign service officers' to Canadian diplomatic representations abroad 86

Soldatos adds to the list of instruments for actors in the field of subnational foreign activities full membership or observer status in intergovernmental organizations.<sup>87</sup>

To sum up, there is no uniform catalogue of what instruments federated units are entitled to use in their foreign activities. It is an issue which is still

<sup>&</sup>lt;sup>85</sup> Duchacek (1988), p 5.

<sup>&</sup>lt;sup>86</sup> In Duchacek (1990), pp. 14-15, and in Duchacek (1988), p. 13.
<sup>87</sup> In Soldatos (1990), p. 29.

subject to continuous interaction between the international community, federal centres and federated units. Meanwhile, subnational governmental units experiment with different instruments, including entering and effectuating treaties, agreements and compacts with foreign states or with their subnational governmental units. In some cases, subnational units have set up their own foreign ministries, etc.

## 1.6. Consequences of Subnational Foreign Activities

The benefits of foreign activities to subnational units have been questioned in recent publications. As subnational units often lack necessary resources, such as competent staff, expertise, and funds, there has been some disillusionment in recent years. Some authors indicate that subnational units are now more critically evaluating the results of their foreign activities. In some cases, after having added up the total costs of these activities, some subnational units find the results of doubtful value' 88

Even if subnational foreign activities have not brought the expected advantages to subnational governmental units, they have changed centreperiphery relations. Many federated units struggle for more autonomy, in different policy areas, such as foreign economic relations and cross-border or trans-border cooperation, where the right to deal directly with foreign partners is certainly an important issue. Although the foreign activities of subnational units need not necessarily harm federal interests, national centres tend to observe them with a degree of suspicion.

How are subnational foreign activities affecting states federations as a whole? Paradiplomacy is normally not 'state-transforming' Keating is convinced, i.e. the aim is not to establish and independent state. Except for in states such as Canada or Belgium, which are disintegrating for other reasons than subnational foreign activities. There, these activities are, indeed, of 'state-forming' nature.<sup>89</sup>

<sup>&</sup>lt;sup>88</sup> See Keating (1999), p. 13.
<sup>89</sup> In ibid, p. 13.

How does a national centre react to subnational foreign activities? In a democratic state the federal centre cannot try and suppress the subnational units' wish for autonomous foreign activities. Therefore, different mechanisms have been developed by federal centres to enable to supervise, coordinate, and control, those activities. Kincaid advises federal governments not to try and retake control over subnational foreign activities at any price. In fact, it would require a large bureaucracy to supervise these activities and review every foreign agreement concluded on the subnational level. Therefore, Kincaid advocates the use of 'soft law' in this context. 'Soft law' is a concept common in international commerce since the 1980s. It refers to voluntary agreements and codes of conduct, usually of an informal nature. The Council of American States in Europe, a voluntary body of the US American states active in Europe, for example, uses the concept of *soft law* for governing interstate competition.<sup>90</sup>

Hocking thinks better coordination would be mutually advantageous, to both central government and subnational units. Subnational units lack the international information, communication networks and other resources that the diplomatic service offers to central government. And they lack international recognition. Central government, for its part, would gain from access to local interests. According to Hocking, there are two types of coordination: *sectoral* (focusing on sectoral policy issues) and *strategic* (aiming at interrelating the demands flowing from policy sectors within the overall external policy). Hocking explains that federal states differ in their use of linkages for coordinating subnational foreign activities. Whichever mechanisms a federal state decides to choose, both the central government and federal public servants may be reluctant

<sup>&</sup>lt;sup>90</sup> Kincaid (1990), pp. 71-72.

to accept subnational units in the fields they regard as 'their own exclusive preserve'.91

The phenomenon of subnational foreign activities has consequences that reach beyond national borders. In Duchacek's view, one of the consequences of transborder paradiplomacy is the emergence of a new subcategory of international regimes, which are based on the co-operative frameworks on both sides of sovereign borders. There is a similarity in the relations of two contiguous sovereign states and the relations of contiguous subnational units: there is no authority that would be superordinate to both actors. Therefore, decisions must be taken on consensual basis, as they cannot be enforced and must be followed voluntarily. The emergence of this new subcategory is encouraged by the imperatives of regional interdependence, especially the need to facilitate the transsovereign cross-border movement of persons, goods, energy, etc.<sup>92</sup>

<sup>&</sup>lt;sup>91</sup> Hocking (1993a): Hocking, Brian. "Managing Foreign Relations in Federal States", in Brian Hocking (ed.), Foreign Relations and Federal States. London: Leicester University Press, 1993, pp. 72-79. <sup>92</sup> Duchacek (1990), pp. 24-25.

# 1.7. Outlook

In the related literature, some authors have predicted scenarios for the future of subnational foreign activities in federal states. Other authors have taken a more focused approach and deal with the future of subnational foreign activities in a single state only. The fact that authors propose a relatively high number of scenarios indicates how difficult it is to foresee the future of subnational foreign activities, because it is subjected to many factors such as global political changes, changes in inner-federal centre-periphery relations, evolution of International Law, etc.

More than ten years ago, Duchacek outlined four possible global scenarios for the future of subnational foreign activities. A further segmentation could not be ruled out, he wrote. In his first scenario, *secessionist fragmentation*, subnational units would be engaged in protodiplomacy, and prepare for a possible secession in the future. Consequently, subnational foreign activities would be directed against the interests of the federal centre, which is normally not interested in a secession of its federated units. The second scenario, *tight centralisation in foreign policy*, would be a reaction by the central authorities to the concern that there were too many international actors inside the state. This concern would result in suppression of subnational foreign activities. The third scenario, *combinative foreign policy*, would mean that the foreign policy would be coordinated between federal centre and federated units, except for matters of national security, which would be under the sole jurisdiction of the centre. The fourth scenario, *co-operative/competitive segmentation*, is a mixture of cooperation between central government authorities and subnational units in some areas of foreign activities, and competition or duplication in the others. This scenario would allow the subnational governments to establish separate missions abroad, send their officials to foreign states and become either full members or observers of intergovernmental organisations. In his personal evaluation, Duchacek considered the last scenario the most likely.<sup>93</sup>

Soldatos does not regard paradiplomacy a temporary activity. But the nature of paradiplomacy would change in the course of time, he argues, as it would be subject to the rationalization process: the more integrated a federal system becomes; the stronger would be the drive to rationalize the foreign policy process. The rationalization process prevents actor segmentation from causing policy segmentation, as the national elites are able and willing to react to actor segmentation by offering conflict management and providing mechanisms for the articulation and exertion of subnational foreign interests. If this should be the case, subnational foreign activities would help to rationalize the foreign-policy process in general.94

Kincaid, on the other hand, sees the future of subnational foreign activities as one aspect of the general struggle of federated units against federal centre. In the end, he argues, subnational foreign activities would force the states to accept the fact that the 'cartelistic international arena is a pluralistic international arena.'95

Keating thinks that, ironically, federated units could subsequently become 'victims' of the globalisation process, which had encouraged them to enter the international arena in the first place. Inside subnational federated units, other

 <sup>&</sup>lt;sup>93</sup> Duchacek (1990), pp. 27-30.
 <sup>94</sup> Soldatos (1990), pp. 42-50.
 <sup>95</sup> Kincaid (1990), p. 74.

subnational units, such as private groups, could aspire to act in the international system independently. If the leadership of a particular federated unit has failed to articulate the interests of these new actors, new coalitions of subnational units could emerge to challenge it in the field of foreign activities.<sup>96</sup>

Makarychev focuses his prognosis on the future of subnational foreign activities in a single federal state. Instead of proposing abstract global scenarios he links the future of subnational foreign activities to 'geopolitical scenarios', which would affect all aspects of the federation. He outlines six of such scenarios for the Russian Federation and predicts how the occurrence of those scenarios would affect subnational foreign activities. The first scenario, Optimal, brings a gradual integration of Russia with the West, accompanied by liberal market reforms. The regions would then become 'juncture points' of modernization and 'gates to the global world'. The second scenario, *Realpolitik*, means a continuing division of spheres of influence between Russia and the West. The regions bordering CIS states would be encouraged to engage in subnational foreign activities whereas other regions would become isolated internationally. The third scenario, called 'Malign' by Makarychev, refers to direct confrontation between Russia and the West. For the Western regions of Russia this setting gives the role of 'security barriers'. The Far Eastern regions of Russia, on the other hand, would be considered important gateways to China, an important partner. Next comes Huntington or Clash of civilisations, which would bring complete chaos to both the federation and its members. Ethnic regions would use violence in order to secede from the federation. The following scenario, Imperial Russia, means a minimization of the autonomy of regions and re-centralisation. Last comes the

<sup>96</sup> In Keating (1999), p. 14.

perspective of Russia becoming a confederation. In a confederated Russia, regrouping and enlargement of regions would take place. Those larger entities would seek international roles in a new situation.

The author believes the first two scenarios, Optimal and Realpolitik, are the most likely to occur, i.e. the integration of Russia in the West or the continuous struggle for spheres of influence without direct conflict.<sup>97</sup> For a more detailed analysis of the scenarios proposed by Makarychev see section 2.3. *Russian regions in the international system*.

Hocking, instead of outlining any scenarios, predicts that subnational foreign activities would continue having an 'aura of inappropriateness'. The reason for this is the absence of a clearly identified place for these activities in world politics.<sup>98</sup>

# **1.8. Examples**

In this section several examples will be discussed of how federal states are handling subnational foreign activities. There are relevant differences between federations in terms of foreign activities of their subnational units. Similarly, there are differences between continents in this respect. In Europe, the European Union has crucially influenced the subnational foreign activities. In North America, on

<sup>&</sup>lt;sup>97</sup> Makarychev (2000): Makarychev, Andrei S. *Islands of globalization: Regional Russia and the outside world.*. The Russian Study Group Working Paper Series No. 2. Eidgenössische Technische Hochschule Zürich: Center for Security Studies and Conflict Research, 2000, pp. 53-55.

<sup>&</sup>lt;sup>98</sup> Hocking (1999), p 36.

the other hand, the integration of states is less advanced and affects economic/trade issues mainly.

The examples of the United States of America, the Canadian province of Quebec, the European Union, Federal Republic of Germany and Kingdom of Belgium were chosen for the following reasons. The example of the United States of America demonstrates that subnational foreign activities are not a new phenomenon in world politics after all. The second example, the Canadian province of Quebec, is probably the best-publicised case of protodiplomacy. The European Union deserves attention because of its unique institutions and policies, which directly affect subnational foreign activities in its member states. The German example reveals an interesting *modus operandi* for intra-federal articulation and aggregation of foreign interests, from which some other federal states could draw useful conclusions. In the Kingdom of Belgium, on the other hand, the central government has tried the opposite. Instead of trying to facilitate the foreign activities of the members of the federation it has attempted – unsuccessfully - to centralise them.

# 1.8.1. US States

The subnational foreign activities of the US states have a long history. Despite the long tradition, for various reasons that are discussed below, these activities remain a minor business for federated and municipal units of the US. Two centuries ago, the US states were very difficult to control by the federal centre. For example, they were ignoring the foreign treaties negotiated by the Congress. Although the Congress had the power to regulate the commerce with foreign states and the President was in charge of foreign treaties, both institutions lacked one important thing to support foreign policy: the military force. The member states of the federation, and not the federal centre, were in control of the major military force in the country – the militia. It was only in the year 1812 that the states lost this crucial leverage of foreign policy.<sup>99</sup>

Nowadays, the US states are, by Constitution, forbidden to enter into agreements or compacts with a foreign nation without the consent of Congress.<sup>100</sup> In real life, however, Congress only reserves the right to abrogate agreements that 'contravene US foreign policy or suborn US sovereignty'.<sup>101</sup> Therefore, states are relatively free to act, but must keep in mind the interests of the US as a whole.

Despite this freedom, the US states have been rather passive in terms of subnational foreign activities. In fact, they only spend approximately 0.3 per cent of their budget on foreign activities. Kincaid indicates several reasons for this inactivity. First, local voters do not seem to think the elected state officials should engage in foreign activities, as they do not consider them beneficial to the state. Second, the US is an attractive destination for foreign investors; therefore, no further engagement is needed. Third, state officials rely to a great extent on private business in foreign issues. Fourth, state officials see the domestic

<sup>&</sup>lt;sup>99</sup> In Fry (1990): Fry, Earl H. "The United States of America," in Hans J. Michelmann and Panayotis Soldatos (eds.), *Federalism And International Relations: The Role of Subnational Units*. Oxford: Oxford University Press, 1990, pp. 277-278.

<sup>&</sup>lt;sup>100</sup> Fry (1990), p. 279.

<sup>&</sup>lt;sup>101</sup> Kincaid (1999), p. 129.

competition between states far more significant than global competition.<sup>102</sup> As another author, Fry, puts it, the subnational foreign activities of the US states can be seen as a 'civil war for foreign money'.<sup>103</sup>

In spite of the domination of economic issues, the member states have some interest in foreign *policy* issues, too. In the process of foreign policy making, states can make their voices heard using the congressmen and senators in Washington. The Congress makes states important players in the US foreign policy, because party loyalties are often less important than the geographic location of the constituency of a Congressman or Senator.<sup>104</sup>

To sum up, despite the relatively broad rights in terms of foreign activities, the federated units of the US are not very active in the international system. Nevertheless, the potential political and economic leverage many US states have is enormous. As some US states would rank among the richest nations in the world if taken separately, they could certainly change the international environment by acting more independently from the central government.

<sup>&</sup>lt;sup>102</sup> Kincaid (1999), pp. 120-121.

<sup>&</sup>lt;sup>103</sup> Fry (1988): Fry, Earl. H., "Trans-Sovereign Relations of the American States", in <u>in</u> Ivo D Duchacek, Daniel Latouche and Garth Stevenson (eds.), Perforated Sovereignties and International Relations: Trans-Sovereign Contacts of Subnational Governments. New York: Greenwood Press, 1988, pp. 53. <sup>104</sup> Fry (1990), p. 289.

#### **1.8.2. Quebec**

Quebec is an interesting case of *protodiplomacy*. The well-published activities of this Canadian province are rather instructive, as they indicate that central governments may tolerate paradiplomatic activities of federated units, but certainly not protodiplomacy, which is aimed at future secession of the subnational unit, which endangers the territorial integrity of a federation.

Both the media and researchers have in detail examined the nature of Quebec's *para-* and *proto*diplomatic activities. Several authors, for example Duchacek, E. J. Feldman, L.G. Feldman, Balthazar, have analysed the foreign activities of Quebec. Some authors think that, in fact, Quebec is the most advanced case of subnational foreign activities in world.<sup>105</sup>

When Quebec began to act in the international system in the 1960s, Canadian foreign policy was still young and fragile. Encouraged by the French President Charles de Gaulle, Quebec opened its delegation in Paris in 1961. London followed in 1962, and subsequently delegations were opened in all major European and American cities. The aim was to become a 'fully-fledged international actor'.<sup>106</sup>

In 1965, Mr Gerin-Lajoie, the then-Minister of Education of Quebec, made the so-called 'Gerin-Lajoie doctrine' public. He declared that Quebec was '/.../ not sovereign in all matters: it is a member of a federation. But it constitutes, in a political sense, a state. It possesses all elements: territory, population, autonomous government. It is also the political expression of a people that is

<sup>&</sup>lt;sup>105</sup> In Balthazar (1999): Balthazar, Louis, "The Quebec Experience: Success or Failure?" in Francisco Aldecoa and Michael Keating (eds.), *Paradiplomacy in Action: The Foreign Relations of Subnational Governments*. London: Frank Cass Publishers, 1999, p. 153.

<sup>&</sup>lt;sup>106</sup> Ibid, pp. 157-158.

distinct in many ways from the English-speaking communities inhabiting North America /.../ Quebec is determined to take its proper place in the contemporary world.' That document is now considered the foundation of foreign activities of Quebec.<sup>107</sup>

The case of Quebec is specific, because a third, external, party – the central government of a foreign state – has been actively approaching a subnational unit of another state. In 1969, de Gaulle spoke out his famous: '*Vive le Quebec libre*'. The Canadian government became even more suspicious of Quebec foreign activities afterwards.<sup>108</sup>

What encouraged the Quebec province to enter the international system? Some authors argue that, inside the Canadian confederation, Quebec was interested in maintaining its special political and cultural position through subnational foreign activities. Because of this, in the 1960s and 1970s, Quebec was engaged in politically, culturally and educationally motivated foreign activities mainly. In the 1980s, however, its foreign activities became more economically motivated.<sup>109</sup>

The Canadian central government did not tolerate all types of foreign activities of Quebec. Especially, it was opposed to the possibility of full membership of Quebec in international organisations. In one case, the Canadian central government even broke diplomatic ties with the African state of Gabon, which had invited Quebec to participate 'alone', i. e. Canada was not invited, in an educational conference for French-speaking countries in 1969. In a similar case

<sup>&</sup>lt;sup>107</sup> For more on the Gerin-Lajoie doctrine see Balthazar (1999), pp. 158-159.

<sup>&</sup>lt;sup>108</sup> Balthazar (1993): Balthazar, Louis. "Quebec's International Relations: A Response to Needs and Necessities," in Brian Hocking (ed.), *Foreign Relations and Federal States*. London: Leicester University Press, 1993, pp. 142-143.

<sup>&</sup>lt;sup>109</sup> In Feldman/Feldman (1990), pp. 71, 75.

the central government accepted Quebec as a 'participating government' inside the Canadian delegation. In Niger, in 1970, where the ACCT ('Agence de cooperation culturelle et technique') was established, the representatives of Quebec were granted the right by the central government to express the views of the Quebec governments in issues under its jurisdiction.<sup>110</sup>

Some scholars believe that the struggle between Quebec and the federal centre is bound to continue. Balthazar indicates two reasons, why future cooperation between Quebec and Ottawa in foreign activities will be complicated, if not impossible. First, Canada has adopted a new concept in foreign policy, which promotes it as a unitary state. Second, the emerging nationalism in Ottawa has provoked even more separatism in Quebec. Balthazar concludes that central governments only tolerate subnational foreign activities to a certain extent.<sup>111</sup>

<sup>&</sup>lt;sup>110</sup> In Balthazar (1993), p. 142. <sup>111</sup>In Balthazar (1999), pp. 168-169.

### 1.8.3. Germany

The end of the Cold War ended the division of Germany, which had lasted for 45 years. Germany was reunified in 1990, as the Federal Republic of Germany (FRG) incorporated the formerly Communist German Democratic Republic (GDR) and the former capital Berlin was reunited, too. By this, the number of *Länder* (federated units) of the FRG increased from 10 to 16. It was certainly not a 'merger of equals', but rather a 'takeover' of the GDR by the bigger and much wealthier Western Germany.

Despite the economic difficulties and political changes that followed reunification, the German federal system managed to remain relatively stable. Compared to other federations, where federated units constantly struggle for more rights, the German system seems to offer its participants sufficient channels to articulate their interests in various policy issues, foreign-policy included. In practical life, this does not mean absolute freedom for federated units to engage in foreign activities, however. In fact, whatever the federated units do, they must not forget about the so-called principle of *Bundestreue* ('federal comity').

According to Michelmann, the German *Länder* have engaged in various types of subnational foreign activities, such as economic, regional paradiplomacy, international cultural and educational exchange and development aid. For this, the Länder have teamed up with different partners: non-governmental organisations (economic paradiplomacy), the federal government (economic paradiplomacy, cultural and educational exchange, development aid) and subnational units of foreign states (regional paradiplomacy).<sup>112</sup>

In the Federal Republic of Germany, the constitutional framework for the conduct of foreign policy is clearly defined. The Basic Law regulates the rights of *Länder* in terms of foreign activities (Article 32). It defines the federation as the sole entity entitled to conduct relations with foreign states. However, it requires the federal government to consult the respective Land before signing any treaty in case the jurisdiction of that Land is affected. Additionally, the article grants the *Länder* the right to conclude *treaties* with foreign states in issues under their jurisdiction.<sup>113</sup>

As far as the *Länder's* exercise of the above-mentioned rights is concerned, there are three main options. Firstly, the *Länder* can directly participate in the foreign-policy process via the upper chamber of the parliament, the *Bundesrat*. Secondly, they can act independently by concluding treaties with foreign states or subnational units in questions under their jurisdiction (culture, education, etc.) or by maintaining representations in foreign states. Third, referring to the Lindau Agreement (*Lindauer Abkommen*), *Länder* may entrust federal government to represent their interests abroad by mutual agreement.

The first option is especially important in EU matters; in other foreign questions the *Bundesrat* plays a rather symbolic role. The German federal system is somewhat exceptional, as the federated units' governments have been given full

<sup>&</sup>lt;sup>112</sup> For more details on which types of subnational foreign activities the German *Länder* were engaging see Michelmann (1990): Michelmann, Hans J., "The Federal Republic of Germany," in Hans J. Michelmann and Panayotis Soldatos (eds.), *Federalism And International Relations: The Role of Subnational Units*. Oxford: Oxford University Press, 1990, pp. 228-240.

<sup>&</sup>lt;sup>113</sup> Leonardy (1993): Leonardy, Uwe. "Federation and Länder in German Foreign Relations: Power-Sharing in Treaty-Making and European Affairs", in Brian Hocking (ed.), *Foreign Relations and Federal States.* London: Leicester University Press, 1993, pp. 239-240.

and direct control over the upper chamber of the parliament. The *Länder* governments appoint their representatives to the *Bundesrat* independently. The quantity of those representatives depends on the size of population in the respective Land. The ideological background of the representatives depends on the ideology of the ruling coalition in their Land.<sup>114</sup>

In terms of treaty-making, the tasks of the *Bundesrat* are restricted. There are two types of treaties, which need the *Bundesrat's* approval or non-objection. First, treaties requiring the full consent of the *Bundesrat* are those over issues concerning amendments of the Basic Law, *Länder* rights over fiscal policy or taxation and *Länder* rights and interests in the execution of federal laws. The second type of treaties concerns all remaining issues. This type of treaties is only subjected to the *Bundesrat* objection. Should the *Bundesrat* object to such a treaty, the lower chamber of the parliament, Bundestag, can override this decision by ratifying the treaty again. In case the *Bundesrat* has objected to it by a two-thirds majority, a majority of equal size in the Bundestag is required to override the objection.<sup>115</sup> The real power of the *Bundesrat* in treaty-making is, therefore, rather moderate compared to the power of the Bundestag, which is directly elected by the people. Michelmann indicates that there has been only one case when the *Bundesrat* objected to a treaty proposed by the central government. It was an *Ostpolitik*<sup>116</sup> treaty of the social-democratic Brandt government. In this

 <sup>&</sup>lt;sup>114</sup> For more information on the functioning of the upper chamber of the German parliament, the *Bundesrat* see: *Facts About Germany*. Frankfurt/Main: Societäts-Verlag, 1997, pp. 174-176.
 <sup>115</sup> Michelmann (1990), p. 216.

<sup>&</sup>lt;sup>116</sup> Ostpolitik or 'Eastern policy' was designed by the Federal Republic of Germany in order to normalize its relations with the Soviet Union, the German Democratic Republic and Poland, and other Communist countries. Ostpolitik was applied starting from 1966 and its most important achievement was the acknowledgment of the existence of two separate German states, which was agreed upon in a Basic treaty between FRG and the GDR in 1972. Earlier, the FRG had refused to recognise the

case, the parties controlling the *Bundesrat* were opposed to the central government. The opposition wished to make a symbolic gesture of disapproval. However, the *Bundesrat's* objection was overridden subsequently by the Bundestag, the lower chamber of the German parliament.<sup>117</sup>

Things are different, however, when the EU is involved. The Basic Law grants the federal government the right to transfer sovereign powers to international institutions (Article 32, Paragraph 3). The *Länder* argue that the exercise of this right by the federal government means, effectively, the transfer of *Länder* rights, too. Because of this, the *Länder* are reluctant to delegate to the federal government their right to communicate directly with the EU.<sup>118</sup>

The Bundesrat has become the main body to coordinate the triangular relationship of the EU, the federal government and the *Länder*. When in 1986 the European Single Act (ESA) was ratified, the *Länder* succeeded in adding an important clause to the Statute of Ratification of ESA, which required the federal government to 'give sufficient time and opportunity for the *Bundesrat* to state its opinion' prior to its decisions in the EU that would affect 'exclusive legislative competence or the essential interests of the *Länder*'.<sup>119</sup> Michelmann doubts, however, if the *Bundesrat* and its Committee for Questions of the European Union are useful tools for the *Länder* in EU issues as the *Bundesrat* lacks legislative leverage over the federal government.<sup>120</sup>

The *Länder* have in Brussels a common observer appointed by the Conference of *Länder* economics ministers who attends the meetings of the

separation of Germany and the creation of the GDR in Eastern Germany. (*Oxford Concise Dictionary of Politics*. Oxford: Oxford University Press, 1996, p. 354).

<sup>&</sup>lt;sup>117</sup> Michelmann (1990), p. 218.

<sup>&</sup>lt;sup>118</sup> Leonardy (1993), p. 240.

<sup>&</sup>lt;sup>119</sup> Ibid, p. 240.

<sup>&</sup>lt;sup>120</sup> Michelmann (1990), p. 223.

Council of Ministers of the EU as a member of the German delegation. Among other duties he reports relevant information about developments in EU institutions in general and the Council of Ministers in particular to the *Länder* governments.<sup>121</sup>

The second option for German *Länder* to exercise their rights, concluding treaties with foreign states or maintaining foreign representations independently from the central government, has been used relatively rarely. According to Michelmann, the *Länder* mainly conclude *agreements*, not treaties, and these often deal with administrative issues. Michelmann indicates several reasons why the *Länder* have not been interested in concluding *treaties* with foreign states circumventing the central government: (1) the Basic Law grants *Länder* very few legislative powers; (2) the principle of *Bundestreue*; (3) non-validity of the treaties without federal government's approval and (4) the Lindauer Agreement.<sup>122</sup> The impact of the Lindauer Agreement concluded between the federal government and the *Länder* is discussed below.

In case the *Länder* are dealing with foreign *subnational units*, they are not restricted by the Basic Law in doing so. As the Federal Constitutional Court ruled in one of its first decisions, federal units are free to communicate with foreign subnational units.<sup>123</sup>

Additionally to concluding foreign agreements and treaties, in the past the *Länder* have maintained own representations abroad. In the times of the Reich, the Imperial Constitution of 16 April 1871 established the right of both the federation and federated units to engage in foreign relations. Especially the larger

<sup>&</sup>lt;sup>121</sup> Michelmann (1990), p. 224.

<sup>&</sup>lt;sup>122</sup> Ibid, p. 219.

<sup>&</sup>lt;sup>123</sup> Leonardy (1993), p. 239.

federated units such as Bavaria, Württemberg, Saxony and Baden continuously maintained their representations abroad that had existed before the Reich was established. The Weimar Constitution of 11 August 1919 was more restrictive in terms of subnational foreign activities. The new constitution established the right of federated units for treaty-making in issues under their jurisdiction. Those treaties were, however, subject to the consent of the Reich, which had become the sole player in foreign affairs. In the FRG, too, the offices of the Länder abroad cannot act as diplomatic missions without violating the Basic Law.<sup>124</sup> Therefore. the Länder have established foreign representations, called 'contact offices' or Aussenstellen, which are not public, but private law organisations. The staff members of these representations are usually former EC/EU officials or Länder civil servants on leave from their official duties.<sup>125</sup>

The third option available to the German federated units is the Lindau Agreement of 14 November 1957. This agreement, concluded between the central government and the Länder, is aimed at regulating questions of treaty-making in issues under Länder jurisdiction. By the Lindau Agreement the federation became the representative of the Länder in negotiating or signing treaties with foreign states in issues under Länder jurisdiction. Consequently, the Länder gave up their right (Article 32, Paragraph 3 of the Basic Law) to conclude *treaties* with foreign states. In return, the central government gave up its right to sign treaties concerning issues under Länder (co-)jurisdiction without unanimous consent of the Länder.<sup>126</sup>

<sup>&</sup>lt;sup>124</sup> Leonardy (1993), pp. 237, 239.
<sup>125</sup> Michelmann (1990), p. 227.
<sup>126</sup> Leonardy (1993), pp. 238-239.

The central institution created for implementing the Lindau Agreement is the Permanent Treaty Commission (*Ständige Vertragskommission*), which consists of the plenipotentiaries of the *Länder* to the federation. As these officials are occupied with the whole range of issues concerning federated units, everyday work is being done by their deputies in charge of international relations. The main task of the Commission is to assist the communication between the federal government and the federated states, its members have access to federal and *Länder* ministries. The decisions of the Commission require formal ratification of all members. Its decisions are of recommendatory nature. Despite the irritation caused by occasional insufficient communication from the federal Ministry of Foreign Affairs or an irresolute Land government abandoning the common platform on a particular issue, the Lindau Agreement is widely considered a workable procedure.<sup>127</sup>

Despite the efforts of some Länder to promote international and crossborder cooperation, surveys by *Bundesbericht Forschung* conducted in 1988 and 1993, indicate that many of them, especially in Eastern Germany still lack necessary policy framework, or give this issue a low priority. However, when compared to 1988, in 1993 five Western *Länder*, which had given low priority to foreign activities previously, had developed their strategies for subnational foreign activities and gave this issue a high priority. The total number of *Länder* prioritising subnational foreign activities had grown from 2 to 9.<sup>128</sup>

Some authors argue that the German model is of all-European significance. In fact, Germany's experience of subordinating powers of federation

<sup>&</sup>lt;sup>127</sup> Michelmann (1990), pp. 221-222.

 <sup>&</sup>lt;sup>128</sup> Sturm (1997): Sturm, Roland. "Regions in Germany," in Michael Keating and John Loughlin (eds.), *The Political Economy of Regionalism*. London: Frank Cass, 1997, pp. 288-289.

to federated units could serve as a model for the reform of political institutional structures and organisation in member states of the EU. Wagstaff believes that Germany and Austria are the only member states of the EU that have succeeded in subordinating the power of the state to its federated units.<sup>129</sup> Indeed, when compared to other EU states, Germany's achievements in terms of facilitating subnational foreign interests and developing common a sustainable foreign policy are remarkable.

# 1.8.4. Belgium

The Kingdom of Belgium, relatively small by territory and population, is a federal state with a complex structure. As there are three language communities in Belgium, Dutch, French and German, keeping the federation stable and operational has not always proved to be an easy task. Against this background, it is not surprising that the engagement of subnational units in foreign activities has been accompanied by the 'fear of dismemberment' of the Belgian state.<sup>130</sup>

Some scholars compare Belgium to Czechoslovakia, which was an artificial creation of the Great Powers, too. The modern history of Belgium, a trilingual state sandwiched between the Netherlands in the North, France in the

<sup>&</sup>lt;sup>129</sup> Wagstaff (1999): Wagstaff, Peter (ed.). *Regionalism in the European Union*. Exeter: Intellect Books, 1999, p. 12.

<sup>&</sup>lt;sup>130</sup> In Beaufays (1988): Beaufays, Jean. "Bicommunal Belgium and Its International Dimension," in Ivo D Duchacek, Daniel Latouche and Garth Stevenson (eds.), *Perforated Sovereignties and International Relations: Trans-Sovereign Contacts of Subnational Governments*. New York: Greenwood Press, 1988, p. 45.

South, and Germany in the East, is best described as an 'ever-present threat of fracture or rift between the various elements that make up Belgium'.<sup>131</sup>

In the 19<sup>th</sup> century, the French-speaking Walloon minority dominated political life. The Dutch-speaking majority was largely excluded from political life, not to mention the German-speaking minority. Only the French language had legal validity. Moreover, the governmental and administrative structure was copied from France. In 1970, a constitutional change introduced two new concepts, the community and the region to the state structure of the kingdom. The Flemish proposed the concept of community. It was an entity based on cultural criteria only. The Walloons, for their part, suggested the concept of region, which was based on socio-economic criteria. Whereas the jurisdiction of communities cultural and linguistic affairs - was clear, the field of responsibilities of the regions remained less clearly defined. The main obstacle to defining the responsibilities of the regions was the capital Brussels, which had two communities superimposed on it. In 1993, another constitutional revision was passed into law. The new Article 1 of the Constitution established that Belgium was a 'federal state'. The upper chamber of the parliament, the Senate, was reformed and reflected from then on the linguistic composition of the population. The problem of Brussels remained unresolved, however.<sup>132</sup>

Currently, the Belgian federation consists of three communities and three regions. The communities include the French community (French-speaking people in Wallonia and Brussels), the Flemish community (Dutch-speaking people in Flanders and Brussels) and the relatively small German community.

<sup>&</sup>lt;sup>131</sup> Wagstaff (1999a): Wagstaff, Peter. "Belgium: A New Federalism", in Peter Wagstaff (ed.), *Regionalism in the European Union*. Exeter: Intellect Books, 1999, pp. 74.

<sup>&</sup>lt;sup>132</sup> Wagstaff (1999a), pp. 77, 79-80, 83-85.

Beside, and sometimes overlapping with the communities, there are three regions: the Walloon region, which includes the German-speaking community, the Flemish region and the capital of the federation, Brussels. Beaufays argues that the complex system of federation with so many different players and occasionally overlapping jurisdiction is only manageable with the help of a specific political system in Belgium. As on all levels of government the same political forces represent the majority; nobody is actually interested in challenging the federal system.<sup>133</sup>

As far as the foreign activities of subnational units of the Belgian federation are concerned, the central government, represented by the Ministry of External Relations, has not always welcomed these initiatives. For example, in 1983, the Minister of External Relations of Belgium reminded in a note the Executives of the subnational units that no Belgian law entitles them to conclude treaties with foreign partners. Additionally, the minister recalled the fact that only the King may, under the responsibility of his Ministry, sign foreign treaties. The Executives replied in a rather sharp manner to this note, however. The Minister retreated subsequently and recognised their right to 'make agreements', though not binding for Belgium.<sup>134</sup>

The subnational units have, despite the rather critical attitude of the Ministry of External Relations, set up their autonomous structures for foreign activities. The Walloon and Flemish communities have established Commissariats; the Flemish Commissariat is responsible for both the Flemish

<sup>&</sup>lt;sup>133</sup> Beaufays (1988), p. 45.

<sup>&</sup>lt;sup>134</sup> Lejeune (1990) : Lejeune, Yves. "Belgium," in Hans J. Michelmann and Panayotis Soldatos (eds.), *Federalism and International Relations: The Role of Subnational Units*. Oxford: Oxford University Press, 1990, pp. 145-146.

community and the Flemish region. The Walloon region has a Directorate General for External Relations. In the region of Brussels, the Minister of Finance is in charge of external relations, whereas in the German community, the director of the Executive deals with external issues.<sup>135</sup>

Belgian subnational units have actively used the opportunities to engage in activities abroad. They have appointed 'attaches' to the Belgian diplomatic missions, opened cultural centres abroad, concluded cultural and 'person-related'<sup>136</sup> agreements with foreign states and subnational units, created joint inter-parliamentary cooperation committees, assisted the central government in implementing bilateral agreements, participated in interregional associations, visited foreign partners and received representatives of foreign states and their subnational units. The subnational units are, however, not allowed to become members of international organisations.<sup>137</sup>

In order to facilitate and coordinate subnational foreign activities, the Ministry of External Relations has offered the communities and regions various platforms to discuss the foreign policy decisions of Belgium. In 1984, a special division was created in the Ministry of External Relations to supervise relations with the Regions and the Communities.<sup>138</sup> Even more important is the agreement of the Ministry from the year 1983 to allow Community Executives to participate in the implementation of bilateral cultural agreements of Belgium.<sup>139</sup>

The method of integrating the subnational units into the foreign-policy process is called 'concertation' (concerted action) in Belgium. The communities

<sup>&</sup>lt;sup>135</sup> Lejeune (1990), pp. 151-152.

<sup>&</sup>lt;sup>136</sup> 'Person-related matters' – the delivery of medical care outside hospitals, health education, family policy, and youth welfare.

<sup>&</sup>lt;sup>137</sup> For a more detailed overview see Lejeune (1990), pp. 152-162.

<sup>&</sup>lt;sup>138</sup> Beaufays (1988), p. 46.

<sup>&</sup>lt;sup>139</sup> Lejeune (1990), 148.

and regions are invited to participate in various federal-level ministerial or interministerial committees and subcommittees to discuss foreign policy issues.<sup>140</sup> However, despite the efforts of the federal government to integrate the foreign interests of subnational units, the drive for more independence has not weakened. In recent years, for example, the wealthier Flanders has complained about the Belgian state 'dragging on its comparative advantage'.<sup>141</sup>

To sum up, Belgian subnational foreign activities remain more ambiguous than in many other federations, given the historical background of the kingdom. The Ministry of External Relations has been actively seeking new ways of integrating subnational foreign interests. The future of subnational foreign activities in Belgium depends on the future of the kingdom of Belgium as a whole, however. Given the ever-present tensions between the two main language communities, secession cannot be ruled out. If this should be the case, paradiplomatic activities may turn into protodiplomatic activities, which are aimed at future recognition of a subnational unit as sovereign state.

<sup>&</sup>lt;sup>140</sup> See Lejeune (1990), pp. 162-167.

<sup>&</sup>lt;sup>141</sup> Keating (1997): Keating, Michael. "The Political Economy of Regionalism," in Michael Keating and John Loughlin (eds.) *The Political Economy of Regionalism*. London: Frank Cass, 1997, p.157.

## 1.8.5. The European Union

In the context of deepening European integration it is interesting to examine how this process has affected the lower levels of government. Is there not a contradiction between the processes of integration and regionalism in the EU? Sodupe argues that on the contrary – regionalism, which encourages interregional cooperation, stimulates integration by increasing interdependence. Consequently regionalism makes an important contribution to the unification of Europe.<sup>142</sup>

The main institution dealing with regions of the EU is the Committee of the Regions (CoR). Its existence reflects the fact that deeper European integration has eroded the autonomy of member states of the EU and made regional factors more important. Article 198a of the Maastricht Treaty (1992) provides for the establishment of 'an advisory committee of representatives of regional and local authorities, hence to be called the Committee of the Regions'. The CoR was first constituted in 1994. At the beginning, there were 189 members, whereas every member state could send a certain number of regional units to participate in the work of the committee, according to the size of the population. Germany, Italy and France had the largest number of members (24), whereas smaller states had relatively more members per number of inhabitants (Luxemburg, for example, had 6 members). When new members joined the EU in 1995, the number of members of the committee rose to 222. The EU member states governments

<sup>&</sup>lt;sup>142</sup> Sodupe (1999), p. 58.

decide who becomes member of the CoR. The CoR is obligatorily consulted by the decision-making institutions of the EU, such as Council, Commission or Parliament, in issues of education, culture, public health, trans-European networks for transportation, telecommunications, energy, economic and social cohesion. The Amsterdam Treaty of 1997 added to the list the following items: employment, social policy, health, environment, vocational training and transport. The above-mentioned institutions are not obliged to take the advice from CoR, however.<sup>143</sup>

There are two types of regional associations in the EU, representative and functional. Representative associations, such as the Assembly of the Congress and the Council of Local Authorities and Regions of Europe, communicate to the European institutions the viewpoints of their members concerning the status and functions of the regions in the Community and the member states of the EU. The other group, functional associations, deal with specific issues such as frontiers, industrial decline and peripheral status of the regions. The functional group has two subgroups, cross-border (promoting cross-border cooperation) and transregional. Functional associations in the EU are the Association of European Frontier Regions, the Four Motors of Europe, the Working Communities of the Alps, etc.<sup>144</sup>

The EU has financed by several billions of euros its initiatives for regional cooperation, INTERREG I (1989-93) and INTERREG II (1994-99). Sodupe asks if this money has been well spent in order to promote transregional cooperation.

<sup>&</sup>lt;sup>143</sup> Wagstaff (1999b): Wagstaff, Peter. "The Committee of the Regions of the European Union", in Peter Wagstaff (ed.), *Regionalism In the European Union*, Exeter: Intellect Books, 1999, pp. 189-192. Further: Wagstaff (1999b).

<sup>&</sup>lt;sup>144</sup> Sodupe (1999), pp.62-66.

He comes to the conclusion that the EU's emphasis was too much on the crossborder cooperation, as the main goal of those initiatives was to prepare the member states and their subnational units for a 'Europe without borders'. Because of this, trans-regional cooperation was neglected to a great extent.<sup>145</sup>

Keating argues that various institutions of the EU, such as the Committee of the Regions or the Economic and Social Committee, that enable the subnational units to make their voice heard, have not proved particularly useful They cannot represent themselves individually in those for the regions. institutions, but need first to agree on a unitary position of the regional units. Nor have other concepts, such as Europe of the Regions, Third Level, Europe with the Regions or Europe of the Cultures proven helpful. Subnational units have different interests and cannot, therefore, agree on a concept that would suit all of them. Because of this, despite all these efforts, states still dominate the political agenda.146

There are other obstacles on the way of subnational units articulating their interests in the context of the EU. For example, there is still substantial opposition by central governments to subnational foreign activities in the EU. For various reasons, some member states are reluctant to grant subnational units substantial rights in this field. Sodupe even believes the states have deliberately created obstacles to prevent inter-regional cooperation, in order to avoid an erosion of their traditional role.<sup>147</sup>

<sup>&</sup>lt;sup>145</sup> Sodupe (1999), pp. 63-78
<sup>146</sup> Keating, (1999), pp. 6-8.
<sup>147</sup> Sodupe (1999), p. 74.

# Conclusion

Although there has been some disappointment on the part of subnational units concerning the benefits of foreign activities, they will continue seeking ways to interact with the outside world directly. Some of them have probably discovered that dealing with foreign issues is not just a privilege promising high returns but a rather challenging task. Nevertheless, the factors that have triggered subnational foreign activities, such as globalisation, interdependence, and new communications technologies, have not disappeared. What is more, the pressure on subnational units to deal with foreign issues keeps growing.

It would not be correct to assume that subnational units engage in foreign activities just to annoy central government. In many cases, it is actually the failure of the federal centre to facilitate subnational foreign interests that encourages subnational units to enter the international system. Often the federal government is not able to protect federated units against negative aspects of globalisation and interdependence. When subnational units do not help themselves by attracting foreign investments, tourists and know-how, then nobody will do it for them. Moreover, in a global economy, the competition between subnational units for foreign resources is fierce. Therefore, even if a federated unit is not interested in challenging the foreign policy of the federal government, it needs to take interest in foreign issues. Otherwise it risks falling behind.

In some cases, like in Germany, subnational units and federal government have found a *modus operandi*, when dealing with foreign issues. The German *Länder* have given up their right to conclude treaties with foreign states granted them by Basic Law. The federal government in return consults the *Länder* before concluding any treaties concerning their jurisdiction.

As far as the *reasons* for subnational units to become active in the international system are concerned, the explanations provided are not always complete. It could be argued that the reasons vary and should, therefore, be examined in every single case taking into account the specific features of the particular subnational unit. For example, it could be asked if the end of the Cold War affected subnational units in Australia or Africa as much as in Russia, which was a major participant in the global confrontation. The next chapters will examine how subnational units in Russia have reacted to the pressures of globalisation and other factors seen as catalysts for subnational foreign activities by many researchers.

A serious impediment to the subnational foreign activities is their ambiguous status from the viewpoint of the International Law, which does not consider subnational subjects equal to states by default. The situation is even more confusing in states in a legal vacuum. What happens to subnational foreign activities if the particular state is being governed using partially contradicting laws, like the Russian Federation in the 1990s? The following chapter will offer some answers to these questions.

## **Chapter 2 Russian Regions as Foreign Policy Actors**

This chapter will describe the changes that have taken place in the Russian foreign policy making after the collapse of the Soviet Union. How were the existing foreign policy institutions reformed? Which new institutions emerged, and how were the questions of jurisdiction solved? Special focus will be on the aspects of these changes that concern subnational foreign activities.

An overview of literature on subnational foreign activities in Russia will be given with the purpose of placing Pskov foreign activities in a more comparative perspective. Can Russian subnational units participate in the making of the official foreign policy? What are the rights of subnational governmental units in terms of independent foreign activities? In which way has the federal centre reacted to their attempts to enter the international system, circumventing the federal authorities? Has the federal centre succeeded in coordinating and facilitating the foreign activities of the members of the federation?

Not only the output, but also the process of the Russian foreign policy making has changed fundamentally in the wake of the collapse of the Soviet Union. Global confrontation between the capitalist and socialist bloc has been replaced by a variety of new coalitions and new adversaries. Russia is in the process of to defining its role in international affairs. In the process of formulating the foreign policy new actors have appeared beside federal institutions.

In Soviet times the Communist Party effectively controlled the conduct of foreign policy for the entire Soviet Union, including the formally autonomous Soviet republics. Although there were branches of the Ministry of Foreign Affairs of the USSR in all Soviet republics, except for the Russian SFSR, they were not allowed to act in the international system independently. Ironically, Ukraine and Byelorussia were even members of the United Nations, as if they were independent states.

The decision-making in foreign policy was under the control of the CPSU Politburo. Formally, the decisions were rubberstamped by the Supreme Soviet. Another institution dealing with foreign policy issues were the International Department of the Central Committee of the Communist Party. Peter Shearman, for example, thinks that the variety of foreign policy institutions was the basis for a 'particularly exclusive and restricted kind' of pluralism in the foreign policy making, as there were no free elections, free media, multi-party system, or any form of public participation involved in that process.<sup>148</sup>

Other scholars are less convinced of the unquestionable monopoly of the Communist Party in Soviet foreign policy making. Malcolm, for example, argues that the secretary general of the Communist Party, who was the highest party official, had to manoeuvre between powerful actors and seek coalitions, especially with the military. Various groups, such as the International Department, the Ministry of Foreign Affairs and the military were engaged in internal battles over

<sup>&</sup>lt;sup>148</sup> Shearman (1995): Shearman, Peter. "Soviet Foreign Policy, 1917-1991", in Peter Shearman (ed.), *Russian Foreign Policy Since 1990.* Oxford: Westview Press, 1995, p. 14.

foreign policy issues. Foreign policy making was subject to the 'effects of bureaucratic politics'. It was only in the late 1980s, under Gorbachev, that stepby-step the Ministry of Foreign Affairs took the initiative in foreign policy.<sup>149</sup>

Moreover, as Fainsod claims, there were substantial distortions in the perception of foreign events even in the highest echelons of the Soviet leadership. The screening staff responsible for the selection of information was preoccupied with the 'image of the enemy' cultivated by Marxist-Leninist ideology and normally transmitted only information confirming the Communist worldview. Therefore, the rulers were deprived of non-biased information about the situation in foreign countries.<sup>150</sup>

 <sup>&</sup>lt;sup>149</sup> Malcolm (1990): Malcolm, Neil. "Russian Foreign Policy Decision-Making", in Peter Shearman, *Russian Foreign Policy Since 1990*. Oxford: Westview Press, 1995, pp. 24-25.
 <sup>150</sup> Fainsod (1963): Fainsod, Merle. *How Russia is Ruled*. Cambridge, Mass.: Harvard University Press, 1963, p. 341.

# 2.1. Agents in Russian Foreign-policy Making: Subnational Dimension

Before examining the subnational foreign activities of the federated units of the Russian Federation, it would be helpful to recall the functions that various actors of foreign policy making process had on the federal level in the 1990s. The reorganisation of the foreign policy making was accompanied by interinstitutional power struggle, political turmoil and economic deterioration.

By decree of the President of the Russian SFSR, Boris Yeltsin, of 18 December 1991, following the establishment of the Commonwealth of Independent States (CIS) on 8 December 1991, the Ministry of Foreign Affairs of the RSFSR, which had been established in 1990 and had a few hundred staff<sup>151</sup>, was authorised to take over the work and facilities of the Soviet MFA. In a month's time, the personnel of the Soviet MFA had to be either re-employed by the MFA of the RSFSR or was obliged to leave.<sup>152</sup> Effectively, the staff of the Soviet MFA continued its work under a new name.

The political vacuum that emerged after the putsch in August 1991 and the subsequent collapse of the Soviet Union enabled the Ministry of Foreign Affairs to dominate the foreign policy agenda. Other institutions dealing with foreign issues were obliged to consult the MFA in foreign affairs. Some authors believe that the MFA lost its dominant position after the establishment of an Inter-

<sup>&</sup>lt;sup>151</sup> Dawisha/ Parrot (1994): Dawisha, Karen and Bruce Parrot. *Russia and the New States of Eurasia*. Cambridge: Cambridge University Press, 1994, p. 202.

<sup>&</sup>lt;sup>152</sup> Diplomaticheskii Vestnik, 15 Jan 1992, Nr. 1, p. 26

departmental Foreign Policy Commission inside the Security Council of the President's Office in December 1992, however.<sup>153</sup>

The new Constitution, valid since December 1993, furthermore undermined the positions of the MFA and the parliament in foreign affairs. It granted the President the right to 'be in charge of the foreign policy of the Russian Federation' (Article 86 [a]). Moreover, the President forms and presides over the Security Council and 'conducts negotiations and signs international treaties of the Russian Federation' (Article 86 [b]). The parliament has the right to ratify and denounce major treaties and international agreements. In case of ambassadors, the President will 'appoint and recall, after consultations with the corresponding committees and commissions of the houses of the Federal Assembly, diplomatic representatives of the Russian Federation in foreign countries and international organisations' (Article 83 [1].<sup>154</sup>

Since some of the Russian regions, most notably national republics, were actively pursuing their foreign policy goals, the issue of facilitating these activities grew in importance. Some of the national republics, such as Komi and Sakha, for example, had established the right for conducting independent foreign policy and signing foreign treaties in their regional constitutions. Moreover, some republics had appointed their own foreign ministers.<sup>155</sup>

<sup>&</sup>lt;sup>153</sup> Malcolm (1990), pp. 27-28.

<sup>&</sup>lt;sup>154</sup> Belyakov/Raymond (1993): Belyakov, Vladimir V. and Walter J. Raymond. *Constitution of the Russian Federation: With Commentaries and Interpretations by American and Russian Scholars.* Moscow: Russia's Information Agency-Novosti, 1993, pp. 49-50.

<sup>&</sup>lt;sup>155</sup> Schneider (2002): Schneider, Eberhard. *Staatliche Akteure russischer Aussenpolitik im Zentrum und in den Regionen {State Actors in Russian Foreign Policy in the Centre and Regions}*. Stiftung Wissenschaft und Politik, Berlin 2002. p. 19.

#### Institutionalised Channels for Subnational Foreign Activities

This section will discuss how federal foreign policy institutions have responded to the emergence of new – subnational – actors in the process of foreign-policy making. What kinds of new institutions had been established to deal with this new feature of the Russian foreign policy?

Russian subnational regional units had four main channels for articulating their external interests in the 1990s. Firstly, they could use various Committees dealing with foreign and security policy of both the Federation Council and State Duma. Second, the presidential administration, which offered a variety of institutions designed for articulating subnational interests. First of all, it had two councils, one for the republican leaders and the other for heads of administrations of non-republican federated units. The Council of Republican Leaders (Sovet glav respublik) was created in October 1992. This council became the main forum for republican leaders for communication with the President. In March 1993, the Council of Heads of Administration was established (Sovet glav administratsii). Additionally, the presidential administration had a plenipotentiary representative in every region. Those representatives were organised in the Council of Presidential Plenipotentiary Representatives. Moreover. the presidential administration had a special section, the Section for Work with the Regions. In order to avoid conflicts in terms of treaty-making and jurisdiction, a Commission was attached to the President, the Commission for the Preparation of Treaties about the Distribution of Areas of Jurisdiction and Authority between Federal Organs of State Power and the Organs of State Power of the Subjects of the Russian Federation. This commission was created in 1994 and became the main body for regions for bargaining for more rights in foreign policy issues. For example, the commission was responsible for drafting the agreements between the Russian Federation and Tatarstan signed in 1994. The third channel was the federal government, especially the Ministry of Foreign Affairs (MFA), the Ministry of Foreign Economic Relations (MFER) and the Ministry of Nationalities and Regional Policy. The MFA established in 1994 the Consultative Council of Russian Federation Components on International and Foreign Economic Relations. The other organ for the articulation of the interests of regions was the Council of Foreign Policy. In the MFER there was a Coordinating Council for the Regions, too. Additionally, both ministries had their local branches in some of the regions. The fourth available channel was the interdepartmental commission on regional issues of the Security Council.<sup>156</sup>

Some authors question the importance of some of these numerous institutions for the conduct of subnational foreign activities. Melvin doubts if the parliamentary commissions have at all articulated the regional interests in terms of foreign policy. In his view, the institutions that had been attached to the Presidential administration were the main platforms for the articulation of subnational foreign interests.<sup>157</sup>

Perovic is convinced the ministerial councils of the MFA and MFER were not in a position to coordinate subnational foreign activities. These ministerial institutions were of merely administrative nature, with no real leverage over the foreign activities of the regions.<sup>158</sup> However, Melvin points at an 'emerging

<sup>&</sup>lt;sup>156</sup> For a comprehensive overview see Melvin (1995): Melvin, Neil. *Regional Foreign Policies in the Russian Federation*. London: Royal Institute of International Affairs (Post–Soviet Business Forum), 1995, pp. 28-35.

<sup>&</sup>lt;sup>157</sup> Melvin (1995), pp. 31-32.

<sup>&</sup>lt;sup>158</sup> Perovic (2000): Perovic, J. Internationalization of Russian regions and the consequences for Russian foreign and security policy. Regionalization of Russian Foreign and Security Policy. Working Paper Series No. 1. Eidgenössische Technische Hochschule Zürich, 2000, p. 39.

strategy' of the MFA to manipulate the regions in its own interests. Especially when dealing with CIS states, the Russian MFA uses the regions as mediums for foreign policy goals. By assisting specific foreign initiatives taken by the regions, the MFA is able to address effectively issues it would not be so convenient to address on the intergovernmental level. This practice, in Melvin's view, enables the MFA to both open a new channel for articulating Russian foreign interests and control the regional foreign activities. This strategy, on the one hand, enables Russia to become engaged with other states in a better-coordinated way. On the other hand, it effectively brings the regions closer to Moscow again.<sup>159</sup>

<sup>&</sup>lt;sup>159</sup> Melvin (1995), p. 34.

# 2.2. Legal Framework for Subnational Foreign Activities

Following a more general introduction on subnational foreign activities, this chapter will explain the political and legal environment, in which <u>Russian</u> regions operate in terms of foreign activities. Moreover, centre-periphery relations in the case of Russia will be discussed.

The Russian Federation consists of 88 federated units, which have different rights in terms of foreign activities. The following article discusses the status of federated units in the Russian Federation, which is determined by the Constitution and federal laws. Moreover some regions, such as Nizhni Novgorod, for example, have managed to sign a separate agreement with the federal centre for the conduct of foreign activities.

On the federal level, the Constitution and three federal laws regulate the conduct of subnational foreign activities in the Russian Federation. These federal laws are the law *On Coordination of International and External Economic Relations of the Constituent Entities of the Russian Federation*, the law *On international Treaties of the Russian Federation* and the law *On Regulation of Foreign Economic Activities*.

#### Constitution

According to Article 71 (j) of the Constitution of the Russian Federation, the Federation's jurisdiction encompasses 'the foreign policy and international relations of the Russian Federation, international treaties of the Russian Federation; issues of war and peace', and, (k) 'the external economic relations of the Russian Federation'. According to Article 72 (n), 'the co-ordination of the international and external economic relations of the members of the Russian Federation, and the fulfilment of the international treaties of the Russian Federation' is under joint authority of the Russian Federation and the members of the Russian Federation.<sup>160</sup>

Interpreting the meaning of the Article 71 (j) of the Constitution, scholars underline that although the Federation is the sole entity responsible for the international relations of the Federation, federal subjects are entitled to engage in foreign activities. Nevertheless, the Federation must guarantee that subnational foreign activities are co-ordinated and are not in conflict with the interests of the Federation as a whole. Article 71 (k) indicates that members of the federation are entitled to maintain external economic links, but the federation must co-ordinate these as well.<sup>161</sup>

Commenting on Article 72, 1 (n) scholars indicate that the Federation as a whole must have a unitary economic policy, which includes external economic relations. Therefore, the Federation must jointly with members of the Federation co-ordinate the external economic relations of the members of the Federation. As far as the fulfilment of the international treaties of the Russian Federation is

<sup>&</sup>lt;sup>160</sup> Belyakov/Raymond (1993), pp. 40-44.

<sup>&</sup>lt;sup>161</sup> Toporin/ Baturin/ Orechov (1994): Toporin B. N., Yu. M. Baturin and R. G. Orechov. *Konstitutsiya Rossiiskoi Federatsi: Kommentarii {Constitution of Russian Federation: Comments}*. Moscow: Yuridicheskaya Literatura, 1994, pp. 345-346.

concerned, the members of the Federation must follow the Federation, as these treaties are of obligatory nature to both the Federation and its members.<sup>162</sup>

#### Federal Laws Regulating Foreign Activities of Federated Units

There are three relevant federal laws that set the framework for the conduct of foreign and foreign economic activities of members of the Russian Federation. These laws are the law *On international Treaties of the Russian Federation* adopted in 1995, the law *On Regulation of Foreign Economic Activities* adopted in 1995 and the law *On Coordination of International and External Economic Relations of the Constituent Entities of the Russian Federation* adopted in 1998.

Out of these three laws the federal law *On Coordination of International and External Economic Relations of the Constituent Entities of the Russian Federation* specifically regulates the subnational foreign and foreign economic activities and therefore will be discussed here. This law was adopted by the RF State Duma on 2 December 1998 and approved by the President 4 January 1999 (N 4-F3), refers to Article 72 of the Constitution and 'establishes a general procedure for coordination of international and external economic relations of the constituent entities of the Russian Federation and contains legal guarantees to ensure rights and legitimate interests of the constituent entities of the Russian

<sup>&</sup>lt;sup>162</sup> Okunkov/ Krylov/ Pigolkin/ Postinkov/ Buloshnikov (1994): Okunkov, L. A., B. S. Krylov, A. S. Pigolkin, A. E. Postinkov and M. Ya. Buloshnikov (eds.). *Kommentarii k Konstitutsii Rossiiskoi Federatsii*. Moscow: BEK, 1994, p. 234.

Federation in establishing and developing international and external economic relations'.<sup>163</sup>

According to Article 1 (1) of the above-mentioned law, the federated units have the right to have international and external economic links with foreign federated units, provincial or regional units, and, with special permission from the Government of the Federation, with foreign states. Moreover, federated units are granted the right to join the specially created bodies for subnational units of international organisations. Article 1 (2) of the law defines international and external economic relations as *contacts in international scientific, technical, cultural, humanitarian, ecological and other co-operation, performed by the constituent entities in the framework of federal and own programmes*, as well as in implementation of foreign contacts that concern implementation of investment projects, external economic activity, technological co-operation, etc.

Article 2 (1) grants the federated units the right to negotiate with foreign partners and to conclude agreements with them providing for international and external economic relations. Article 3 (1) requires federated units to 'inform well in advance appropriate federal government bodies of the executive branch on the start of negotiations to conclude an agreement.' Moreover, draft agreements to be signed by subjects of the Federation should be submitted for co-ordination to the Federal Government (Ministry of Foreign Affairs or other branches of the Federal Government, if necessary) not later than one month before their signing. Article 5

<sup>&</sup>lt;sup>163</sup> Federal law On Coordination of International and External Economic Relations of the Constituent Entities of the Russian Federation adopted by the RF State Duma 2 December 1998 and approved by the President 4 Jan 1999 (N 4-F3), in Russian, in Sobraniye zakonodatel'stva Rossiiskoi Federatsii, Nr. 2, 1999.

holds that the Federal Government will establish the procedure of registering agreements on international or external economic relations.

Article 8 of the law establishes that the Federation shall not bear any responsibility for international or external economic agreements of the members of the Federation, unless these agreements have been concluded with the special permission of the Federal Government.

The Russian Constitution and federal laws establish the exclusive role of the federal centre in formulating the foreign policy and regulating all questions of strategy for the conduct of external relations of the subjects of federation. They grant the regions the right to participate in the implementation of the federal policy through signing external relations agreements and participating in other types of regional foreign activities. In order to implement federal laws and coordinate the external relations of the regions, the federal government issues orders that specify in detail the law's implementation.

## 2.3. Russian Regions in the International System

A favourite topic of the political debate in contemporary Russia is the relationship between the federal centre and the 88 federal subjects.<sup>164</sup> The rules for the foreign activities of the subjects of the federation, which are an important aspect of centre-periphery relations, need to be more clearly defined.

Only few publications are available on the subject of foreign activities of Russian subnational units in general.<sup>165</sup> The main reason for this relatively small number of publications is the fact that Russian subnational foreign activities became a reality only in the last decade of the 20<sup>th</sup> century, after the Soviet Union ceased to exist.

Moreover, there are publications that address the foreign activities of a particular region. These publications will be discussed in this article, too, in order to place the study of Pskov subnational foreign activities in a comparative perspective.

Authors in the field indicate several reasons why Russian federated units are interested in foreign issues. Melvin identifies two global incentives for Russian subnational units to become active in external relations. First, control over external issues, which grows in its political importance, especially in the

<sup>&</sup>lt;sup>164</sup> For more on various aspects of centre-periphery relations in Russia see Honneland/ Blakkisrud (2001): Honneland, Geir and Helge Blakkisrud. *Centre-Periphery Relations in Russia: The Case of Northwestern Regions.* Ashgate: Aldershof, 2001 or Orttung/Reddaway (2004): Robert W. Orttung and Peter Reddaway (eds.). *The Dynamics of Russian Politics. Putin's Reform of Federal-Regional Relations.* Lanham: Rowman & Littlefield Publishers, 2004.

<sup>&</sup>lt;sup>165</sup> For example, Granberg (2001): Granberg, A.G. Mezhdunarodnye I Vneshekonomicheskie Svyazi Subyektov Rossiiskoi Federatsii. Moscow: Nauchnaia Kniga, 2001 or Tolstykh (2004): Mezhdunarodnaia Deyatelnost Subyektov Rossiiskoi Federatsii.Moscow: Mezhdunardonye Otnoshenia, 2004.

fields of foreign trade and investments, and second, the rapid growth of links between subnational/supranational organisations, such as financial markets, multinational corporations, pressure groups and regional governments, in the last decades of the 20<sup>th</sup> century. In the case of Russia, Melvin argues, these two developments are combined with a highly unstable domestic environment, a fact that has virtually forced the Russian regions to become externally active.<sup>166</sup>

Sergounin identifies a number of 'external determinants' for subnational foreign activities in Russia. First, *global factors*, such as the end of the Cold War and the weakening of the nation state. Second, *economic factors*: the disruption of economic ties from Soviet times has created a situation where sometimes economic co-operation with foreign partners is more useful than with other Russian regions. Third, *territorial disputes*, which affect a particular federated unit, for example the Maritime Province (the Primorskii krai) is affected by a border dispute between China and Russia. Fourth, *environmental problems*, which cannot be solved domestically. Fifth, *societal challenges*, such as the migration of the Russian-speaking minority from the former Soviet republics to Russia, fighting organised crime, etc.<sup>167</sup>

These reasons overlap to a great extent with reasons indicated by other authors for subnational foreign activities globally. The main difference between subnational foreign activities in Russia and Western Europe or North America is the domestic political instability and economic hardship in Russia. In Russia of

<sup>&</sup>lt;sup>166</sup> Melvin (1995), p. 1.

<sup>&</sup>lt;sup>167</sup> For more details see: Sergounin (2001): Sergounin, Alexander A. *External determinants of Russia's regionalization*. The Russian Study Group Working Paper Series No. 3. Eidgenössische Technische Hochschule Zürich: Center for Security Studies and Conflict Research, 2001, pp. 9-68.

the 1990s subnational units had to define their foreign interests in an atmosphere of legal anarchy, economic decline and political turmoil.

The study of subnational foreign activities of particular Russian regions has produced a limited number of publications. These publications focus on subnational foreign activities of the regional administration and normally do not include the local municipal/rural administrations, with the exception of Makarychev, who includes municipal authorities as well<sup>168</sup>.

In a recent publication on Kaliningrad oblast's future between Brussels and Moscow by Ingmar Oldberg, the regional administration is being seen as an object of the evolving EU-Russia relationship. According to the study, the oblast' is being subjected to decisions made in Brussels or Moscow. Oldberg sees the Free Economic Zone, a project that has failed, as the main manifestation of the foreign activities of the regional administration, beside participating in various Tacis projects of the EU.<sup>169</sup>

Foreign activities of another North-western region of Russia, the republic of Karelia, have been examined by Oleg B. Alexandrov.<sup>170</sup> Similarly to the previous author, Alexandrov sees Karelian subnational foreign activities as being subordinated to the official Russian foreign and security policy to a great extent. However, he acknowledges the existence of Karelia's foreign activities autonomous from federal centre. More generally, Alexandrov writes that Russian regions have back-pedalled their foreign activities after an 'initial rush', given

<sup>&</sup>lt;sup>168</sup> Makarychev (2001): Makarychev, Andrei S. *The region and the world: The case of Nizhni Novgorod*. The Russian Study Group Working Paper Series No. 6. Eidgenössische Technische Hochschule Zürich: Center for Security Studies and Conflict Research, 2001.

<sup>&</sup>lt;sup>169</sup> Oldberg (2001): Oldberg, Ingmar. *Kaliningrad between Brussels and Moscow*. The Russian Study Group Working Papers Series No 17, Eidgenössische Technische Hochschule Zürich: Centre for Security Studies and Conflict Research, 2001, pp. 60-61.

<sup>&</sup>lt;sup>170</sup> Alexandrov (2001), p. 31.

their economic immaturity, lack of legal base and lack of skills in terms of foreign activities. Karelia, on the other hand, deserves special attention since it has focused its foreign activities on the Northern Dimension of the EU.

Alexandrov indicates three stages of 'international interaction' of the republican administration. In the first stage, 1991-1993, Karelia entered the process of regionalization and established its right in the federation to interact with the outside world directly. The second stage, 1994-1998, was a period of economic deterioration in the republic, where the initial gains in terms of foreign activities were wiped out to a great extent. In the third stage, 1998-2001, the focus has been on attracting foreign investments, The federal centre, however, according to Karelian position, is not assisting regional foreign initiatives of its federated members in border areas. The reluctance of the federal centre to support initiatives such as the Northern Dimension makes it arguably impossible for Karelia to successfully participate in subnational foreign activities.<sup>171</sup>

The situation in terms of foreign activities in a region in the Russian heartland, Nizhni Novgorod, has been researched by Makarychev. In this case, the federal centre has granted the right to engage in subnational foreign activities specifically (an agreement between Nihzni Novgorod administration and the federal government from June 1996). Provided, however, that those agreements and treaties with foreign states and/or their subnational units do not contradict federal laws and are being overseen by federal authorities. Makarychev indicates that there are two departments dealing with foreign policy and foreign economic

<sup>&</sup>lt;sup>171</sup> Alexandrov (2001), pp. 31-33.

affairs in the regional administration. Since their roles and jurisdiction has not been defined clearly, the work of these institutions is not effective, however.<sup>172</sup>

#### The Emergence of Regions as Political Actors

The administrative units on the Soviet Union were not engaged in the foreign policy process. In fact, the regions as entities had no political will and were not eligible to participate in political processes. The collapse of the Soviet Union introduced a new era for regional elites in terms of articulating their political interests. The start of this process was all but uncomplicated however.

In Melvin's view, it was only in the last years of the perestroika period that a federal structure in the RSFSR began to emerge. To be more precise, it was the elections of the Russian Congress of People's Deputies in 1990 that marked a turning point in centre-periphery relations. From then on, subnational regional and local interests in general, and in terms of foreign activities in particular, were articulated more openly. Subsequently, Melvin argues, foreign policy became the subject of a power triangular, consisting of Soviet authorities, democrats in Moscow and regional political groups.<sup>173</sup>

The classification of Russian regions using their foreign activities as the dependent variable is complicated because of the asymmetric nature of the federation. The regions are different not only in their legal status in the federation, but also in terms of their obedience to the federal laws, financial strength, ethnic composition, availability of natural resources for export etc.

<sup>&</sup>lt;sup>172</sup> Makarychev (2001), pp. 22-23.
<sup>173</sup> Melvin (1995), p. 6.

Russian federated units have developed several approaches in terms of foreign activities. Some authors have suggested dividing them into subgroups. Bradshaw uses the foreign economic activity as an indicator for dividing them into (1) 'gateway regions', based on important ports and their hinterlands, and (2) 'resource-exporting' regions, big exporters of natural resources from Russia.<sup>174</sup> Makarychev thinks there should be three groups: (1) export-oriented regions, (2) ethnic republics, and (3) border regions.<sup>175</sup>

Melvin focuses more on legal aspects of subnational foreign policy. He thinks the signing of the Federation Treaty created a hierarchy of the federated units' rights for the conduct of foreign activities. The most-privileged were national republics, followed by krais, oblasts and autonomous provinces. The least privileged in terms of foreign activities are the autonomous okrugs.<sup>176</sup>

In Mary McAuley's view the oblasts were not easily accepting their position as "lesser partners in a federation". In fact, they objected the Federation Treaty, which did not take into account the fact that in many cases, oblasts were bigger members of the federation, both in terms of economic output and size of the population.<sup>177</sup>

What were the main objectives of Russian subnational units when engaging in foreign activities? According to Melvin, Russian federated units were fighting, in many cases successfully, for more freedom in terms of foreign activities during the Yeltsin period. They began to attempt to act in the international system directly; a development not always welcomed by Moscow.

<sup>&</sup>lt;sup>174</sup> Bradshaw (1995): Bradshaw, Michael J. *Regional Patterns of Foreign Investment in Russia*. London: Royal Institute of International Affairs, 1995, p. 46. <sup>5</sup> Makarychev (2000), pp. 16-24.

<sup>&</sup>lt;sup>176</sup> Melvin (1995), p. 10.

<sup>&</sup>lt;sup>177</sup> McAuley (1997): McAuley, Mary. Russia's Politics of Uncertainty. Cambridge: Cambridge University Press, 1997, p. 76.

Regional elites could usually not count on the federal centre to bail them out; in times of economic deterioration they turned to foreign partners. Foreign trade and investments were expected to become a source of hard currency. The wish to expand foreign trade, mainly the export of raw materials, became the main driving force behind subnational foreign activities. Moreover, the federated units' administrations were lobbying the central government authorities in various foreign policy issues, in order to achieve the representation of their specific interests. For example, stemming the migration from the former Soviet republics was an important issue. Hundreds of thousands of Russians arrived from the CIS states and the Baltic States in the 1990s. These new settlers were not always welcome in some Russian regions, which were suffering from the overpopulation and weak economic conditions, especially in southern regions of Russia. In many cases, the regions used foreign policy issues as leverage in the internal power struggle with the federal centre or in regional election campaigns.<sup>178</sup>

Russian regions became directly involved in Russian foreign policymaking by participating in the work of the above-mentioned councils of the MFA, MFER and presidential administration. Russian central state institutions could no longer ignore the foreign and foreign economic interests of regions. In fact, representatives of regions were included in the delegations for official visits and negotiations abroad. Are these achievements of regions sustainable or of temporary nature? Will the central government continue to take into account subnational foreign interests?

According to Melvin the external activities of Russian regions affect the Russian state in general and its foreign policy in particular in several ways. First,

<sup>&</sup>lt;sup>178</sup> Melvin (1995), pp. 2-3.

the degree of success of regions when establishing direct foreign links is a helpful indicator for the analysis of the nature of federalism in Russia: how much real power does the federal centre delegate to subnational governmental units? Will the federal centre allow for more autonomy of regions when dealing with foreign issues or does it want to be the sole international actor in the federation? Second, when Russian regions succeed in establishing a network of partners in various parts of the world, the abstract discussions about the nature of Russia (is it European or Asian etc.) will become less important. It is clear that if Russian regions prefer to deal with European partners mainly one can hardly describe Russia as a Eurasian or Asian state. Third, foreign contacts would encourage the establishment of new economic groups outside the capital, whose reactions to the federal centre. Probably an economic group of regions interested in the export of oil to Western markets has a different agenda than a group interested in securing fishing rights in international waters, for example.<sup>179</sup>

<sup>&</sup>lt;sup>179</sup> Ibid, p. 4.

# Conclusion

The number of players in Russian foreign policy has exploded since the collapse of the Soviet Union. Can we still speak of a 'single foreign policy' of the Russian Federation', since there are so many new voices?

The issue of subnational foreign activities has been controversial not only in Russia, but in the world at large. However, in Russia, in the aftermath of the systemic collapse, subnational foreign activities emerged in an atmosphere of constitutional uncertainties and overall political upheaval in the federation. On the one hand, the legal anarchy that prevailed in Russia during the 1990s enabled regions to enter the international system without the explicit permission of the central government and develop direct contacts with foreign partners. On the other hand, the internal instability of the federation made developing the longlasting and mutually advantageous partnerships nearly impossible.

In North-eastern Europe, cross-border cooperation takes place in the EU framework mainly. The European framework for cross-border contacts with Russia has had two central pillars: the Northern Dimension and the Eastern Dimension.<sup>180</sup> Russia is not participating in the more recent initiative, the European Neighbourhood Policy programme of the European Union, however. As an anonymous official from a Russian federal ministry put it in an interview,

<sup>&</sup>lt;sup>180</sup> The 'value-added' of the Northern Dimension and Eastern Dimension has been critically questioned by scholars. Makarychev warns of 'dimensionalism', which focuses on theoretical disputes and do not offer assistance to cross-border projects, in Makarychev (2005), pp. 486-487.

Russia does not wish to be participating in a programme, where it is not involved in the decision-making process, but rather being subjected to decisions made by Brussels.

President Putin's administration aims to strengthen its control over federated units, including their foreign activities. Important steps in this direction have been taken. In this light, some of the arguments used by authors in the 1990s seem somewhat outdated. Nevertheless, the developments that took place during the Yeltsin period will have an impact on the future of federalism in Russia and should, therefore, be studied in detail.

Perovic argues that in the 1990s the Russian Federation has not collapsed only because the leaders of the federated units accepted the 'practical independence despite formal membership of the association of states'. Federated units have become 'international players' with own 'networks of diplomatic and external economic contacts without regard for the centre' he is convinced. Consequently, the fact that the federal centre has allowed for far-reaching rights in terms of subnational foreign activities has provided for relative stability in the relationship between the centre and regions.<sup>181</sup>

The institutional framework for the coordination of subnational foreign activities is rather weakly developed in Russia. Although there are several councils and other bodies that were created for this purpose, their work is not satisfactory. According to the federal law *On Coordination of International and External Economic Relations of the Constituent Entities of the Russian Federation* 

<sup>&</sup>lt;sup>181</sup> Perovic (2000), pp. 13, 15.

rules (Article 11)<sup>182</sup>, it is the responsibility of the Federal Government to outline a proposal to the President for procedure for the coordination of the international and external economic links of regions. The federal government fulfilled its obligation in the summer of 2000.

Central government's control over subnational foreign activities was improved substantially when Kasyanov's government issued a decree on 26 July 2000 that requires all agreements with foreign partners to be registered with the federal Ministry of Justice. This decree effectively invalidated the existing agreements. Moreover, it prevented new ones from becoming effective without federal centre's consent. Despite this, subnational units can use other tools than concluding agreements with foreign partners, such as participating in joint programmes. Therefore, subnational foreign activities will continue, but in a different format.

<sup>&</sup>lt;sup>182</sup> Federal law On Coordination of International and External Economic Relations of the Constituent Entities of the Russian Federation adopted by the RF State Duma 2 December 1998 and approved by the President 4 Jan 1999 (N 4-F3), in Sobraniye zakonodatel'stva Rossiiskoi Federatsii, Nr. 2, 1999.

#### **Chapter 3 Pskov Oblast' of the Russian Federation**

This chapter describes the historical background of the territory currently known as Pskov oblast'. Several centuries ago, Pskov was not only an independent republic but had developed a special type of self-government, a rudimentary form of direct democracy. This form of direct democracy was accompanied by an independent foreign policy of Pskov.

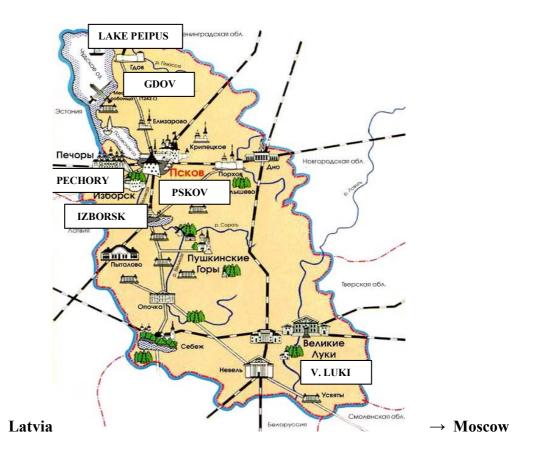
Our focus in this chapter is not the history of Pskov only, however. For the purpose of this thesis, it is important to give an overview of the impact on Pskov economy of the radical changes that took place after the collapse of the Soviet Union. The following sections will examine how the introduction of democracy and market economy in Russia has affected the political and socio-economic situation in Pskov, and has set the directions for its subnational foreign activities.

Pskov oblast' is one of the least explored North-western Russian regions by researchers. At first look, Pskov, indeed, is not a very promising research object. It has an average population number, average territory, no strategic natural resources and no ethnic conflicts worth mentioning. There are, however, several special political, economic and geographical features of Pskov oblast' that make further research on this western part of Russia rather challenging. Some authors believe that the case of Pskov is 'especially instructive', because it lies 'at one of Russia's critical junctures with post-Soviet Europe'.<sup>183</sup> Pskov region has common borders with three foreign states, the ex-Soviet republics of Belarus, Estonia and Latvia. Although the Pskov economy has suffered from the collapse of the Soviet Union, the potential of the region in terms of economic development should not be underestimated. Its geographical proximity to the European markets, the Baltic States, Moscow and St Petersburg, is bound to benefit the region in the long term. Pskov covers the whole of the Latvian-Russian border and the majority of the Estonian-Russian border. After these states joined the EU, Pskov meets one of the most important economic blocs in the world right on its doorstep. The current situation in terms of economic interaction of Pskov and its Baltic neighbours remains rather disappointing, however.

Estonia

 $\rightarrow$  St. Petersburg

<sup>&</sup>lt;sup>183</sup> Alexseev/Vagin (1999): Alexseev, Mikhail A. and Vladimir Vagin. "Russian Regions in Expanding Europe: The Pskov Connection," *Europe-Asia Studies 1999*, 51 (1), p. 43.



Byelorussia

Picture No 1. Pskov Oblast'.

Source: the official website of the Pskov Oblast' administration at *www.pskov.ru*, English transcription by author.

## 3.1. History

In the past, often Pskov found itself on the frontline between Russia and the West. The history of this part of Russia is as a history of resistance against Western invaders. But it is a history of direct democracy, subnational foreign activities, and self-government as well.

Since ancient times, Pskov had been the Russian military outpost in the West. Back then, Germans, Danes, Poles or Swedish, who were seeking the eastern expansion, ruled the neighbouring Baltic territories. The Germans even conquered Pskov three times, but for brief periods only.

Western warriors were not the only threat to the Russian state in general and Pskov in particular. From the East, Russia was permanently threatened, and finally conquered, to a great extent, by Mongols and Tatars. Pskov, however, was never actually conquered by the Asian troops.

The history of Pskov does not consist of battles and wars only, however. Centuries ago, an interesting form of self-governance developed here. The Pskov *Veche* or public gathering was an early form of direct democracy, where the house owners in the town were able to directly participate in the political decisionmaking process. Moreover, Pskov has a history of foreign policy institutions. The integration of Pskov in the centralist Russian state ended this practice abruptly in the 16<sup>th</sup> century, however.

### **3.1.1. Ancient Times**

According to Pskov historians, the first Slavonic tribes appeared in Pskov in the middle of the first millennium, in the 6-7 century AD. Before that, the southern part of Pskov region was inhabited by various Baltic tribes, linked to the Latvians and Lithuanians of the present day. Baltic-Finnish tribes, linked to today's Estonians, inhabited central and northern parts. A chronicle first mentioned the town of Pskov in the year 903 as Prince Igor of Kiev was brought a bride from Pskov, named Olga. In the 10th century, the fortress Pskov expanded quickly. At the same time, the Troizkaya Church was built in the fortress, one of the first Christian churches in Russia.<sup>184</sup>

In the 11th century, Pskov was governed by Kiev. To be more precise, officials from Novgorod, which is located a few hundred kilometres northeast of Pskov, were representing the interests of Kiev in Pskov. Kiev was keen to protect this territory from the invaders from Baltic or Polish territories. In the year 1030, Pskov and Novgorod warriors, led by Prince Yaroslav of Greater Kiev, successfully attacked the Baltic territories. Subsequently, the inhabitants of these territories began to pay tribute to Kiev.<sup>185</sup>

According to Riasanovsky, Kiev suffered from the change in trade routes that began in the eleventh century. The activities of Italian merchants in the Mediterranean undermined Kiev's position seriously. Additionally, trade routes between western and central Europe on the one hand and Byzantium and Asia Minor on the other were established. Kiev lost gradually its dominant position in

<sup>&</sup>lt;sup>184</sup> Ivanov (1996): Ivanov, Yevgenii (ed.). *Pskovskii krai v istorii Rossii{Pskov Region in the History of Russia}*. Pskov, Ministerstvo Obrazovanii, Obrazovaniya Rossiiskoi Federatsii, 1996, pp. 8, 13. Ivanov (1996).
<sup>185</sup> Ibid. p. 13.

East-West trade. For Russian towns like Novgorod, which benefited from the new routes, the weakening of Kiev offered a good opportunity to escape its rule.<sup>186</sup>

Novgorod seceded from Kiev and became a feudal republic in the end of the 11<sup>th</sup> and the beginning of the 12<sup>th</sup> century. Pskov became the 'younger brother' of Novgorod, providing Novgorod with troops when needed. In exchange, the representatives of Pskov were allowed to take part in the public meetings, called Veche in Russian, of Novgorod, when issues of general importance were discussed. Pskov enjoyed a relatively high degree of independence: it had its own Veche and government. According to Yanin, the Prince of Pskov became a *de facto* independent institution after the Novgorod uprising in 1136. It was after this uprising that Pskov invited Vsevolod Mstislavich as prince to govern it. This was a clear signal sent to Novgorod, as Mstislavitch had been banned by Novgorod previously.<sup>187</sup>

<sup>&</sup>lt;sup>186</sup> Ryasanovsky (1984): Ryasanovsky, Nicholas V. A History of Russia, 4<sup>th</sup> ed. Oxford: Oxford University Press, 1984, p. 41. Ryasanovsky (1984). <sup>187</sup> Ivanov (1996), p. 13-14.

# 3.1.2. The Feudal Republic of Pskov

During the 12-13 centuries, Pskov was part of the Novgorod feudal republic. Although it was granted a certain degree of independence, it attempted to secede on several occasions, mainly for economic reasons. Pskov had more economic links with Baltic towns such as Tartu, Narva and Riga, than with Novgorod. And the military threat from the Baltic territories had lost its significance after the Ice Battle with the Teutonic order in the year 1242.<sup>188</sup>



Picture No 2 The Kremlin of Pskov, the centre of the feudalist republic.

The public meetings took place in the courtyard of the Pskov Kremlin, which was protected by high walls and two rivers.

<sup>188</sup> Ivanov (1996), p. 18.

The history of Pskov independence began with Prince Dovmont at the end of the 13<sup>th</sup> century, who no longer depended on Novgorod in his decisions entirely, as his predecessors had done. On the contrary – he even led wars against the Novgorod masters. In Pskov the class of boyars had grown stronger in numbers and wealth. Encouraged by its success, the local elite was poised to take the territory under its full control. In 1348, in the agreement of Bolotva, Novgorod recognized the independence of Pskov formally, with one exception: the religious affairs of Pskov remained under Novgorod's jurisdiction. The independent feudal republic of Pskov existed from the end of the 13<sup>th</sup> century to the year 1510.<sup>189</sup>

The highest power in the republic was vested in the *Veche*. All questions of general relevance were decided in this public gathering in the courtyard of the Kremlin fortress. There were strict regulations as to who could participate in the *Veche*. Only grownup males, singles or heads of families, and house-owners were granted access. As the highest legislative body, the *Veche* could introduce new legislation and amend old laws. Its main duty was to regulate the domestic environment of Pskov. In 1467, the *Veche* adopted a collection of laws for Pskov, which served as the framework for further legislation. The jurisdiction of the *Veche* was extended to declaring the state of war, accepting ambassadors to, and appointing ambassadors from Pskov.<sup>190</sup>

Some Western historians argue that despite the democratic concept of the public meeting, both in Pskov and Novgorod, the *Veche* was effectively an instrument of the oligarchs, i.e. the boyars.<sup>191</sup>

<sup>&</sup>lt;sup>189</sup> Ivanov (1996), pp. 18-19.

<sup>&</sup>lt;sup>190</sup> Ibid, p. 19.

<sup>&</sup>lt;sup>191</sup> Dukes (1998): Dukes, Paul. A History of Russia: Medieval, Modern, Contemporary c. 882-1996. 3rd ed. Durham: Duke University Press, 1998, p. 14.

The Prince was in charge of the military and the judicial system. His title was not hereditary; often a Prince was even banned during his reign by the people of Pskov. The highest judicial organ was the *gospoda*, consisting of the Prince, two representatives of the executive power and representatives of the common people from the outskirts. The executive body consisted of *posadnik*s (in the end of the 15<sup>th</sup> century there were at least 16 of them).<sup>192</sup>

<sup>&</sup>lt;sup>192</sup> Ivanov, pp. 19-20.

#### 3.1.3. Pskov as Part of the Centralist Russian State

Pskov was one of the last independent Russian republics to join the united Russian state in the year 1510. However, dense relations between Pskov and Moscow had developed much earlier, already in the 15<sup>th</sup> century. This had both political and economic reasons. As bilateral trade flourished and an intensive exchange of specialists took place, Moscow and Pskov became closer. Moscow needed Pskov as a military ally in its campaign against Novgorod, which Moscow was poised to conquer. Moscow, in return, supported Pskov in its battles against Lithuania and the Livonian Order.<sup>193</sup>

The relations between Pskov and Moscow were mutually advantageous, even though, in the year 1456, Pskov had made the 'mistake' of sending its troops to support Novgorod boyars in their military campaign against Moscow. The Grand Prince of Moscow, Vasily II, and his troops defeated the combined forces of Novgorod and Pskov easily. Novgorod was forced to accept a humiliating peace. Pskov, for its part, had to send it's apologises to Moscow. The boyars of Pskov were forced to recognise the supremacy of Moscow from then on.<sup>194</sup>

After these events, the relations between Moscow and Pskov began to deteriorate. Moscow began to send representatives to Pskov, without previous consultations with the rulers of the latter. The Grand Prince of Moscow took charge of Pskov's foreign affairs, too. The wars against Lithuania and the Livonian order in Southern Estonian and Northern Latvia were no longer led by Pskov troops with Moscow's assistance, but by Moscow's troops. Pskov only

<sup>193</sup> Ibid, p. 24.

<sup>&</sup>lt;sup>194</sup> Ibid, p. 25.

provided its troops, but had no command. The Grand Prince signed the peace agreements for Pskov too, on conditions favourable to Moscow.<sup>195</sup>

The integration of Pskov into the centralist Russian state under Moscow's leadership was carried out with no bloodshed. In late 1509, the new Grand Prince Vasily III was planning his visit to Novgorod. As the boyars of Pskov heard about his intentions, they decided to use this opportunity to complain about the recently appointed representative of Moscow to Pskov, and asked for an audience. The Grand Prince let the people of Pskov know that he would not be able to meet them to hear their complaints before 6 January 1510. When the Pskov boyars realized that the Prince was willing to meet them, they went en masse to Novgorod. On 6 January 1510 the meeting between the Grand Prince of Moscow and the boyars of Pskov took place in the Kremlin of Novgorod. However, instead of listening to the complaints of the boyars, the Prince presented an unexpected ultimatum. He demanded that the Veche of Pskov be dissolved and the *posadniks* be replaced by the two representatives of Moscow in Pskov. In every suburb, one representative of the Moscow princedom would be in charge. To underline the seriousness of his demands, he threatened, in case of refusal to accept them, to enter Pskov with his troops. It was up to Pskov to avoid a bloodbath, Vasily III added. With their military leaders, the boyars and *posadniks*, arrested in Novgorod, the people of Pskov realized they had very few chances to reject the ultimatum. In the morning of the 13 January 1510, the Veche of Pskov gathered for the last time, only to accept the ultimatum. Immediately, the ambassador of Moscow ordered the removal of the bell of the Veche, which was being used to signal the start of the gathering. This has often been seen as the turning point in the history of Pskov.

<sup>&</sup>lt;sup>195</sup> Ibid, pp. 27-29.

The symbol of its independence, the Veche, had been forbidden and the remaining boyars were deprived of their estates and deported from Pskov. Around three hundred merchants from Moscow moved in to replace the former elite. Effectively, new people from Moscow-controlled lands replaced the upper class of Pskov. The new rulers tolerated one symbolic aspect of independence, however. The people of Pskov could still elect a representative body, which was called *izba*. The *izba* consisted of 24 merchants and rich craftsmen, so-called *starosts*. This body had no real powers and was only granted the right to participate in the rulings of the court and collect taxes for the rulers in Moscow.<sup>196</sup>

Pskov became the military outpost of Russia on the north-western border. The permanent threat of attacks provoked a further fortification of Pskov. The fortress of Izborsk was modernized, the wooden walls and towers were rebuilt from stone (see map in the introduction to this chapter).<sup>197</sup>

In the 16-17<sup>th</sup> centuries, the Pskov' military importance grew further. Pskov was crucial to the broader Russian aspirations to expand its zone of influence and to colonize new territories. The main priority for Moscow was access to the Baltic Sea and reintegrating Byelorussian and Ukrainian territories, which were controlled by Lithuania and Poland at that time. Lithuania and Poland, in return, launched counter-attacks. Many of the battles took place on the territory of Pskov.<sup>198</sup>

The Northern War in the 18<sup>th</sup> century gave Russia access to the Baltic Sea. For Pskov, the Northern War meant the end of the era of being a border region, because Peter the Great annexed the neighbouring Estonian and Latvian

<sup>&</sup>lt;sup>196</sup> Ibid, pp. 29-30.

<sup>&</sup>lt;sup>197</sup> Ibid, p. 16.

<sup>&</sup>lt;sup>198</sup> Ibid, p. 60.

territories. When the Baltic territories were incorporated into Russia, Pskov lost its significance as border region and customs point.<sup>199</sup>

Pskov did not benefit economically from the military success of the Russian troops. In fact, after the expansion of Russian territories was completed successfully, Pskov became just another province of the Russian Empire. It remained a rather backward, agriculturally dominated region, with a municipal share of population of 7 per cent in the end of the 19<sup>th</sup> century.<sup>200</sup>

# 3.1.4. 20<sup>th</sup> Century

In the course of the 20<sup>th</sup> century, Pskov twice became a border region of Russia again. Firstly, when the Baltic territories of Estonia and Latvia became independent from the Russian Empire in 1918. This period lasted until 1940, when the Soviet Union occupied all three Baltic States. And, secondly, when the Baltic States regained their independence from the Soviet Union in 1991.

Pskov was not directly affected by the revolutionary events in 1905, mainly because there were few industrial workers in the province. The First World War also left the city of Pskov untouched, but western parts of the province were less lucky. In fact, the frontline was only 250-300 kilometres from the city of Pskov. In April 1917, Pskov became the administrative centre of Soviets of soldiers, workers and peasants, for Pskov, Novgorod, Vitebsk, Tallinn, and Riga. The October Revolution turned Pskov into a battlefield. Ex-Prime Minister Alexander Kerensky and his allies occupied Pskov in order to launch a

<sup>&</sup>lt;sup>199</sup> Ibid, pp. 77-78.

<sup>&</sup>lt;sup>200</sup> Ibid, p. 87.

counter-attack against Petrograd. This plan failed as the revolutionary forces retook control. From 31 October 1917, Pskov was under full control of the Bolsheviks.<sup>201</sup>



Picture No 3 Lenin still stands proudly in front of the regional administration.

In February 1918, the western neighbours of Pskov, Latvia and Estonia became independent from Russia. In the same year, war between Soviet Russia and the newly independent Baltic States broke out. As Russia was still recovering from the World War I, her smaller neighbours were successful in their military operation. Estonians and Latvians entered the territory of Russia and occupied a considerable part of it. Russia had to accept a humiliating defeat in 1920. The

<sup>&</sup>lt;sup>201</sup> Ibid, pp. 154, 170, 186, 191, 198-199.

peace treaties with its neighbours included loss of a substantial part of Russian territory.

The Second World War was the most terrible and violent event for Pskov in the 20<sup>th</sup> century. German troops entered Russian territory meeting little resistance. In the Pskov region, the Germans first took the city of Pskov without a real battle. Their luck changed later on, however. Fierce battles around Velikiye Luki in 1943 were a real bloodbath for both the German *Wehrmacht* and the Red Army. It was the battle of Velikiye Luki, which was a crucial railways hub, where the Soviet troops achieved an important victory over German invaders, although at an extremely high cost. By 11 August 1944, Pskov was freed from Germans troops.<sup>202</sup>

#### The Foundation of Pskov Oblast'

Pskov oblast' was established during the Second World War by ukaz Nr. 118/116 of the Presidium of the Supreme Soviet of the RSFSR from 23 August 1944. Pskov oblast' was the outcome of a merger of territories, ordered 'from above'. It includes former territories of the Leningrad oblast', Kalinin oblast', the Estonian Soviet Socialist Republic (ESSR) and the Latvian Soviet Socialist Republic (LSSR). The ukaz stated that the town of Pskov, 17 districts of Leningrad oblast' and 3 districts of Kalinin oblast' would now form Pskov oblast'. Additionally, the ukaz stated that 'upon the recurring requests of the populations of the Pechorsky, Slobodsky, Panikovsky and Izbarsky localities of the Estonian SSR and the Vyshgorodsky, Kochanovsky and Tolkovsky localities

<sup>&</sup>lt;sup>202</sup> Ibid, pp. 257, 265, 269.

of the Latvian SSR', the Presidium of the Supreme Soviet of the RSFSR, referring to the respective requests from the Presidium of the Supreme Soviet of the Latvian SSR and of the Estonian SSR, decided to include the above-mentioned territories in Pskov oblast'. Only the parts of the territories that were mainly populated by Estonians remained part of the Estonian SSR.<sup>203</sup>

Given the totalitarian nature of the political regime of the Soviet Union during this period, it was not surprising that the Estonian SSR and Latvian SSR 'officially requested' parts of their territories to be included in Pskov oblast'. As the German invaders were pushed further west, these republics became part of the USSR, and they had little choice than to obey orders from Moscow. Naturally, the fact that the RSFSR de facto annexed these territories in 1944 was poisoning the relations of these two Baltic States with their eastern neighbour after regaining independence from the Soviet Union. Both Estonia and Latvia have officially given up all claims on these former Estonian territories, though. As of September 2006, the border treaty between the Republic of Estonia and the Russian Federation had not been signed. Although the Estonian parliament has ratified the treaty, the Russian president has ordered to revoke the signature of the Russian minister of foreign affairs. Moreover, Putin's demand was that the border treaty negotiations with Estonia should be re-started from the beginning.<sup>204</sup>

Thirteen years after Pskov oblast' was established, its southern neighbour, oblast' Velikiye Luki, was dissolved. Ukaz Nr. 722/3 of the Presidium of the

 <sup>&</sup>lt;sup>203</sup> Emelyanov/Parakshina (1998): Emelyanov, A. F. and A. A. *Parakshina. Razvitiye Narodovlastiya* Na Pskovskoi Zemlye {Development of People's Rule in Pskov}. Vol. 2. Pskovskoye oblastnoye sobraniye deputatov: Pskov, 1998, pp. 64-65.
 <sup>204</sup> The border dispute between Russia and its Baltic neighbours has created tensions on both sides of

<sup>&</sup>lt;sup>204</sup> The border dispute between Russia and its Baltic neighbours has created tensions on both sides of the border. The absence of a border treaty between states has been a popular topic for politicians for domestic use on both sides of the border. In Pskov Library, for example, all entries on relations between Pskov region and Latvia/Estonia have been placed in the catalogue 'Border Dispute'.

Supreme Soviet of the RSFSR of 2 October 1957 declared Velikiye Luki oblast' to be dissolved and divided between Pskov oblast' and Kalinin oblast'. The majority of the administrative units of the Velikiye Luki oblast' were incorporated into the Pskov oblast'.<sup>205</sup>

These gains in territory and population could not prevent the subsequent socio-economic decline of Pskov oblast'. In the 1970s and 1980s, during the period of stagnation in the Soviet Union, Pskov was losing both population and Many people migrated to other parts of the Soviet state. industrial base. Additionally, the natural population growth slowed. Economic problems were caused mainly by the low quality of regional products. Even agriculture, the traditionally strong sector, stagnated. One of the reasons was that the Soviet Army recruited many agricultural specialists from the oblast'. These young men did often not return to their home region after doing their duty.<sup>206</sup>

<sup>&</sup>lt;sup>205</sup> Emelyanov/Parakshina, p. 63.
<sup>206</sup> For more on the period of stagnation in Pskov, see Ivanov (1996), pp. 288-297.

## 3.2. Population

Pskov is an almost homogenous Russian region, with 6 per cent minorities, mainly Ukrainians and Byelorussians. On 1 January 2000, 801,000 people lived in Pskov, compared to 851,000 in 1979 and 845,000 in 1989. Thus, in just over 20 years, population had decreased by 5.9 per cent. In the capital, City of Pskov, 201.5 thousand persons lived, which equalled to approximately a quarter of the total population of oblast<sup>2,207</sup>.

Important developments in the structure of the population took place in the 1990s. These changes are similar to those in the neighbouring NW regions. First, the municipalisation process in the oblast' has continued. In 1991, the ratio of municipal to rural population was 63.9/36.1. In 1999, the share of the municipal population had grown to 66.1. Second, the ratio of male/female population had changed as well. Relatively more men than women lived in 1999 in the region (47.2/52.8) than in 1991 (45.8/54.2). Third, the share of youth in the population had decreased from 21.2 to 18.7; the share of working population had grown from 53.9 to 56.6. A decreasing segment were the elderly (from 24.9 to 24.7). Fourth, the life expectancy had fallen, for females by three years to 74.1 years in average and for men by nearly five years to 58.1 in 1998. Fifth, the natural "growth" rate

<sup>&</sup>lt;sup>207</sup> Goskomstat RF. *Pskovskaya Oblast' v Tsifrakh*. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 2000, p. 15.

had fallen dramatically from -3.2 per 1,000 persons in 1990 to -14.4 in 1999, which is by far the lowest rate in NW Russia.<sup>208</sup>

According to the official figures, between 1996 and 2000, Pskov received 42,154 refugees. Although this influx was not sufficient to stop or reverse the decline of the population, it has nevertheless helped to stabilize the situation. Among the countries of origin are all the former Soviet republics, including Russia. For example, from Latvia 8,393 and from Estonia 5,638 persons had arrived. Belarus is the country of origin for the smallest number of refugees and displaced persons (37).<sup>209</sup>

<sup>&</sup>lt;sup>208</sup> For a more detailed overview of demographic changes in the Pskov and the neighbouring Northwestern regions see Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, pp. 10-19.

<sup>&</sup>lt;sup>209</sup>. Goskomstat RF Pskovskiy oblasť noy komitet gosudarstvennoy statistiki. Pskovskaya oblasť v tsifrakh.. Pskov: Pskovskiy oblasť noy komitet gosudarstvennoy statistiki, 2000, p. 24.

# 3.3. Economic Geography

Inside Russia, Pskov oblast' has common borders with four oblasts: Leningrad, Novgorod, Tver and Smolensk. Leningrad region and Novgorod region belong, like Pskov, to the north-western federal district, whereas Tver and Smolensk belong to the central federal district (*okrug*). The differences in the level of development of these five regions are remarkable. Some of them have managed to attract a considerable amount of foreign investments and tourists; others seem to be almost unknown among foreign investors.

#### TABLE No 1

	Pskov	Leningrad	Novgorod	Tver	Smolensk
Population	811,100	1,673,000	733,900	1,613,000	1,142,000
Pop. Density	15.2	74.1	13.0	19.2	23.0
(pers./1000 sq km)					
Growth of pop.	-9.5	-14.5	-7.1	-18.0	-11.5
(in thousands)					
Income per capita	545	663	915	549	715
(in roubles)					
Subsistence level	405	718	438	403	385
(in roubles)					
Foreign investment:	3.4	91.3	40.3	18.4	17.0
(mn roubles)*					
Foreign investment:	3.3	181.3	50.6	3.0	26.6
(mn USD)*					

#### COMPARISON OF PSKOV AND ITS NEIGHBOURING REGIONS (1998)

\* The official statistics record foreign investments in two separate categories: foreign investments in roubles and foreign investments in USD.

*Source: Pskovskiy statisticheskiy ezhegodnik.* Vol. 2. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999. pp. 193-194.

Pskov oblast' covers a territory of 55,300 sq km. By size of population, Pskov region is slightly larger than the Novgorod region, but only half the size of Leningrad region. The capital of Pskov region, City of Pskov has over 200,000 inhabitants. The other large town is Velikiye Luki, which has 117,000 residents and lies in the southern part of the oblast'.

# 3.3.1. Energy and Natural Resources

Pskov possesses no known natural resources of strategic relevance, such as oil or gas. Its main natural riches are arable land, peat, clay, forests and fish. Consequently, Pskov is deprived of a rather convenient source of hard currency in Russia, energy exports. The region is almost entirely dependent on imports of energy, except electricity. In 1999, Pskov consumed 168,000 tons of coal, 876 million cubic meters of natural gas, 124,000 tonnes of petrol, 116,000 tonnes of diesel and 151,000 tonnes of heating oil, which had to be imported to the region.<sup>210</sup>

<sup>&</sup>lt;sup>210</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, pp. 140-142.

#### **Forests and Fishery**

Pskov has no significant fossils or other useable minerals, but its nature is rich in fertile land, forests and fish. The exploitation of these resources has been an increasingly important source of income to the budget of the regional administration.

Forests are particularly important; they cover some 40% of the territory of the oblast' (2,450 million hectares).<sup>211</sup> Forestry employed 2,800 persons in 1998 (3,900 in 1985).<sup>212</sup> The production of timber grew since 1997, after a sharp correction downwards in the first half of the 1990s. Despite recent growth, the output of timber in 1999 was only 62.5% of the output in 1990, which was 864,000 cubic meters.<sup>213</sup> Altogether, the production of timber, paper and cellulose employed 8,000 persons in 1998. The output of the sector was 146 million roubles in 1998, and the total loss was 3.8 million roubles.<sup>214</sup>

The lakes Peipus and Pskovskoye contain large reserves of fish. The catch of fish from the double-lake Peipus/Pskovskoye totalled approx 3,500 tonnes in 1999. According to the estimates by the regional administration, the ecologically sustainable amount of the annual catch would be even higher, up to 6,000-7,000 tonnes. Additionally, the catch from other lakes and rivers, currently at 40 tonnes, could be increased to 1,200 tonnes a year without endangering the ecological

<sup>&</sup>lt;sup>211</sup> Administratsiya Pskovskoi oblast'i, http://www.pskov.ru/region/region\_info.html, accessed 8 Jan 2000

 <sup>&</sup>lt;sup>212</sup> Goskomstat RF. *Pskovskiy statisticheskiy ezhegodnik*. Vol. 2. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, p. 44.
 <sup>213</sup> Goskomstat RF. *Pskovskaya oblast' v tsifrakh*.. Pskov: Pskovskiy oblast'noy komitet

 <sup>&</sup>lt;sup>213</sup> Goskomstat RF. *Pskovskaya oblast' v tsifrakh.*. Pskov: Pskovskiy oblast'noy komitet
 <sup>214</sup> Goskomstat RF. *Pskovskiy statisticheskiy ezhegodnik.*. Vol. 2. Pskov: Pskovskiy oblast'noy komitet

<sup>&</sup>lt;sup>214</sup> Goskomstat RF. *Pskovskiy statisticheskiy ezhegodnik*.. Vol. 2. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, p. 37.

balance.<sup>215</sup> The output of fish products has slumped from 8,500 tonnes in 1990 to 3,100 tonnes in 1999.<sup>216</sup>

#### Agriculture

The agricultural sector has traditionally played an important role in the Pskov economy. As of 1999, Pskov provided for half of the agricultural land of the Russian NW regions.<sup>217</sup> The Russian agriculture suffered severely during the transition period. Subsidised imported agricultural products flooded the Russian market before the rouble devaluation in 1998. After devaluation, Pskov was in a slightly better position than other Russian regions: it had a comparative price advantage domestically. Agricultural products made in Pskov were 10-15% cheaper than those from the neighbouring Baltic States or even St Petersburg.<sup>218</sup>

The agricultural sector has gradually lost its importance as an employer in the region. This process began in the Soviet period already. The number of persons employed in the sector has continued to fall since 1985. In 1985, 96,100 persons were employed there. In 1999, however, only 39,700 persons were employed in agricultural enterprises.<sup>219</sup>

The devaluation of the rouble in August 1998 gave the local producers of food a comparative advantage. As imported food and beverages were less

<sup>215</sup> 

<sup>&</sup>lt;sup>216</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, p. 103.

<sup>&</sup>lt;sup>217</sup> "Pishchevaya Promyshlennost". Pskovskii krai. Administratsiya Pskovskoi oblasti: 4 pages, <u>http://www.pskov.ru/region/region\_info.html</u>, accessed 11 Dec 1999

<sup>&</sup>lt;sup>218</sup> "Pishchevaya Promyshlennost". Pskovskii krai. Administratsiya Pskovskoi' oblasti: 4 pages. 11 Dec 1999 <http://www.pskov.ru/region/region\_info.html >.

<sup>&</sup>lt;sup>219</sup> Goskomstat RF. *Pskovskiy statisticheskiy ezhegodnik {Pskov Statistical Yearbook}*. Vol. 2. Pskov: Pskovskiy oblastnoy komitet gosudarstvennoy statistiki, 1999, p. 44.

competitive given their high prices, the agricultural sector of Pskov was given a boost. In Pskov, in 1999 the agricultural production had increased from 2.1 billion in 1998 to 5.0 billion roubles. In contrast to other sectors of the regional economy, the agricultural sector of Pskov has experienced a remarkable revival. For example, in 1994 the output had been only 0.6 billion in new roubles.<sup>220</sup>

Despite the recent upturn, the overall fall of production in the sector has been dramatic. In the 1990s, the production of some agricultural products has fallen up to 10 times: eggs 2 times, milk 4 times, meat 3.5 times, grain 10 times and potatoes 10.5 times.<sup>221</sup>

The number of food processing companies in Pskov has doubled in the 1990s. The number of employees, however, has fallen by 30%.<sup>222</sup>

## 3.3.2. Industry

The industrial basis of the Pskov region is rather weak compared to some neighbouring regions. As earlier in the history of Pskov, agriculture still plays an important role in the regional economy. Industrial enterprises have struggled to cope with the introduction of the market economy. It was only after the steep devaluation of the rouble in 1998 that the output of the industrial sector began to grow.

<sup>&</sup>lt;sup>220</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, p. 104.

<sup>&</sup>lt;sup>221</sup> Goskomstat RF. *Pskovskava oblast' v tsifrakh*. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 2000, pp. 96-97. <sup>222</sup> *Iibd.*, p. 41.

The industrial production in the oblast' has increased in nominal value. However, when we compare the industrial sector to agriculture, an interesting aspect draws attention. Although the total output of the industrial sector was higher than the agricultural production in the 1990s, a strange trend in this relationship can be singled out. The gap between the industrial and agricultural output has become narrower. In 1990, the industrial output was 37.5% higher than the agricultural output. In 1995, the gap had decreased to 32%. And, in the last year of the 1990s, it was only 29.5%. Consequently, the industrialisation of the region has been reversed.<sup>223</sup>

Measured by the value of production in roubles, the structure of the industrial sector has changed substantially during the 1980s and 1990s. In 1985, the machinery production and metal processing dominated the manufacturing sector of the oblast' with 45.1% of the total output, whereas light industry was the second-important with 22.1 per cent. Electricity generation represented a meagre 0.1%. Fourteen years later, in 1998, the situation had changed dramatically. Electricity generating had jumped to the third place (15.3%). Machinery production and metal processing were still dominating (30.9%) the industrial sector of Pskov, but had lost their undisputable leadership as food processing had moved much closer: from 15.5% in 1985 to 23.5% in 1998.<sup>224</sup>

<sup>&</sup>lt;sup>223</sup> *Ibid*, pp. 29, 54. <sup>224</sup> *Ibid*, p. 31.

## TABLE No 2

#### THE DYNAMICS OF PSKOV INDUSTRIAL PRODUCTION, 1985-2000

		1985	1991	1994	1995	1997	1998	1999	2000
Volume	(bn	1.9	5.3	943.5	2,328.6	3,337.9	3,555.8*	5,945.8*	7,731.4*
RUB)									
Number	of	1,956	2,203	2,281	2,216	1,889	1,949	1,754	2,098
enterprises									
Number	of	136.4	120.4	84.3	75.5	59.1	61.4	56.8	-
employees									
(in thousand	ls)								
Profit (bn R	UB)	0.2	0.9	119.0	224.5	188.6	152.5*	275.1*	460.3*
Profitability	(%)	17.0	22.9	14.4	12.7	9.1	6.3	8.8	-

\* in mn RUB

*Sources: <u>Promyshlennost Pskovskoy oblast'i v 1985-1998 godakh</u>. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, p. 4.* 

*Pskovskaya oblast' v tsifrakh*. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 2001, p. 91.

As table No 2 indicates, between 1985 and 1999 the number of employees in the manufacturing sector has fallen by more than fifty per cent. The number of enterprises has remained almost unchanged during the same period, despite a short upswing at the beginning of 1990s. The profitability of the manufacturing sector (in per cent) has fallen to little more than a third of what it was in 1985; in fact, Pskov enterprises have been struggling to make any profit at all. One reason behind this low profitability in the statistics might be the habit of hiding profits in order to reduce the tax bill.

In the 1990s, the industrial enterprises of Pskov produced, for example, tape recorders (175,400 units in 1991/ 200 in 1998), washing machines (1,300 in 1994/1.300 in 1999), refrigerators (160,000 in 1991/3,300 in 1998), carton (3,700 tons in 1991/3,600 tons in 1999). The output of all above-mentioned products has either dropped dramatically or stagnated. The industrial output of other NW regions has followed a similar pattern.<sup>225</sup>

To sum up, the path toward a modern, knowledge-based industrialised economy is still long for Pskov. A decisive departure from the agriculturedominated economic structure seems not realistic in the short term.

<sup>&</sup>lt;sup>225</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, pp. 93-95.

## 3.3.3. Ownership of Enterprises

In Russia the question of ownership of enterprises cannot always be answered accurately. The practice of siphoning off cash and assets by the management of some state enterprises, and subsequent 'privatisation' of these companies at artificially low prices through off-shore companies was widespread in the 1990s. Keeping the real owners secret was part of this scheme.

The privatisation process has transformed the structure of ownership in the regional economy. In 1999, the federal government owned less than 6 per cent of enterprises in the Pskov region. The municipalities had increased their share of ownership of companies from 9.3 per cent in 1996 to 11.0 per cent in 1999. Private ownership, by far the largest segment, has, in fact, lost some ground. Between 1996 and 1999, its share has shrunk from 72.5 to 69.7 per cent. The federal subjects, including Pskov oblast', owned less than 2 per cent of enterprises in Pskov, and their share decreased as well. As far as the foreign owners were concerned, their share was almost non-existent. As of 1 January 1999, foreign states owned 0.02 per cent of enterprises in the oblast, whereas foreign private ownership had grown by more than 50 per cent in three years. The share of joint ventures between Russian and foreign owners had shrunk slightly, to 1.5 per cent. In 1996, there were 5 joint ventures with CIS companies in Pskov, 4 Byelorussian

and 1 with Azerbaijan. In 1999, only two joint ventures, with Byelorussian companies, were left.<sup>226</sup>

## 3.3.4. Tourism

Pskov offers a variety of tourist attractions: the Kremlin, monasteries, fortresses and churches. Its proximity to the wealthy Scandinavian countries and the Baltic States could make Pskov one of the main destinations for foreign tourists in north-western Russia. However, problems such as poor infrastructure and difficulties obtaining a Russian visa have discouraged tourists from travelling to Pskov. In the 1990s, some important steps have been made by the regional administration for boosting the development of this potentially lucrative sector. In the capital Pskov, public funds were used to finance the construction of a high standard international hotel, for example.<sup>227</sup>

The facilities for tourists (travel agencies, hotels, sanatoriums, etc.) had a combined turnover of 105 million roubles in 1999. The total number of foreign citizens entering Pskov over the Estonian or Latvian border was 554,000, but just 7,300 citizens of CIS countries and 6,900 citizens of other foreign countries stayed overnight in Pskov. The rest was using Pskov for transit or day-trips only. Nevertheless, compared to 1998, it was a 19 per cent increase.<sup>228</sup> For comparison:

<sup>&</sup>lt;sup>226</sup> Goskomstat RF. *Pskovskiy statisticheskiy ezhegodnik*. Vol. 2. Pskov: Pskovskiy oblastnoy komitet gosudarstvennoy statistiki, 1999, pp. 16, 23.

 <sup>&</sup>lt;sup>227</sup> "Vtoroye dykhaniye 'Inturista". Pskovskaya Pravda: 2 pages. Nr 22, 3 Feb 2000
 <u>http://pravda.pskov.ru:8101/03\_02\_2000/list.htm</u>, accessed 10 Feb 2000.
 <sup>228</sup> "Analiticheskaya spravka statisticheskikh dannykh v sfere turizma za 1999 g. " Komitet po

<sup>&</sup>lt;sup>228</sup> "Analiticheskaya spravka statisticheskikh dannykh v sfere turizma za 1999 g. " Komitet po vnezhnim svjazam I turizmu administratsii Pskovskoi oblast'i: 5 pages. http://www.tourism.pskov.ru/statist/statist001.html, accessed 20 Jun 2001

In neighbouring Estonia 2.3 million foreign tourists arrived in the first 9 months of 1998.<sup>229</sup>

Another impediment to the development of tourism is the lack of a convenient transportation network. The case study 'Raketa ferry – will it travel again?' of this thesis will discuss some of the problems that prevent the region from opening up its Soviet transport infrastructure to the tourists. Although Pskov is not far from St Petersburg (300 km) or Moscow (700 km), this distance seems to be too great for tourists, given the poor state of the Russian transportation network.

<sup>&</sup>lt;sup>229</sup> "Tourism". Aastaraamat. Eesti Vabariigi Majandusministeerium: 6 pages. http://www.mineco.ee/eng/turism.html, accessed20 Jan 2000

## 3.3.5. International Trade/ Transit

In comparison to other NW Russian regions, Pskov foreign trade activities were below the average in the 1990s. For example, in 1999 the volume of foreign trade was in Novgorod region 370 million USD and in Leningrad region 1.9 billion USD, whereas in Pskov this was only 257 million USD.<sup>230</sup>

#### TABLE No 3

FOREIGN TRADE OF PSKOV OBLAST' (in million US dollars):

	1990	1994	1995	1996	1997	1998	1999
Turnover	243	32	200	171	164	180	257
Exports	31	18	68	62	40	65	81
Imports	212	14	132	109	124	115	176
Balance	-181	+4	-64	-47	-84	-50	-95

Sources: Pskovskiy statisticheskiy ezhegodnik. Vol. 2. Pskov: Pskovskiy oblast'noy komitet

gosudarstvennoy statistiki, 1999, p. 190.

Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, pp. 136-137.

<sup>&</sup>lt;sup>230</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, pp. 137-138.

As this table indicates, the turnover of Pskov foreign trade begun to grow in 1998, the year the rouble was devaluated. However, this growth has been linked to the increase of deficit in foreign trade. The negative balance may harm the regional economy if the deficit is not covered by the influx of foreign investments.

The Russian State Statistical Committee does not provide information on the countries of origin of imports to Pskov or countries of destination for its exports.<sup>231</sup> The Pskov Oblast' Statistical Committee only indicates the types and volumes of units in trade with foreign partners, but not in monetary terms. Pskov exports to the non-CIS countries mainly raw materials: wood and ferrous metals. To the CIS countries, it exports wood, wood products and metals. Pskov imports from non-CIS countries food products, mainly frozen fish, diary fat, and processed meat. Additionally, it imports furniture and oil products. Pskov imports from the CIS countries fish and fish products and dairy fat primarily.<sup>232</sup>

Another important aspect of foreign trade for Pskov is transit of goods to and from Russia. Pskov lies on one of the main Russian-Baltic transit routes. In 1997 it handled some 60% of Russian freight shipments to the Baltic Sea region. The revenues from these activities contribute significantly to the federal budget. In the year 1997 alone, the customs office in the city of Pskov alone generated 5 million USD of revenues to the federal budget, which exceeded the taxes paid by any industrial manufacturer.<sup>233</sup>

<sup>&</sup>lt;sup>231</sup> Ibid., p. 138.

<sup>&</sup>lt;sup>232</sup> Goskomstat RF. *Pskovskiy statisticheskiy ezhegodnik {Pskov Statistical Yearbook}*. Vol. 2. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, pp. 189-190.

<sup>&</sup>lt;sup>233</sup> Alexseev/Vagin, pp. 47, 53.

## **3.3.6. Foreign Investment**

The overall ability of Pskov to attract foreign investment has been rather modest. In 1999, Pskov was able to attract 2.8 million USD of foreign investments in total, which makes 3.4 USD per head. The neighbours were far more successful. Leningrad region received 100 times more foreign money (288.3 million USD/172.6 USD per head), whereas Novgorod attracted 88.1 million USD (120.7 USD per head).<sup>234</sup>

The bulk of foreign investments went into trade and catering (43.0 per cent) and construction (33.1 per cent).<sup>235</sup> Another interesting aspect is the virtual absence of foreign investments in the heavy industry sector of Pskov. In 1995, only 64,200 roubles of foreign money was invested in heavy industry (5.9% of the total foreign investments to the manufacturing sector), in 1997, 300 roubles (0.1%) and 500 new roubles in 1998 (0.2%). Out of the total amount of foreign investments in the manufacturing sector of Pskov in 1995-1998, only 6 per cent was invested in the heavy industry sector.<sup>236</sup>

<sup>&</sup>lt;sup>234</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, p. 79.

<sup>&</sup>lt;sup>235</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, p. 80.

<sup>&</sup>lt;sup>236</sup> Ekonomicheskiy obzor po promyshlennost {Overview of the Manufacturing Sector}., Vol. 1. Pskov: Pskovoblkomstat, 2000, p. 8.

## 3.3.7. Communications

Pskov has inherited a huge road and railways network from Soviet times. The telephone network of Pskov oblast' is more extensive than in some neighbouring regions. In the 1990s, the infrastructure has been largely neglected in terms of maintenance and investments. Substantial investments are needed to avoid a further natural deterioration of the existing infrastructure.

Since the fall of the Soviet Union the length of railways has decreased. In 1990, the total length of railways in the oblast' was 1,465 km, whereas in 1999 it was 1,160. The length of roads has, on the other hand, grown from 10,345 to 12,427 in the same time span.<sup>237</sup> This increase is obviously modest if compared to the exploding number of cars in Pskov region; the number of private cars has tripled to 138.1 cars per 1000 persons in 1999 compared to 1990.<sup>238</sup>

The intensity of use of transportation networks has fallen in some sectors between 1990 and 1999. The number of passengers on the railways of Pskov has fallen from 6.0 to 4.5 millions per annum. The transport of passengers by bus has grown, however. In 1990, 184.1 million passengers were carried by bus, whereas in 1999, the total was 223 million. The most dramatic slump has occurred in air transportation. In 1990, 120,000 persons travelled by air. In 1999, however, only 20 persons (sic!) used civil aircraft as means of transportation.<sup>239</sup> This can be explained by the fact that, for economic reasons, no regular flights, neither

<sup>&</sup>lt;sup>237</sup> Pskovskiy statisticheskiy ezhegodnik {Pskov Statistical Yearbook}, Vol. 2. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, p. 99.

<sup>&</sup>lt;sup>238</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, p. 133. <sup>239</sup> Ibid., pp. 131-132.

domestic nor international, take place from Pskov airport. People of Pskov wishing to travel can easily use the relatively nearby international and domestic airports in St Petersburg, Moscow, Tallinn or Riga.

As far as the transportation of goods is concerned, the railways have managed to increase their share. In 1990, 3.6 million tonnes were carried by rail, which had grown to 4.4 in 1999. Road transport has shrunk by eight times. In 1990, 74.3 million tonnes were transported on the roads of the oblast'. In 1999, the respective figure was only 8.7.<sup>240</sup>

## 3.3.8. Economic Performance

The beginning of the decline of the Pskov economy did not coincide with the collapse of the Soviet Union. In fact, by then the decline had lasted already for a decade. Nevertheless, the break-up of the Soviet Union triggered a steep recession in Pskov as in many other parts of Russia. Pskov region found itself in an exceptionally difficult situation. It had no significant raw materials to export, and it had almost no economically viable industrial enterprises either. The agricultural sector, which used to dominate the regional economy, was one of the first victims of the introduction of the market economy.

According to the statistics of the Statistical Committee of Pskov oblast', the regional GDP grew from 4,600 billion old roubles in 1995 to 11,500 million new roubles in 1999.<sup>241</sup> Per capita, the growth in the same period was from

<sup>&</sup>lt;sup>240</sup> Ibid., pp. 132-133.

 $<sup>^{241}</sup>$  In 1998, the new Russian rouble was introduced. One new rouble was worth 1000 old roubles

<sup>(1:1000).</sup> 

5,500,000 old roubles to 14,500 new roubles.<sup>242</sup> In nominal terms, the growth seems rather impressive. However, rampant inflation and collapse of the rouble's foreign exchange rate should be taken into account when using official Russian statistics for the last decade of the  $20^{\text{th}}$  century. The service sector has become the most important contributor to the regional GDP. The share of services has grown from 41% in 1995 to 49.7% in 1999, whereas the share of industrial production has shrunk during the same period, from 55.4% to 46.2%. The rest of GDP is covered by taxes on products. Between 1995 and 1999, the share of the GDP of Pskov in the total GDP in Russia has decreased from 0.33 to 0.26. Reflecting the economic decline of Pskov, the region has slipped among the 89 Russian regions from the  $62^{\text{nd}}$  position in 1995 to the  $70^{\text{th}}$  in 1998.<sup>243</sup>

As the statistics may not always be a totally reliable source, the electricity consumption can be used as an additional indicator for economic activity. The dynamics of the electricity consumption in the Pskov oblast' can offer some help in measuring economic activity.

 <sup>&</sup>lt;sup>242</sup> Pskovskaya Oblast' v Tsifrakh {Pskov Oblast' in Numbers}. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 2001, p. 10.
 <sup>243</sup> Pskovskiy statisticheskiy ezhegodnik {Pskov Statistical Yearbook}. Vol. 2. Pskov: Pskovskiy

<sup>&</sup>lt;sup>243</sup> Pskovskiy statisticheskiy ezhegodnik {Pskov Statistical Yearbook}. Vol. 2. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 2000, p. 13.

#### TABLE No 4

## ELECTRICITY CONSUMPTION IN PSKOV REGION (million kWh)

	1985	1990	1991	1995	1997	1998
Con-	2,422.8	2,978.8	2,.974.5	2,176.5	2,086.4	2,061.5
sumption	Ĩ					

Source: Promyshlennost Pskovskoy oblast'i v 1985-1998 godakh {Manufacturing in Pskov

*Oblast' in 1985-1998*. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, p. 105.

The stagnation in the second half of the decade in electricity consumption might suggest that the economy has started to stabilize. A closer look, however, is rather disappointing. Namely, whereas the manufacturing and agricultural sector have reduced their consumption by nearly 50 per cent, main growth in consumption comes from residential consumers and from losses of electricity in the power grid.<sup>244</sup>

<sup>&</sup>lt;sup>244</sup> Promyshlennost Pskovskoy Oblast'i v 1985-1998 godakh. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, p. 105.

#### **Oblast' budget**

Given the poor state of the regional economy, the tax revenues of the oblast' administration were not sufficient to finance the expenditures. Therefore, the balance of the regional budget depended on external sources.

#### TABLE No 5

#### BUDGET OF PSKOV OBLAST' 1990-1998 (million roubles)

i	1000	100-	1007	400-	10004	10001
	1990	1995	1996	1997	1998*	1999*
Total revenues	421	955,104	1,804,410	2,160,796	1,520,975	2,178,000
Own income in percentage	351	557,363	670,442	779,745	752,116	N/A
of total revenues	83.4	58.4	37.2	36.1	49.4	
Expenditure	-391	-962,005	-1,846,603	-2,221,976	-1,549,200	2,213,000
Deficit/surplus	30	-6,901	-42,193	-61,180	-28,225	-35,000

\* In thousand roubles.

Sources: *Finansy Pskovskoy oblast'i*. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, p. 5.

*Pskovskaya Oblast' v Tsifrakh.* Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 2001, p. 12.

The oblast' budget ran a deficit, which has varied between 0.1 per cent of the regional GDP in 1995 and 1.0 in 1997. The share of the oblast' budget in the regional GDP has fallen rapidly since 1997, from 34 per cent to 18 per cent in 1999.

The main *non-federal* sources of income of the regional budget in the 1990s were the profit tax, value added tax (VAT), income tax and excise-duty. In 1990, the highest amount was received from the income tax payers; in 1995, from the enterprises paying profit tax. In 1998, the biggest source was the income tax, again. Since 1995, the role of the profit tax has gradually declined as the profits of enterprises have slumped. The share of excise-duty and tax on the use of natural resources has grown. The *federal* contributions to the regional budget were made through the allocations for pensions, social security, employment, medical insurance, social insurance and environmental protection.<sup>245</sup>

As far as the structure of expenditures in the budget is concerned, the priorities of the regional budget in 1999 were the following: social security (47.0%), economical development (25.2%) and education (20.1%). The neighbouring north-western regions had a similar hierarchy of priorities.<sup>246</sup>

#### Unemployment

The official statistics paint a rather rosy picture as far as the unemployment is concerned, given the fast deterioration of the regional economy. Possibly, the number of registered unemployed persons does not accurately reflect the real number of people without a job.

Both the number of registered unemployed and total unemployment were falling. The peak of the number of registered unemployed persons in the 1990s was reached in 1995, when, according to official statistics, 9.1 per cent of the

 <sup>&</sup>lt;sup>245</sup> Finansy Pskovskoy oblast'i. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, pp. 6-9.
 <sup>246</sup> Goskomstat PE. Socialna alegaristicational and the statistication of the statistication of the statistication.

<sup>&</sup>lt;sup>246</sup> Goskomstat RF, Socialno-ekonomicheskie pokazateli respublik i oblastei Severnovo I Severo-Zapadnovo rayonov, Kaliningradskoi I Kirovskoi oblastei v 1990-1999 gg. Kaliningrad: Goskomstat RF, 2000, p. 67.

working population had registered their jobless status. After 1995, the number of registered unemployed continued falling, reaching 3.6 per cent in 1999. The total number of unemployed persons, both registered and not registered, was the highest in 1998, when 16.7 per cent of the working population had no employment. In 1999, this number had fallen to 14.0 per cent.<sup>247</sup>

As the regional economy remained agriculturally-oriented and no major investments have been received by the manufacturing sector, the perspectives for a quick turnaround in the job market are modest.

#### **Living Standards**

The decline of the regional economy and the overall recession of the Russian economy in the 1990s had a negative impact on the living standards of the Pskov population. As a result, the number of persons living below the official minimal subsistence level in the oblast' is relatively high.

According to data from Table No 6 below, the nominal level of the official minimal subsistence level in roubles increased between 1993 (21,200) and 1996 (330,200). In reality, given the high inflation rate, it sank rapidly. In 1997, a year before the collapse of the external exchange rate of the rouble, even the nominal amount decreased slightly (326,500). The amount of roubles in 1998 considered the official subsistence level equalled approx 16 USD. In fact, almost 40% of the oblast' population had only this amount of income, or even less, per person at their disposal.

The percentage of persons living below the minimal subsistence level fluctuated between 25.1% and the maximum of 42.7%. In average, between 1993

<sup>&</sup>lt;sup>247</sup> Ibid., p. 25.

and 1998, 33.2% of the Pskov population were living below the minimal subsistence level.

### TABLE No 6

## POPULATION LIVING BELOW THE MINIMAL SUBSISTENCE LEVEL

	1993	1994	1995	1996	1997	1998
Official	21.2	93.1	273.4	330.2	326.5	404.7
minimum (in						
thousand						
roubles)						
Persons living	30.6	25.1	42.7	34.2	28.6	37.8
below this level						
(in %)						

\* in roubles

Source: *Pskovskiy statisticheskiy ezhegodnik {Pskov Statistical Yearbook}*. Vol. 1. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999; pp. 80-81.

When we compare Pskov region to its neighbouring regions in northwestern Russia, the percentage of the population living below the official minimal subsistence level is particularly high. However, it should be taken into account that every region defines the level differently. For example, in 1998, the level in the Leningrad region was almost twice as high as in Pskov. Two neighbours of Pskov, on the other hand, had a lower level of minimal subsistence than Pskov (Tver and Smolensk).

## TABLE No 7

## THE OFFICIAL MINIMAL SUBSISTENCE LEVEL IN PSKOV AND NEIGHBOURING REGIONS IN 1998 (IN THOUSAND ROUBLES)

	Pskov	Leningrad	Novgorod	Tver	Smolensk
Level	405	718	438	403	385
Population living below this level (in %)	38.2	35.3	15.6	27.6	19.1

Source: *Pskovskiy statisticheskiy ezhegodnik*. Vol. 2. Pskov: Pskovskiy oblast'noy komitet gosudarstvennoy statistiki, 1999, pp. 193-194.

## 3.4. Regional Regime

Political developments in Pskov have been influenced by a variety of rapid geopolitical and geoeconomic changes, which are linked to the end of the Cold War mainly. Internally, four major factors determine the political life in the oblast: geographic location on the Russian external border, a high degree of military presence, and the introduction of democracy, and market reforms.

The collapse of the Soviet Union introduced a new era in the political life of Pskov. The regional elite was 'left geopolitically shocked' by the collapse.<sup>248</sup> Suddenly a border region again, Pskov faced huge tasks of erecting and maintaining the now Russian state border. This border was going to be as tight and unfriendly as the border between the Soviet Union and the rest of the world used to be. From Pskov perspective, on the other side of the border now were independent states poised to join the possibly hostile organisations of EU and NATO. Moreover, the Baltic neighbours had managed to increase their living standards, whereas in Russia in general and in Pskov in particular, the economy has deteriorated. It is not surprising, therefore, that in the wake of the collapse of the Soviet Union, the relations between Russia and the western-oriented former Soviet republics of Estonia and Latvia were rather tense. The third neighbour, Belarus, was a different case, however. Its leadership seemed interested in good relations with Russia, including Pskov.

<sup>&</sup>lt;sup>248</sup> Alexseev/Vagin (1999), p. 43.

The following sections will look at how Soviet-era institutions were reformed in the oblast'. Then the role of the newly appointed or elected personalities in high political positions in the process of defining the political landscape in Pskov will be examined. Furthermore, some explanations will be offered for the preferences of the voters of Pskov in the presidential and Duma elections.

In Soviet times, the oblast was administered in the same way as other oblasts of the RSFSR. The oblast' committee of the Communist Party controlled the political life. Legislative powers were vested in the Soviet of People's Deputies of the oblast' and the executive powers in the Oblast' Executive Committee (*Oblispolkom*). The Legislative elected the members of the Executive. Vitaly Pushkaryev was elected 30 June 1982 by the Pskov oblast' Soviet of People's Deputies as the chairman of the Oblispolkom. He remained in this position until April 1994.<sup>249</sup>

The functions of legislative and executive institutions were duplicated by the respective structures of the Communist party, which was effectively in charge of all relevant decisions. Therefore, the deputies elected by the voters of the oblast' had no real power.<sup>250</sup> In the 1990s, the situation began to change. The elections to the regional Soviets on 4 March 1990 introduced more liberal principles to the political life in Pskov. There were 396 candidates and 170 one-mandate districts, i.e. more than two candidates per seat. These elections changed the composition of the oblast' Soviet radically, which then became dominated by

<sup>&</sup>lt;sup>249</sup> Emelyanov/Parakshina (1998)., p. 78.

<sup>&</sup>lt;sup>250</sup> *Razvitiye Narodovlastiya Na Pskovskoi Zemlye {Development of People's Rule in Pskov}.* Vol. 1. Izdatelstvo organiconno-metodicheskogo centra: Pskov, 1995, p. 46.

'white-collar workers' and not by workers and agricultural workers as previously.<sup>251</sup>

As Russia became independent, the Soviet-type legislative and executive institutions had to be reformed. On 9th October 1993 the President of Russia issued the decree Nr 1617 'On reform of representative bodies and institutions of local self-government'. The decree underlined the need to reform the representative bodies of all federal subjects (the republics were advised to take the ukaz as a guideline only, however). New legislative bodies were to be elected. Those bodies were to consist of 15-50 members. They should exist on a permanent basis and be in charge of adapting federal laws in the respective federal subject. Moreover, they would be in charge of the budget of the federal subject.<sup>252</sup>

The Pskov oblast' Soviet of People's Deputies, referring to this presidential decree, decided on 29<sup>th</sup> October 1993 to reform itself and call for early elections. In its decision, the Soviet declared that the new representative body would be called 'assembly of deputies of the oblast' and the population of the oblast would elect it.<sup>253</sup>

In the city of Pskov, a similar process took place, a few weeks earlier. The presidium of the Soviet of People's Deputies of the city of Pskov decided to reform the Soviet, too. The new representative body of the city would be called

<sup>&</sup>lt;sup>251</sup> *Razvitiye Narodovlastiya Na Pskovskoi Zemlye {Development of People's Rule in Pskov}.* Vol. 1. Izdatelstvo organiconno-metodicheskogo centra: Pskov, 1995, pp. 45, 48.

<sup>&</sup>lt;sup>252</sup> Ukaz of the President of the Russian Federation, 'O reforme predstavitelnych organov vlasti i organov mestnovo samouprvlenija v Rossiiskoi Federtsii', Nr 1617, 9 Oct 1993, in Razvitiye Narodovlastiya Na Pskovskoi Zemlye. Vol. 1. Izdatelstvo organiconno-metodicheskogo centra: Pskov, 1995, pp. 61-63.

<sup>&</sup>lt;sup>253</sup> Resheniye Pskovskovo oblastnovo Soveta narodnych deputatov ot 29.10.93 g. 'O reformirovanii oblastnovo soveta narodnikh deputatov i dosrochnikh vyborach novovo organa predstavitelnoi vlasti Pskovskoi oblasti', 29 Oct 1993, in Razvitiye Narodovlastiya Na Pskovskoi Zemlye. Vol. 1. Izdatelstvo organiconno-metodicheskogo centra: Pskov, 1995, pp. 70-71.

'city Duma' and it would consist of 15 members. Early elections to the city Duma were scheduled for the 12<sup>th</sup> December 1993.<sup>254</sup>

Besides reforming the existing representative bodies, a new institution, the Head of Administration (Governor), was introduced by presidential decree. In the ukaz Nr 1723, the President of the Russian Federation outlined the organisation of state power in the non-republican federal subjects (for republics, the decree was of recommendatory nature only). The governor was to have far-reaching powers in an oblast'. All legislative acts of the representative body were subject to the Governor's approval. When the Governor rejects a legislative act of the representative body, the body could overrule his decision by a majority of two thirds, however. Moreover, the provision established the right of the Governor to compose his team independently and propose a draft budget to the representative body. The field of responsibilities of the Governor was wide. He was in charge of the use of the budget and the property in the ownership of the federal subject. Additionally, he was required to design and implement economic, cultural and social policies for the region.<sup>255</sup>

It was only in 1996 that the voters of the oblast' were allowed to elect the governor or the mayor of the capital directly. Before that, the President of the Russian Federation had appointed two governors for the oblast' and the first mayor of the capital.

The first governor of Pskov oblast' had been appointed few months after the putsch in August 1991 in Moscow. On 24<sup>th</sup> October 1991, President Yeltsin

<sup>&</sup>lt;sup>254</sup> "V malom sovete Pskova", Pskovskaya Pravda, 12 Oct 1993.

<sup>&</sup>lt;sup>255</sup> An addenda to the ukaz the President of the Russian Federation Nr 1723 from 22 Oct 1993, in *Razvitiye Narodovlastiya Na Pskovskoi Zemlye*. Vol. 1. Izdatelstvo organiconno-metodicheskogo centra: Pskov, 1995, pp. 65-69.

appointed Anatoly Dobryakov, the general director of the Pskovnefteprodukt, a major oil products' distribution company in the oblast' the first governor of Pskov. At the age of 52 years he was a relatively young member of the nomenklatura.<sup>256</sup> Both in the region and on the federal level, the number of his political opponents grew rapidly. In April 1992, in a newspaper article, the possibility of a vote of non-confidence was thoroughly considered.<sup>257</sup> Dobrvakov came under intense political pressure to resign, as both his competence and integrity were questioned. On 5 May 1992, he was relieved from his position by the presidential decree Nr 433 for various mistakes, including violating the laws on competition, on trade with the Baltic States and on export licensing.<sup>258</sup> His first deputy was released by the President accused of similar violations on the same day.259

A few weeks later, on 22 May 1992, the President appointed Vladislav Tumanov the second Governor of the oblast'. Lawyer by education, Tumanov had worked before his appointment as the deputy head of the city of Pskov administration.<sup>260</sup> Tumanov remained in office for 4 years.

The President had the right to appoint mayors of cities of federal importance. By his decree from 27 January 1992 Nr 54, President Yeltsin appointed Alexander Prokofiev as the mayor of the city of Pskov. Prokofiev was

<sup>&</sup>lt;sup>256</sup> Emelyanov/Parakshina (1998)., p. 80.

<sup>&</sup>lt;sup>257</sup> Egorov, I. "O nedoverii glave administratsii", in Novosti Pskova, 2 Apr 1992.

<sup>&</sup>lt;sup>258</sup> "Ukaz presidenta Rossiiskoi Federatsii ob osvobozhdenii ot zanimayemoi dol'zhnosti glavy administratsii Pskovskoi oblasti", Pskovskaya Pravda, 8 May 1992. <sup>259</sup> "Rasporyashenie Presidenta Rossiiskoi Federatsii ob otstranenii ot ispolneniya obyazannosti

pervovo zamestitelia glavy administratsii", Pskovskaya Pravda, 8 May 1992. <sup>260</sup> Emelyanov/Parakshina (1998), p. 81.

engineer by education and used to work in a factory for radio receivers in the city of Pskov.<sup>261</sup>

After these appointments were completed, the political situation in the oblast' turned volatile. The following period in the regional political life was overshadowed by a sharp conflict between the regional and the city authorities: governor Tumanov and mayor of the Prokofiev had different views on how the financial resources in regional budget should be redistributed.

Two towns, Pskov and Velikiye Luki, represent one-third of the oblast' population. These towns contributed most of the revenues to the regional budget. This fact led the authorities of those towns believe that should have more leverage over the redistribution of funds in the regional budget. The municipal budgets depended on the oblast budget, and therefore municipal officials demanded more generous allocations from the regional administration. Pskov and Velikiye Luki were not satisfied with the policy of the regional administration, which favoured poor agricultural areas. The regional administration, on the other hand, was keen to provide for a more sustainable development of the oblast' as a whole and saw no reason to increase the transfers to the relatively wealthy towns. The conflict became seriously unpleasant to both sides as journalists picked up the topic. The interest of journalists is not surprising as the main newspapers are owned by the regional and city administration respectively. Despite the long-lasting exchange of arguments, the municipal authorities failed to convince the regional administration and subsequently both sides downplayed the whole issue.<sup>262</sup>

<sup>&</sup>lt;sup>261</sup> Ibid, p. 85.

<sup>&</sup>lt;sup>262</sup> Interview No 1MS with Ms Margit Säre, CEO of the Estonian-based Peipus Centre for Transboundary Cooperation, conducted 10 April 2002 in her office.



Picture No 4. The main building of the Pskov regional administration.

The administration of Pskov region is located on the Street Nekrassova, Pskov. In the same building, in the right wing reside several federal institutions, including the local representation of the Ministry of Foreign Affairs.

The first directly elected governor of Pskov was Yevgenii Mikhailov. Mikhailov was elected in 1996 as a candidate of the LDPR. The elections took place in two rounds, as none of the candidates received more than 50% of the votes in the first round. In the first round on 20 October 1996, the incumbent governor Tumanov, candidate of the then-"power-party" Nash Dom Rossiya (NDR) of the then-Prime Minister Chernomyrdin, received most of the votes (30.9%). Mikhailov was far behind with 22.7 per cent. The second round took place two weeks later on 3 November 1996. Governor Tumanov was defeated. He received only 36.9 per cent, whereas his rival won the elections with 56.5 per cent. In this way, Pskov became the sole Russian region governed by a LDPR governor.<sup>263</sup>

The elections did not result in any major changes in the management style of the oblast" administration, however. After Mikhailov took office, 90% of the officials continued their work under the new LDPR governor.<sup>264</sup>

The legislative body of the oblast, the Duma, has 21 members. The Duma does not play an important role in the regional political life. The elections to the Duma were carried out twice in the 1990s, on 9 February 1994 and 29 March 1998. Both times, the deputies choose Yuri Shmatov as their chairman. As Shmatov himself analysed the nature of the oblast' Duma, it was an assembly of 'specialists with similar mindset'.<sup>265</sup>

<sup>&</sup>lt;sup>263</sup> "Elektoral'nyi pasport Pskovskoi oblast'i. Tsentral'naya Izbiratelnaya Komissiya": 2 pages. http://www.acc.ru/fci/rus map/text060.html, accessed 19 Feb 2000.

<sup>&</sup>lt;sup>264</sup> Alexseev/Vagin (1999), p. 47.
<sup>265</sup> "Pozlov, Shmatov ili tretii, kotoryi na zlo?", Novosti Pskova, 9 Apr 1998.

#### Support for National Politicians and Parties

The first Russian presidential elections in 1991 brought Yeltsin in Pskov 33.8 per cent of votes, whereas the national average was 57.3 %. The second presidential elections in 1996 were successful to the incumbent President Boris Yeltsin in Russia in general (53.8% in the second round), but not in Pskov. There, Yeltsin could not beat his main rival, the Communist Party leader Gennady Zyuganov. Pskov electorate gave its support both in the 1st and 2nd round to Zyuganov. In the first round Zyuganov received 30.4 per cent, whereas Yeltsin was second with 24.8. In the second round, Zyuganov was victorious again, with 48.1. Yeltsin could nevertheless convince more supporters this time, receiving 45.2 per cent. Another interesting aspect of the presidential elections in Pskov in 1996 was that Mr Alexander Lebed', a former general, was remarkably successful there, being favoured by the 23.6% of voters in the first round<sup>266</sup>, compared to 14.5% nationally.<sup>267</sup>

The State Duma elections were a proof of the changes in political attitudes of the voters in Pskov. Voters seemed to support either radical/extremist views or the power-parties. Liberal and right-wing political forces, for their part, have struggled to get any votes at all in Pskov.

In 1993, the first State Duma elections took place in Russia after the collapse of the Soviet Union. The outcome of the first Duma elections in Pskov reflected the political mood, which was quite radical at that time. The extremist

<sup>&</sup>lt;sup>266</sup> "Elektoralnyi pasport Pskovskoi oblast'i. Tsentralnaya Izbiratelnaya Komissiya": 2 pages. 19 Feb 2000, <a href="http://www.acc.ru/fci/rus\_map/text060.html">http://www.acc.ru/fci/rus\_map/text060.html</a>>.

<sup>&</sup>lt;sup>267</sup> Rossiiskaia Gazeta, 20 June 1991and 10 July 1996.

LDPR was the clear winner with 43.0 per cent of votes (national average 22.9%). Far behind were the pro-government Russian Choice-Vybor Rossii with 10.1% (15.5), followed by the Communists with 9.5% (12.4) and the Agrarian Party of Russia, which received 9.0% of the votes in Pskov (8.0).<sup>268</sup>

Two years later, in 1995, the Communists took revenge in Pskov oblast'. But they could not imitate the crushing victory of the LDPR. This time, the votes were distributed more evenly. The Communist Party received 22.7% (national average: 22.3%), leaving the LDPR to the second place with 20.1% (11.2). NDR was left third with 6.0 percent (10.1), followed by Yabloko with 4.9% (6.9) and Women of Russia – Zhenshchiny Rossii, which received 4.8% (4.6).<sup>269</sup>

In 1999, Pskov voters gave their support to the pro-Kremlin Unity-Edinstvo, which received 38.4% of the votes (national average: 23.3%). The Communists were second this time with 23.5% (24.3). The List of Mr Zhirinovsky – Blok Zhirinovskovo was supported by almost seven per cent of the voters (6.0), whereas Fatherland-All Russia was left on the fourth place with 5.1%(13.3) and Union of Rightist Forces (SPS) was fifth with nearly five per cent (8.5). <sup>270</sup>

 <sup>&</sup>lt;sup>268</sup> "Elektoralnyi pasport Pskovskoi oblast'i. Tsentralnaya Izbiratelnaya Komissiya": 2 pages. 19 Feb
 2000, <a href="http://www.acc.ru/fci/rus\_map/text060.html">http://www.acc.ru/fci/rus\_map/text060.html</a>. and Russian Parliamentary Elections-1993:
 Official results: 2 pages. 15 Dec 2002 <a href="http://www.geocities.com/CapitolHill/2568/e\_rde93r.html">http://www.acc.ru/fci/rus\_map/text060.html</a>. and Russian Parliamentary Elections-1993:
 Official results: 2 pages. 15 Dec 2002 <a href="http://www.geocities.com/CapitolHill/2568/e\_rde93r.html">http://www.acc.ru/fci/rus\_map/text060.html</a>. and Russian Parliamentary Elections-1993:
 Official results: 2 pages. 15 Dec 2002 <a href="http://www.geocities.com/CapitolHill/2568/e\_rde93r.html">http://www.geocities.com/CapitolHill/2568/e\_rde93r.html</a>.
 <sup>269</sup> "Elektoralnyi pasport Pskovskoi oblast'i. Tsentralnaya Izbiratelnaya Komissiya": 2 pages, a<a href="http://www.acc.ru/fci/rus\_map/text060.html">http://www.acc.ru/fci/rus\_map/text060.html</a> accessed 19 Feb 2000, and Federal Electoral Commission: 3 pages. <a href="http://www.acc.ru/fci/elections/duma95-3.htm">http://www.acc.ru/fci/elections/duma95-3.htm</a>, accessed 15 Dec 2002.

<sup>&</sup>lt;sup>270</sup> "Predvaritelniye itogi vyborov v Pskovskoi oblast'i", Pskovskaya Pravda, 21 Dec 1999 and Federal Electoral Commission: 2 pages. 15 Dec 2002 <http://www.fci.ru/way/203883/obj/202307.html>.

# <u>Chapter 4 Subnational Foreign Activities of Pskov –</u> <u>Regional and Local Units</u>

Pskov oblast', a border region of the Russian Federation, was a relevant actor in the international system in the 1990s compared to some other Russian regions. In the oblast', both levels of government – regional and local municipal/rural - were developing foreign contacts. This Chapter will examine the subnational foreign activities of different levels of government in the oblast'.

This Chapter will try and find answers to the following questions: How did different levels of subnational government develop and manage their foreign activities after Pskov had become a border region again in 1991 when Estonia and Latvia regained their independence? How have subnational governmental units in Pskov coped with the collapse of the Soviet Union? What were their aims and motivations when engaging in subnational foreign activities? Which supranational, international, intergovernmental, regional or subregional organisations were operating in the neighbourhood of Pskov? Who were their foreign partners and what was their position after the end of the Soviet Union? And, last but not least, can we use existing concepts and theories to explain subnational foreign activities in the case of Pskov?

There were several technical obstacles to the examination of foreign activities of regional, municipal and local units in the Pskov oblast' by the author of this thesis. First of all, the overall state of documentation on these activities was rather chaotic. Access to the existing documents on subnational foreign activities was complicated, as neither the actors nor their supervisors, such as the regional branch of the Ministry of Foreign Affairs of the Russian Federation, actually kept an accurate record of these activities. Partly, the texts of agreements, protocols of intention, etc. were missing or had restricted access. Without personal persuasion of relevant officials it would have been nearly impossible for the author to obtain more than a few of the relevant documents.

#### **Domestic and International Background**

In the year 2000, after Putin's arrival in the presidential office, the political situation began to change in Russia, especially in terms of centreperiphery relations. The relatively high degree of freedom the subnational units had enjoyed in terms of foreign activities during the Yeltsin period was not tolerated by the new administration.

The majority of Russian north-western regions – Murmansk oblast', Republic of Karelia, Leningrad oblast' and Pskov oblast' - are located directly on the western state border of the Russian Federation. Most of the neighbouring countries of North Western Russia belong to the EU (Finland, Estonia, Latvia) or NATO (Norway, Estonia, Latvia). Officially Russia did not welcome NATO enlargement to Central and Eastern Europe in general and to the Baltic States in particular. The enlargement of the EU to the Baltic states, on the other hand, was not opposed by Moscow, however.

Another relevant organisation operating in the Baltic Sea area is the Council of Baltic Sea States (CBSS), which was founded in 1992 in Copenhagen. It became an important forum for the political elites of the Baltic, Scandinavian states, Germany, Poland and Russia for discussing different matters of importance.<sup>271</sup>

Moreover, Pskov region is a full member in the Organisation of Baltic Sea States Subregional Cooperation (BSSSC), which was founded in 1993 in Stavanger, Norway. The members of this organisation are subnational federated, provincial and regional units from the member states of the CBSS. From Russia, beside Pskov, 4 other regions have joined: federal city of St Petersburg, Kaliningrad, Leningrad and Novgorod oblasts. Members finance the organisation. Its aims are promoting economic cooperation, education, culture and environmental protection. The president of the organisation represents the subregion of the Baltic Sea at the national and international level. The everyday work of the organisation takes place in working groups. The Council is the highest body of the organisation. From every country – but not from every region – two members are delegated to the Council, in order to keep the equilibrium.<sup>272</sup>

The list of potential bilateral foreign counterparts of Pskov subnational units included, first of all, the former republics of the Soviet Union. In the case of the Baltic States, fresh memories of occupation were a serious impediment to

<sup>&</sup>lt;sup>271</sup> For an extensive overview of international organisations operating in the neighbourhood of Pskov, see Cottey (1999): Cottey, Andrew (ed). *Subregional Cooperation In the New Europe. Building Security: Prosperity and Solidarity from the Barents to the Black Sea.* London: Macmillan Press, 1999.

<sup>&</sup>lt;sup>272</sup> Mezhevitch (2000): Mezhevitch, Nikolai. *Mezhdunarodnie Organizatsii Regiona Baltiiskovo Morya: Osnovnye Napravleniye Deyatel'nosti i Rol' v Formirovanii Sistemy Mezhdunarodnykh Otnoshenii.* St Petersburg: KultInformPress, 2000, pp 27-29.

cooperation. Despite this, subnational governmental units developed contacts with their counterparts in Estonia, Latvia and Lithuania. Nevertheless, Ukraine seemed less interested in cooperation with Russian regions, including Pskov, than its Northern neighbour, Belarus. Belarus indicated strong interest in developing contacts with Russian subnational units, especially Pskov. Byelorussian central state institutions (Ministry of Foreign Affairs) and subnational units targeted Pskov, a direct neighbour.

Wealthy Nordic countries were the other potentials. As we can read below, Sweden and Denmark and Finland have been fairly successful in developing contacts with Pskov. Norway, on the other hand, a member of NATO, seems to have been less keen on developing closer relations with Pskov.

Subnational actors from Pskov targeted more distant EU members, especially Germany, too. Contacts with Germany had a strong emphasis on socioeconomic aspects. There were even partners in faraway countries such as the United States of America and the People's Republic of China.

# 4.1. Subnational Foreign Activities: Different Levels of Government

This section will present an in-depth overview of subnational foreign activities of two subnational levels of government in the Pskov oblast', i.e. on the regional and local level. On the local level, two subgroups exist: *municipal local government* and *rural local government*. The subgroup of municipal local government is limited to the City of Pskov and Velikiye Luki, whereas the subgroup of rural local government includes those districts that are located on the external border of the Russian Federation.

So far, researchers of subnational foreign activities have ignored the local level to a great extent. In the case of Pskov, the two levels of local and regional government differ significantly in terms of the nature of their subnational foreign activities. Not only the current activities differ on both levels of subnational government but their previous experience is different, too.

In Soviet times the regional administration was not allowed to engage in foreign activities of any kind. The capital of the oblast', the City of Pskov, on the other hand, has a long track of foreign relations as it was allowed to have foreign partner-towns in the former Soviet bloc or even Finland. Local units, for their part, were not allowed to have direct foreign contacts either.

When it comes to local units, a distinction should be made between local municipal units and *border-located local rural units* since their behaviour in terms of subnational foreign activities differs to a large extent.

This section will give an overview of different subnational units engaged in subnational foreign activities on the territory of the oblast', which is followed by a characterisation of the types of activities those actors were engaged in. Subsequently, subnational foreign activities on both levels of government in the Pskov region will be described and analysed. For this analysis the concept of measuring the *international actorness* of subnational units developed by Hocking will be used, which was discussed in Chapter 1 of this thesis (*1.4. Conceptual Framework – Types of Subnational Foreign Activities*).

In Pskov oblast', both levels of subnational government were to some extent engaged in subnational foreign activities in the 1990s. The problems of those units have been largely similar: lack of experience, lack of resources and legal uncertainty. The scale and scope of their activities varies, however.

In the following sections I will identify various actors in the field of subnational foreign activities. Moreover, I will enlist their responsibilities and rights.

## **Regional Administration**

The head of administration (Governor) is the highest official of the Executive in the oblast'. He effectively sets the directions for subnational foreign activities of the oblast' administration. The governor is the most important single foreign policy actor in Pskov at the regional level. It depends to a great extent on his political taste and preferences with whom foreign contacts are developed. Until 2005, one of the vice-governors is involved with external issues as well. The Governor effectively controls the subnational foreign activities of the oblast',

since these are financed from the budget line 'other expenses', without a specific control of the Legislative.<sup>273</sup>

The oblast' administration, with its diverse departments, sub-divisions and services implements the policies designed by the Governor. Two departments were directly involved with subnational foreign activities until 2006. These were the *Department for Foreign Links and Tourism* and *Department for External Economic links*. As the names indicate, the first department was responsible for the protocol and tourism promotion. The second department dealt with external economic links only, with special emphasis on attracting foreign investment.

The structures for subnational foreign activities of the regional administration were reformed fundamentally in 2005-2006. In that year, the current Governor Mikhail Kuznetsov introduced his new administration, which had been reduced considerably.

## **Municipal Authorities**

Municipal authorities were entitled to use more limited options deals with foreign partners than the regional authorities. They could not conclude treaties with foreign partners, but only agreements regulating issues of cooperation. The focus of municipal subnational foreign activities was normally on socio-economic issues. As far as the financial options or personnel are concerned, municipal units' resources are more limited, too.

<sup>&</sup>lt;sup>273</sup> Interview No 2VL with Mr Vadim Laptev, Head of Committee, Committee of Foreign Links and Tourism, Administration of the Oblast' Pskov, conducted 29 June 2001, in his office.

The mayor represents the city abroad. Additionally, one of his deputies is dealing with foreign issues as well. There are two relevant departments in the city administration, the 'City Links and Protocol department' and the 'Investment Policy and Foreign Economic Links department'. The first department is responsible for maintaining foreign partnerships, whereas the second department focuses on attracting foreign investment to the city. City administration files annually a report on the results of subnational foreign activities.

### **Local Governments**

Local rural governments, which represent the lowest level of government, mainly deal with issues affecting the everyday lives of people living on their territory. However, especially the border localities have shown some interest in subnational foreign activities.

Limited finances set the framework for local rural foreign activities. Nevertheless, by participating in various networks, programmes and initiatives financed from external sources they can make their voice heard abroad.

## **Types of Foreign Activities**

The types of foreign activities of different levels of government in the region can be divided in the following main categories: (1) political contacts, (2) socio-economic links, (3) foreign trade/business links, and, (4) cultural/educational exchange.

Political motivations played an important role behind subnational foreign activities of the oblast' administration in the 1990s. External economic cooperation was limited to Belarus mainly. Until recently, the regional administration, for example, was not actively seeking foreign investment. Instead, the Governor made comments like 'Pskov airborne division could take Estonia within 48 hours'.<sup>274</sup> Obviously, such comments were unlikely to encourage foreign investors.

Socio-economic contacts, especially humanitarian aid, were an important motivator for all subnational governmental units in Pskov. This was one of the reasons why partners in wealthier countries were targeted.

Foreign trade/business links received relatively little attention. Cultural/educational exchange, on the other hand, took place on all three levels of government. The manifestations were exchange of students or pupils, cultural events abroad, etc.

<sup>&</sup>lt;sup>274</sup> Press-relis administratsii Pskovskoi oblasti Press Release of the Administration of Pskov Oblast'}. 14 Nov. 2000.

# 4.2. Regional Unit

By definition, the Pskov oblast', which is a subject of the federation, has the broadest rights when engaging in subnational foreign activities compared to municipal or rural local governmental units. As a member of the federation, the regional unit was allowed to conclude treaties with foreign partners without the federal centre's specific approval in the 1990s.

Pskov oblast' did not follow the pattern of some other Russian regions which took advantage of the weakness of the federal centre during the Yeltsin period in terms of subnational foreign activities. For example, some regions opened their missions abroad. This does not make the regional administrative an inactive foreign actor, however.

The geographic focus of foreign activities of the Pskov regional administration was on countries in the direct neighbourhood, i.e. the republics of the former Soviet Union and Scandinavia. The main foreign partner of the oblast' administration has been the geographically closest neighbour, the Republic of Belarus.

The following sections will offer some answers to the following questions: Why did Pskov decide to favour these particular partners? What was the political, economic and cultural return of subnational foreign activities for the regional administration?

In the early 1990s Pskov oblast' began to 'discover the world'. In the years 1992-1999, the oblast' administration signed nearly twenty legal documents

with foreign partners. Their nature and impact will be discussed in the following sections.

The decree No 551 issued by the government of Kasyanov on 26 July 2000 abruptly ended the period of *laissez-faire* in subnational foreign activities in Russia.<sup>275</sup> It required all treaties agreements between Russian federated units and foreign partners to be registered with the federal Ministry of Justice. This requirement affected both existing and the future treaties and agreements. It effectively invalidated all existing treaties and agreements, as some of them stood in contradiction to the federal laws or even Constitution and could, therefore, not be registered in Moscow.

Surprisingly, Pskov regional administration, which had been quite active in terms of subnational foreign activities in the 1990s, managed to cope more effectively with this new requirement compared to other regional administrations in Russia. As of early 2003, Russia-wide only five subnational foreign agreements had been officially registered in Moscow. Of these, two agreements were of Pskov origin.<sup>276</sup>

<sup>&</sup>lt;sup>275</sup> For an analysis of the decree see the following section of this thesis 2.2. Legal Framework for Subnational Foreign Activities.

<sup>&</sup>lt;sup>276</sup> Presentation by Vice-Governor Dmitri Shachov 5 April 2003.

# 4.2.1. Directions

There were three main directions of subnational foreign activities of the oblast' administration in the 1990s, the Byelorussian direction, the Scandinavian direction and the Baltic direction.

If we examine the nature of foreign contacts of the regional administration, we discover an inclination towards Belarus. Other former Soviet republics considered less pro-Russian like Estonia, Latvia or Ukraine, on the other hand, have received considerably less attention from the governor and his office. The governor is the most important single foreign policy actor in Pskov. In the 1990s, the governor was seemingly favouring Belarus as the main partner, with its pro-Russian and pro-Soviet attitudes.

The Scandinavian direction included countries like Sweden, Denmark and Finland. Of these countries, relations with a regional unit (Dalarno) in Sweden were the most developed.

There was much less activity in the Baltic direction in the 1990s. This is not surprising given the fact that Russian-Baltic relations in general were relatively tense. The LDPR party of Mr Zhirinovsky backed the present Governor Yevgenii Mikhailov in the gubernatorial race in 1996. This party is known for its anti-Western and anti-Baltic attitudes.

From the year 2000 on, however, two of the Baltic states, Estonia and Latvia, replaced Belarus as the main target of the regional administration abroad.

# 4.2.2. Partners

There were 5 types of partners with which the regional administration of Pskov oblast' was engaged in subnational foreign activities. The list of these partners included (1) foreign states and their institutions (Ministry of Transport of Finland; Republic of Latvia; Ministry of Foreign Affairs of Belarus), (2) subnational regional units (Tartu county administration of Estonia; Võru county administration of Estonia; Põlva county administration of Estonia; the *Land* of Mecklenburg-Western Pomerania of Germany; border-located regions of Belarus and Ukraine; Vitebsk region of Belarus; Siauliai county administration of Lithuania), (3) subnational local municipal units (Valmiera of Latvia; Minsk; City of Tallinn), (4) subnational local rural units (Nordborg community of Denmark; Kopparberg community of Sweden) and (5) subnational private/transnational units (Estonia-Russian Chamber of Trade; the German electronics company Siemens).<sup>277</sup>

Belarus was clearly the focal point for subnational foreign activities of Pskov regional administration in the 1990s. This state has been one of the closest allies of Russia among former Soviet republics since the end of the Soviet Union. Pskov region as a direct neighbour of Belarus developed a dense framework of cooperation with Belarus, both on the economic and political level. Different units of government were targeted there: Belarus as a state, and both its subnational regional and municipal units.

<sup>&</sup>lt;sup>277</sup> The list of documents signed with foreign partners was compiled by Vadim Laptev, Head of Foreign Links and Tourism Department of the Pskov regional administration.

In the 1990s the relations of Pskov region with its Baltic neighbours, Estonia and Latvia, were rather ambiguous. For the Baltic States, the military capacity concentrated in the Pskov oblast' posed a serious psychological obstacle in relations with their Russian neighbour. For people in Pskov, on the other hand, the rapid economic development on the other side of border was a source of envy. Moreover, the state-controlled media often reported on the discrimination against the Russian-speaking minority in the Baltic States.

The former Soviet republics of Estonia and Latvia had defined membership in the EU and NATO as their main foreign policy goals. The fact that Estonia and Latvia had clearly indicated their Western orientation, on the one hand, made their relations with Russia somewhat clearer. On the other hand, NATO membership of those countries was considered a security threat by some political forces in Russia. Therefore, the aspiration of Estonia and Latvia to join this military alliance was criticised by Russian hardliners.

The wish of Estonia and Latvia to join the EU was not considered a threat by Russia, however. Before joining the EU these countries needed to adapt EU laws and regulations. One of the requirements of the EU for the applicant countries is to protect their borders effectively. This meant that the procedure of simplified border-crossing for inhabitants of the border areas had to be abolished, for example.

## 4.2.3. Chronology

In the period between 1992 and 1999, the representatives of the Pskov regional administration signed 19 documents with foreign partners. This section will describe some of those documents.

The first document in the field of subnational foreign activities was signed by the Pskov regional administration on 23 August 1993 with the Vitebsk oblast of the Republic of Belarus. It was an agreement on 'developing mutually advantageous cooperation'. The duration of the agreement was not limited. Other agreements with Byelorussian partners included a memorandum signed by a representative of the oblast' administration and representatives of Byelorussian/Ukrainian border regions on 22 Nov 1994. This memorandum dealt with the common interests of the border regions of the three countries. On 26 March 1996 the capital of Byelorussia, Minsk, and Pskov oblast' signed a cooperation agreement. With Baltic partners, several documents were signed. On 30 January 1995, a trilateral protocol on measures necessary for the opening of a representation of the Pskov Chamber of Commerce in Tallinn was signed between the oblast' administration, administration of the Estonian capital of Tallinn and the Pskov Chamber of Commerce. On 15 April 1999, Pskov region and the town of Valmiera of the Republic of Latvia signed a memorandum on development of economic, cultural and tourism links. With Estonian regional units, four documents were signed, among them a protocol on mutual interests with the Tartu between Pskov and Tartu) from 16 May 1997. Six years later, the ferry-link was

re-launched. A similar document aiming at improving transportation links was signed with the Finnish Ministry of Transport on 12 September 1995. The goal: establishing an air link Pskov-Kuopio (Finland). As of 2003, there was no air link between these towns, however.<sup>278</sup>

# 4.3. Local Municipal Units

This section will give an overview the subnational foreign activities of municipal authorities in the Pskov oblast' in the 1990s. There were two major towns in the oblast' engaged in subnational foreign activities worth mentioning, Pskov and Velikiye Luki. Out of these two, the scope of activities of the capital of the oblast', City of Pskov, was remarkable. Velikiye Luki, a town in the southern part of the oblast', had contacts with a Finnish town, Seinäjoki.

As far as the nature of subnational municipal foreign activities in the Pskov region is concerned they are mainly cultural and humanitarian. As municipal units cannot participate in the process of foreign-policy-making of the federation, their main focus was on the search for ways of improving the socioeconomic situation in their constituency.

The administration of the City of Pskov was fairly successful in attracting foreign aid to a variety of humanitarian projects. These projects have been aimed at improving the quality of life of disabled persons, orphans and low-income groups mainly.

<sup>&</sup>lt;sup>278</sup> List compiled by Laptev.

# 4.3.1. Directions

In Soviet times, the City of Pskov had established foreign contacts with Gera (GDR) in 1958, with Kuopio (Finland) in 1966, with Arles (France) in 1976, with Nijmegen (Holland) in 1987, with Neuss (FRG) in 1990 and with Perth (Scotland) in 1990. Velikiye Luki had one foreign partner: Seinäjoki in Finland. This partnership was established in the early 1970s.

Back in Soviet times, cooperation focussed on cultural exchange and exchange of representatives of same professions mainly (fire-fighters, for example). Joint actions were organised. For example, Gera, Kuopio, Arles and Pskov signed a common declaration demanding world peace in 1983.<sup>279</sup>

In the early nineties there was a major change of direction of foreign partners. Scandinavia and Western Europe became the main direction for subnational foreign activities for the City of Pskov, thereby replacing the former partners from the Communist bloc.<sup>280</sup> There emerged some contacts in geographically distant countries, such as the People's Republic of China and the United States of America, too. Those contacts were less intense, however, primarily because of the high travel expenses.<sup>281</sup>

Currently, the list of foreign partners of the City of Pskov includes Belostok (Poland), Valmiera and Daugavpils (Latvia), Vytebsk (Belarus), Gera and Neuss (Germany), Myanyan (China), Nijmegen (Netherlands), Norrtälje (Sweden), Perth (UK/Scotland), Roanoke (USA), Tartu (Estonia), Chernigov

<sup>&</sup>lt;sup>279</sup> "V imya mira na zemlye Gera-Kuopio-Arl", Pskovskaya Pravda, 24 Apr. 1983

<sup>&</sup>lt;sup>280</sup> Interview No 1AB with Alexander Bisyayev, Head of Department, Department for Foreign Links, Pskov City Administration, conducted 12 May 2000, in his office.

<sup>&</sup>lt;sup>281</sup> Interview No 1TR with Ms Tatyana Rumyantseva, Head of Department, Department for Foreign Links and Tourism, Pskov City Administration, conducted 28 June 2001 in her office.

(Ukraine). Joint activities with some of the partners are discussed in the following sections.

# 4.3.2. Partners

#### German Partners

In Germany, the City of Pskov has several partners in Soviet times already. Gera, an East German town used to be a partner of the City of Pskov since the 1960s. After the Soviet bloc ceased to exist, the City of Pskov shifted its focus from the East German partner to partners from the Western part of the unified Germany, however. This shift had a pragmatic reason: the Western German partners were wealthier and could rather afford to offer humanitarian aid. What was more, they could cover the travelling costs of delegations of both parties. East German towns, on the other hand, were less interested in partnerships with former Soviet towns and preferred to focus on their Western counterparts after the re-unification.<sup>282</sup>

An important peculiarity of the cooperation with German partners was a strong emphasis on humanitarian aid. For example, German partners were engaged in the project of opening a school for disabled children.

In the 1990s, beside the old Eastern German partner Gera, there were three other German partners: Mühlheim auf Ruhr, Neuss and Wassenberg. In 1998,

<sup>&</sup>lt;sup>282</sup> Interview N0 1TR with Ms Rumyantseva

German partners were the largest sponsors in financial terms. They contributed 500.000 roubles for social projects in the City of Pskov.<sup>283</sup>

A recent publication by the city administration enlists two German towns as current sister-towns of Pskov, Gera and Neuss. The relations with Gera, a town in the former German Democratic Republic have evolved from exchange of delegations for celebrations of socialist anniversaries to youth exchange and cultural cooperation. In the last years, Gera town administration has helped to organise joint chess competitions and pupil exchange. The authors of the booklet complain however that the interest in Gera in cooperation with the City of Pskov has decreased after the re-unification. The reason for the loss of interest lies in a general reorientation in favour of Western partners.<sup>284</sup>

#### Finnish Partners

In Finland, the City of Pskov had a partner already in Soviet times, too, despite the fact that Finland was not a socialist country. The town of Kuopio and Pskov became partners in 1966, which made Kuopio the first sister-town of the City of Pskov.

In Soviet times, contacts between Pskov and Kuopio developed on different levels. For example, the fire-fighters or medical workers of both towns

<sup>&</sup>lt;sup>283</sup> Otchet (1998): "Iz otcheta Mera g. Pskova za 1998 g: Sotrudnichestvo s gorodami partnyorami Pskova". A copy of the report obtained from Head of Department, Department for Foreign Links and Tourism, Pskov City Administration.

<sup>&</sup>lt;sup>284</sup> Antipov/Matsevich/Kalinin (2004): Antipov, V. S., S. F. Matsevich and I. Ye. Kalinin. *Porodnennye Goroda Pskova*. Pskov City Administration: Pskov, 2004, pp 26-27.

met often. Different cultural events introducing Finnish culture in Pskov and vice versa took place.<sup>285</sup>

In 1990s, the nature of cooperation between the City of Pskov and its Finnish partner changed. City of Pskov suffered from deterioration in living standardss in the aftermath of the collapse of the Soviet Union. Cultural exchange was no longer the highest priority. Humanitarian aid was the new keyword: in 1998, 12.355 USD was raised by the people of Kuopio for orphans in City of Pskov. This money was used for inviting orphans from City of Pskov to Kuopio for a summer camp. Moreover, a sauna was built for orphans.<sup>286</sup>

In the last years, cooperation with the administration of Kuopio has intensified, however. Recent cooperation projects were carried out in the cultural field. Moreover, a joint project with Kupoio in the framework of Tacis programme of the European Union provided for cleaner drinking water for the inhabitants of the City of Pskov.<sup>287</sup>

#### <u>American Partner</u>

City of Pskov administration officials spent a week in Roanoke, Virginia in 1992 in order to find an American partner. Head of Pskov delegation was Mayor Prokofiev, who signed an agreement of mutual cooperation. The central cooperation project between City of Pskov and Roanoke is student exchange. The Pskov State Pedagogical Institute has sent students to the Ferrum-College in

<sup>&</sup>lt;sup>285</sup> Pavlov, S. "Vstrechii Kolleg po Professii", Pskovskaya Pravda, 15 July 1987.

<sup>&</sup>lt;sup>286</sup> Otchet (1998): "Iz otcheta Mera g. Pskova za 1998 g: Sotrudnichestvo s gorodami partnyorami Pskova". A copy of the report obtained from Head of Department, Department for Foreign Links and Tourism, Pskov City Administration.

<sup>&</sup>lt;sup>287</sup> Antipov/Matsevich/Kalinin (2004), p. 36.

Roanoke. Other cooperation projects take place in the form of exchange of people, too. Medical workers, artists and political scientists from Pskov and Roanoke have visited their sister town.<sup>288</sup>

A short history of the relations has been compiled by the Roanoke/Pskov Oblast' Sister City Organization. The organisation has initiated several aid programmes in the City of Pskov, for example soup kitchens.<sup>289</sup>

## <u>Estonian Partner</u>

Tartu, the second-biggest Estonian town, is geographically the closest foreign town of comparable size. In Soviet times, there were numerous ferry, train and bus connections a day between the towns. The collapse of the Soviet Union separated the two cities and it took nearly 10 years before a cooperation agreement was signed.

<sup>&</sup>lt;sup>288</sup> Ibid. p. 59.

<sup>&</sup>lt;sup>289</sup> More information on joint projects of Pskov and Roanoke, Virginia can be found at http://www.rvsci.us/html/pskov2.html.



Picture No 5 The Town Square of Tartu.

The second-biggest Estonian town, Tartu, was influenced by German rule. With its Rathaus (Town Hall) Tartu contrasts with Pskov and its Kremlin.

Regularly, the 'Days of Pskov' are organised in Tartu. This is a two-day event, where intensive cultural exchange takes place. Moreover, for Tartu and Pskov business circles, an annual fair is organised.<sup>290</sup> The relationship with Tartu is quite new compared to some other partnerships, which were launched in Soviet times. Therefore, the list of joint projects is relatively short.

<sup>&</sup>lt;sup>290</sup> Antipov/Matsevich/Kalinin (2004), p. 63.

# 4.3.3. Chronology

As far as the number of documents signed with foreign partners is concerned, the City of Pskov was a less active player than the regional administration.<sup>291</sup>

On 3 June 1994 the City of Pskov, the Pskov rayon (local unit) and the Swedish Falun commune (local unit) signed an agreement on cooperation.

Cooperation between Pskov and its Estonian neighbour, Tartu, was slow to develop, despite geographical closeness. It was only in the year 2001 that a cooperation agreement between the two towns was signed. The agreement from 17 May 2000 foresaw cooperation and exchange of information between the towns' administrations for the following 2 years. Proposals for specific cooperation projects should be discussed bilaterally. However, special emphasis was put on cooperation in the field of economy and entrepreneurship. The agreement did not include any financial commitments. As a follow-up of the previous agreement, 25 September 2003 a cooperation declaration was signed by deputy mayors of Tartu and Pskov, which had a similar content <sup>292</sup>

Every year joint actions were organised with foreign partners of the City of Pskov. These actions had a strong social emphasis. The year 1998 was declared the 'year of youth' by the city administration and the town of Gera and

<sup>&</sup>lt;sup>291</sup> List compiled by Laptev.

<sup>&</sup>lt;sup>292</sup> "Koostöö ja sõbralike suhete arendamise lepe Pihkva linna (Vene Föderatsioon) ja Tartu linna (Eesti Vabariik) vahel {Agreement on Cooperation and Development of Friendly Relations Between Pskov (Russian Federation) and Tartu (Republic of Estonia)}, www.tartu.ee

http://www.tartu.ee/?lang\_id=1&menu\_id=2&page\_id=302, accessed 06 Jan 2006.

Kuopio. Youths from Gera, Kuopio and City of Pskov travelled to an island in Lake Ladoga in order to help and rebuild a monastery there. Some Pskov youths went to Gera to assist the reconstruction of an old farm, which became a youth centre afterwards. In the same year ten years of friendship agreement with Nijmegen (Holland) were celebrated.<sup>293</sup>

# 4.4. Local Rural Units

Subnational foreign activities of border-located rural units or districts (*rayon*) in Pskov were focussing on Scandinavian and Baltic subnational units. The main body for the conduct of subnational foreign activities for local units was the Council for Cooperation of Border Regions of the Republic of Latvia, the Russian Federation and the Republic of Estonia. Beside the Council, bilateral documents were signed with foreign counterparts. The following sections will describe those activities, with special focus on the work of the Council.

Most prominently, border-crossing problems have forced subnational local rural units in the border area to deal with foreign issues. A large number of people living in the border areas were affected by the end of the Soviet Union and subsequent emergence of a state border between Pskov oblast' and its Western neighbours. People wishing to visit their relatives or maintain the graves of their relatives experienced the border as an impediment to their everyday lives. The

<sup>&</sup>lt;sup>293</sup> Otchet (1998).

insufficient number of checkpoints on the border, problems with the Estonian or Latvian visa and poor public transport were central.<sup>294</sup>

The main body coordinating and facilitating subnational foreign activities of local rural units in Pskov oblast' is the Council for Cooperation of Border Regions of the Republic of Latvia, the Russian Federation and the Republic of Estonia.<sup>295</sup>

The list of documents signed with foreign counterparts is quite long.<sup>296</sup> On 4 February 1994 Tolochinskii rayon of the Vitebsk oblast of the Republic of Belarus and Velikolukskii rayon of the Pskov oblast' signed an agreement on cooperation, friendship and mutual help. On 3 June 1994 the City of Pskov, the Pskov rayon (local unit) and the Swedish Falun commune (local unit) signed an agreement on cooperation. On 28 Nov 1994 heads of border-located local units Pytalovo, Sebeshk, Palkinsk and Krasnogorodsk signed a memorandum 'On main directions for economic and humanitarian cooperation' with Latvian counterparts. This memorandum was the predecessor of the Council for Cooperation. On 21 December 1994 Strugokrasnenski rayon of the Pskov oblast and Kraslavsk rayon of the Republic of Latvia signed an agreement. The founding act of the Council for Cooperation of Border Regions of the Republic of Latvia, the Russian Federation and the Republic of Estonia was signed on 7 June 1996 in Pskov. On 12 May 1998 Pechory rayon co-signed with the Committee for Social Policy of

<sup>&</sup>lt;sup>294</sup> An extensive study on cross-border cooperation was financed by the Swedish Ministry of Foreign Affairs and published by the Estonian Foreign Policy Institute. (Mikenberg, Eero (ed.)., Ehin, Piret., Dmitri, Lanko., and Tüür, Karmo. *The Reasons for the Low Level of Cross-Border Activities: South-Eastern Estonia* analyses the reasons for the low degree of activities in the Estonian-Russian border area. Estonian Foreign Policy Institute: Tartu, 2003.)

 <sup>&</sup>lt;sup>295</sup> For a more detailed overview of the Council see the first case study in Chapter 5 of this thesis.
 <sup>296</sup> List compiled by Laptev.

the Pskov oblast' administration a protocol on fields of cooperation with the town of Nordborg (Denmark).

As will be discussed in the case study on the birth of a euroregion and in the conclusion of this thesis, although subnational rural units were not as active as regional or municipal units in the Pskov region in terms of foreign activities, studying subnational rural foreign activities offers interesting insights into motivations behind relationships with foreign partners at different levels of government.

# **Chapter 5 Case Studies**

Two case studies were chosen to illustrate subnational foreign activities of Pskov oblast' administration and local councils located on Russian-Estonian border. The first case study, 'Euroregion vs. Council for Cross-border Cooperation', focuses on a conflict of interests between the Pskov regional administration (regional unit) and the local councils (local rural units). The issue that caused the conflict was the creation of a euroregion with Estonian and Latvian partners.

The second case study 'Raketa-ferry – will it travel again?' describes and analyses a specific project. In Soviet times, passengers could travel between Tartu in Estonia and Pskov on a ferry. It was a rather popular way of travelling among both the Estonians and Russians. Both Pskov oblast' administration and Tartu County, i.e. two regional units, were committed to the revival of the ship link. Despite the bilateral commitment, no progress was made. This case study examines the reasons behind that failure and the capabilities of subnational units in the conduct of cross-border cooperation.

# 5.1. Case Study No 1 Euroregion vs. Council for Cooperation of Border Regions

The low level of cross-border cooperation in the Estonian-Russian border area has encouraged several researchers to try and find out possible reasons for this inactivity. A recent study by the researchers of the Estonian Foreign Policy Institute, including the author of this thesis, singles out main reasons for the low degree of activity.

The above-mentioned study argues that the expectations towards crossborder cooperation are high despite several setbacks that have occurred during the last decade. The post-imperial background of Estonian-Russian relations creates both incentives and obstacles to cross-border cooperation. The history of 'borderless' interaction and interdependence in Soviet times has not provided for a basis for cooperation between Estonian and Russian border regions, however. In the past decade, border-creating practices have clearly prevailed over bordercrossing practices in the area. The creation of the physical border, which was followed by a tightening of the visa regime and abolishment of visa-free bordercrossing for inhabitants of the border area, has caused socio-economic problems. Border areas are typically characterized by high unemployment, low incomes, and migration. Increasingly, on both sides of the border, cross-border cooperation is seen as offering more effective solutions to shared problems and as compensating for the adverse effects of a rigorous border regime on the local populations.<sup>297</sup>

Four groups of reasons for the low level of cross-border cooperation were singled out by the authors of the study. The first group – political reasons includes the overall state of Estonian-Russian relations (status of the Russianspeaking minority in Estonia, tightening of the visa regime in the wake of the EU accession, different security orientations, absence of relevant interstate treaties, such as border treaty). Another political obstacle to cross-border cooperation lies in centre-periphery conflict of interests. According to the study, national governments in both Tallinn and Moscow are reluctant to promote cross-border cooperation, because it is in conflict with their "high politics" agenda of national security, which mean, among other things, hard borders. The so-called lowpolitics agenda of subnational units of government, on the other hand, includes on economic, cultural, environmental and kinship contacts across the border.

According to the study, the second group of obstacles to cross-border cooperation is of *economic nature*. The central economic reason lies in the difference level of economic development of Estonia and Russia. Estonia has opened up its markets, joined the WTO and the EU, whereas Russia lags behind in this respect. What is more, Pskov region's development level is below the Russian average. Estonian private businesses are reluctant to engage in cross-border activities because of the uncertain business environment across the border. Despite economic obstacles, Estonia ranks 1<sup>st</sup> in the top of foreign investors in Pskov region, followed by another neighbor, Latvia.

<sup>&</sup>lt;sup>297</sup> Study by EVI: Mikenberg, Eero (ed.)., Ehin, Piret., Dmitri, Lanko., and Tüür, Karmo. *The Reasons for the Low Level of Cross-Border Activities: South-Eastern Estonia* analyses the reasons for the low degree of activities in the Estonian-Russian border area. Estonian Foreign Policy Institute: Tartu, 2003.

Thirdly come *psychological* obstacles, which derive from Soviet heritage mainly. Mutual suspicion is deeply enrooted both sides of the border. Moreover, the Estonian side is preferring Western partners to Russian ones in cooperation schemes for a simple reason: cooperation with the West brings aid, both financial and technical, whereas Russian partners have much less to offer.

Psychological reasons are followed by *technical/administrative* obstacles to practicing cross-border cooperation. The administrations of subnational local units lack the resources to engage in cross-border activities. Beside the lack of funds, the absence of competent personnel hinders cooperation. The study concludes that on the Estonian side, the perception prevails that cooperation with the Russian side means doubling your own efforts, since the partners across the border are rather passive and do not seem to contribute on an equal basis.



Picture No 6 The Koydula border station, built with assistance from the EU, waits for an upswing in cross-border trade

The search for the optimal form for organising cross-border cooperation between Pskov oblast', Estonia and Latvia reached a new level in 2001, when the idea of establishing a *euroregion* was proposed by Pskov regional administration. For several reasons that are discussed below, this proposal received a mixed response from the beginning, both domestically and internationally.

This case study will analyse a conflict between a subnational regional unit, i.e. the Pskov oblast', versus several border-located subnational local rural units in the Pskov oblast', Latvia and Estonia. The subnational *municipal* unit involved, the City of Pskov, was offered the opportunity to choose between sides, as it was a new player in the field of cross-border cooperation. The source of conflict was the birth of a euroregion and the control over it.

At the beginning of this decade, it became more likely that the EU's eastern enlargement would take place rather sooner than later, which meant that Pskov oblast' would soon be located on the EU's new eastern border. The wish to gain access to the EU funds that become available on the new border, after the enlargement activated both levels of subnational government in the region, i.e. regional and local levels. Several subnational units in the oblast' were poised to position themselves as preferred partners for future EU projects. Euroregion was the grand prix in this gamble. Sometimes, my personal impression was that 'euroregion' had become the synonym for 'euro-cash' for some officials.

The idea of establishing a euroregion was opposed by the then-incumbent organisation for cross-border cooperation, the Council for Cooperation of Border Regions, which held a quasi monopoly. Later on, however, the council promoted its own version of a euroregion in order to derail the regional administration's plans. Let us first take a look at the history, structure and activities of the Council for Cooperation of Border Regions. In the conclusion of the case study, an assessment can be found, whether the conflict has caused damage to cross-border cooperation or, rather, helped to lift the cooperation to the next level.

## **Council for Cooperation of Border Regions - CCBR**

The Council for Cooperation of Border Regions of the Republic of Latvia, Russian Federation and Republic of Estonia (CCBR) was established 19-20 April 1996 in Pskov. The idea to create such an institution was born one month earlier, in Karlskrona, Sweden. There, two Estonian counterparts and one partner from both Russia and Latvia signed a letter of intent for establishing a trilateral organisation. In the letter, euroregion was mentioned as the model for the new organisation, though it was not supposed to become a euroregion itself.<sup>298</sup>



#### Picture No 7

The emblem of the CCBR combines the three national flags of Estonia, Russia and Latvia,

encircled by 7 yellow stars.

<sup>298</sup> Homepage of the Council for Cooperation of Border Regions, <u>http://www.aluksne.lv/cbc/EN/Padome.htm</u>, accessed 2 February 2003. The organisation's main goals were cooperation on joint regional programmes and projects and representing its members' interests both domestically and internationally. And, last but not least, 'developing an institution that creates a participatory network of partners that optimises all the opportunities created by this co-operative environment'.<sup>299</sup>

The council was founded 7 June 1996 in Põlva (Estonia). The founding members were Aluksne and Balvi local units (Latvia), Palkino, Pechory and Pskov local units of Russia and Põlva and Võru regional units (Estonia). It is worth mentioning here that the founders had different status: the Russian and Latvian founders were local units, whereas the Estonian partners were regional units. Later the Latvian Ludza rayon joined the Council. The main aims of the Council included 1) joint regional programmes, 2) representing its members both domestically and internationally, and 3) developing a participatory network for Council's members. <sup>300</sup> The main form of work was initiating and implementing projects on various topics, such as international ecological children summer camp, VISION 2010, or learning foreign languages.<sup>301</sup>

The highest decision-making body of the CCBR body was the council. The council consisted of elected political leaders of its members. In addition to full members, there were observers in the council, from the Latvian Ministry of Environment, the Estonian Ministry of Internal Affairs, Pskov Regional Administration, and the MFAs of all three countries.

The executive body was the secretariat. Each member nominated 2 members from its administration to the secretariat. In 1998, three executive

<sup>&</sup>lt;sup>299</sup> The Quarterly Report of the Council for Cooperation of Border Regions, 2000 No 1, p. 1.

<sup>&</sup>lt;sup>300</sup> Ibid, p. 1.

<sup>&</sup>lt;sup>301</sup> Letter by the Russian CEO of the Council Novoshinski to Dr Kraa.

directors were selected in an open competition. The Estonian executive director was working full-time and paid by the national border programme. The Latvian and Russian executive directors were working part-time and paid by the respective members. In order to reduce costs, the secretariat was in 2000 replaced by a board.<sup>302</sup> The board consisted of three executive directors. Beside the secretariat/board, everyday work was carried out in 8 permanent working groups. Topics such as transport, transit, culture, etc were discussed there.

Commenting on the experience of cooperation, the representatives of the CCBR claim on their web page that joint projects have been both satisfying and disillusioning. Members are critical of most foreign aid programmes, as they only offer seminars and consultants, i.e. no investments are allowed. The main document produced was VISION 2010, financed by PHARE Credo programme. This paper outlined the future vision for the region, focussing on the need to develop the infrastructure linking the three states.<sup>303</sup>

## **EUROREGION Pleskava vs EUROREGION Pskov-Livonia**

The concept of euroregion is not unfamiliar in north-western Russia. Two euroregions existed there, one in Kaliningrad and the other in Karelia, before the Pskov-based euroregion was born. The fourth euroregion with Russian participation was established in Pskov in November 2003.

The 'saga' of the Pskov euroregion began more than two years before its birth. 19 July 2001, the vice-governor responsible for foreign links and investments, Vladimir Blank, proposed the creation of a trilateral euroregion

<sup>&</sup>lt;sup>302</sup> Members finance the CCBR. Every member contributes 1000 EUR on an annual basis. <sup>303</sup> www.aluksne.lv/cbc/EN/padome V.htm

between Pskov, Latvia and Estonia during a meeting with the Estonian minister for regional policy. Both sides agreed that cross-border cooperation should be deepened. No specific conditions were discussed, however.<sup>304</sup>

The Pskov oblast' administration, the initiator of the euroregion, argued that the euroregion was the right organisation to solve problems in the border areas of all three countries. In its proposal, the administration claimed that guaranteeing employment should be the first priority of all three partners. By guaranteeing employment, migration from border areas could be stopped, if not reversed.<sup>305</sup>

The initial idea of having a trilateral euroregion between Pskov, Latvia and Estonia was abandoned later given the unenthusiastic reaction from Estonia. The main argument against the trilateral version was, according to an expert masterminding the process on behalf of the regional administration, the fact that it is more complicated to reach an agreement between three parties than between two.<sup>306</sup> Instead, the regional administration of Pskov began to promote two separate euroregions, Pskov-Estonia and Pskov-Latvia.

As late as December 2003, on the homepage of the regional administration, the creation of two separate euroregions was promoted, 'Estonia-Pskov oblast'' and 'Latvia-Pskov oblast''. The euroregion with Estonia would have included 5 Estonian counties (via Associations of Local Authorities). From Pskov side, the City of Pskov and three rayons would have participated. The Estonian executive body would have been the South-eastern branch of the

 <sup>&</sup>lt;sup>304</sup> Pskovskoe Agenstvo Informatsii, <u>http://informpskov.ru/business/24.html</u>, accessed 30. Nov. 2003.
 <sup>305</sup> Pskov region official server – Pskov online, <u>www.invest.pskov.ru/euroregion.php?lang=ru</u>, accessed 30. Nov. 2003

<sup>&</sup>lt;sup>306</sup> East-West Institute's Russian Representation's Head Alexei Ignatiev in his interview to Pskovskoe Agenstvo Informatsii, http://informpskov.ru/interviews/7361.html, accessed, 30.11.2003.

Estonian Entrepreneurship Foundation 'Enterprise Estonia'. In Pskov similar functions would have been given to the Agency for Regional Development of the Pskov Oblast', an institution established by the City of Pskov.

The euroregion 'Latvia-Pskov oblast'' would have included 5 Latvian districts and 5 Pskov districts, plus the City of Pskov. The Latvian executive body would have been the Latgale County Regional Development Agency and/or Vidzeme Regional development Agency In Pskov, again, the Agency for Regional Development of the Pskov Oblast'.

In the final proposal, autumn 2003, however, the concept of a trilateral euroregion re-emerged.

The Pskov regional administration was eager to push forward with the euroregion, despite the fact that the incumbent organisation – Council for Cooperation of Border Regions – had serious doubts about it. The cautious attitude of the CCBR towards a new structure was understandable. The CCBR would have been marginalized. Therefore, it perceived the idea of the regional administration as a threat to its existence. Moreover, the fear was that the regional administration would try - with the assistance of the euroregion – to increase its power over subnational municipal and local units in the border region of the oblast'. <sup>307</sup>

The CCBR had rejected the idea of establishing a euroregion, claiming that the CCBR itself was already functioning as a euroregion without carrying the proper name. In spite of this, necessary measures were taken by the CCBR in order to reinvent itself as a euroregion, if necessary.

<sup>&</sup>lt;sup>307</sup> Interview No 1AK with Mr Andy Karyus, Manager of the Council for Cooperation between Border Regions of Estonia, Latvia and Russia, conducted 12 Dec 2003, by telephone.

Comparing the statutes of the two competing euroregions promoted by the regional administration and the CCBR it becomes evident that there only minor differences. The overall objectives of the two euroregions are almost identical, i.e. promoting cross-border cooperation in different fields. The structures differ somewhat, however. The CCBR's proposal foresees an additional body, the presidium. The decision-making process differs too. In the CCBR's euroregion decisions require the approval of the majority of attending delegations. The delegation decides internally by majority, too. In the euroregion proposed by the regional administration, however, a consensus of all attendees is required.

Finally, two concepts of euroregions were circulating in the administrations of the border districts and towns in the summer and autumn of 2003: (1) Pleskava: a trilateral euroregion Latvia-Estonia-Pskov with the involvement of the Pskov regional admini stration; (2) Pskov-Livonia<sup>308</sup>: a trilateral euroregion Latvia-Estonia-Pskov, based on the existing Council for Cooperation of Border Regions, without the direct involvement of the Pskov regional administration.

Pskov regional administration, having failed to convince Latvian and Estonian counties, was targeting Estonian and Latvian towns located close to the state in the summer of 2003. As the CCBR and its members were opposing the new euroregion, the oblast' administration was poised to find new allies. Therefore, it tried to replace the counties and districts with towns. For this, the regional administration sent the founding agreement and the statute of the new euroregion to 6 Latvian towns and 5 Estonian towns.

<sup>&</sup>lt;sup>308</sup> Livonia is the ancient name for the once united territories of southern Estonia and northern Latvia.

The initiative turned out to be a failure. A new euroregion was not established with the involvement of regional administration, mainly due to the requirement of allocating 0.2 of the budget to the organisation.<sup>309</sup> In the case of Tartu, this would have meant 16 million Estonian kroons (1.2 million USD). Firstly, it was unclear what for this sum would be used. Secondly, it was approximately a hundred times more than the CCBR had requested from its members (1000 EUR per year).

The CCBR's concept was the winner and on 25 November 2003 the organisation was transformed into a euroregion, named 'Pskov-Livonia'. It included the same districts involved in the CCBR before, plus the City of Pskov, a newcomer. The respective national sections of the CCBR were transformed as sections of the new euroregion.

#### Conclusion

In my view, the regional administration did not fully grasp the meaning of the term 'euroregion'. The proposal to establish a euroregion with Estonian and Latvian counterparts was made in the hope jumping the train of cross-border cooperation, when it was already moving.

The discussion whether euroregion is a suitable concept for Russia continues. Some views on this subject will be discussed below.

The euroregion should represent one of the highest stages of cross-border cooperation. The administration lacked the necessary network in both in Estonia and Latvia and was, therefore, unable to attract partners for its project. Moreover,

<sup>&</sup>lt;sup>309</sup> Interview No 1SI with Vice-Mayor of Tartu, Mr Sven Illing, conducted 18 May 2003, in hotel Barclay, in Tartu..

the fact that the regional administration wished to create a new body circumventing the Council for Cross-border Cooperation was bound to cause animosities and conflict.

Why did the Estonian side not appreciate this initiative? Although the Estonian minister for regional policy had welcomed the initiative to deepen crossborder cooperation, the idea of establishing a euroregion was largely ignored. Estonia's two main newspapers did not even mention the word 'euroregion' in 2001-2003. Insiders argue that the main reason was the existence of the CCBR. Estonian side saw no need for a new structure.

Competition between institutions in the border area has in this case not only strengthened cross-border ties, through increased communication and interaction. What is more, the creation of a euroregion, the fourth in Russia, paves the way for new development projects in the area. The term 'euroregion' is known in the European Union and its use will help attract both attention and financial support.

Several Russian scholars have examined the suitability of the concept of euroregion for Russia in general and for Pskov in particular. The central message of these studies seems to be that the concept of euroregion should be further developed in order to meet the needs of Russian border areas.

A publication by the Institute for Regional Economy of the Russian Academy of Sciences underlines the Soviet heritage of weakly developed border areas as the main impediment for cross-border cooperation. Furthermore, they see cross-border cooperation as a common feature of international relations, from which Russian regions have been excluded to a great extent.<sup>310</sup>

A Pskov-based NGO, Centre for Social Projecting 'Revival' has compiled an extensive study about the right model for cross-border cooperation for the Pskov region. According to this paper, most experts on cross-border issues in Pskov believe that Pskov region should have been included *in corpore*. In other words the regional unit and all local units, both municipal and rural, should have formed the Russian partner in the project. The authors of this study argue that Russian side has misinterpreted the euroregion as a strategic aim. In fact, it is an instrument that can only be useful if cross-border cooperation has become a priority for Russia's regional policy. Before that attitude changes, any euroregion in Russia is doomed to failure.<sup>311</sup>

An Estonian think tank, the Centre for Academic Baltic Russian Studies based in Tartu, Estonia, has put the question directly: is an Russian-Estonian euroregion necessary?<sup>312</sup> In their article, two experts of cross-border cooperation from Estonia and Russia warn that euroregion has taken the form of 'officials' tourism' in Russia. On the other hand, they argue, although creating a euroregion will not help the border area automatically, it will help to draw attention of the EU.

The overall media coverage of the euroregion has been modest compared to regular coverage of cross-border activities in Estonian and Pskov media. Pskov media brought report occasionally, which were rather sceptical of the plan. For

<sup>&</sup>lt;sup>310</sup> Litovka/Mezhevitch (2002), pp. 68-69.

 <sup>&</sup>lt;sup>311</sup> Shlosberg (2004): Shlosberg, Lev (ed.). *Modelirovaniye evroregiona dlya Pskovskoi oblasti*. Pskov: Tsentr socialnovo proiektirovaniya"Vozhroshdenie", 2004, pp. 67, 84.
 <sup>312</sup> "Nuzhen li rossisko-estonski evroregion?", in PAI, 04 Feb 2003,

http://informpskov.ru/analytics/5542.html, accessed 30 Nov 2003.

example, in a report from May 2003, the author suspected that it was Estonians and Latvians, who needed a euroregion, not Russians. In his view, the Baltic neighbours were determined to demonstrate that they were engaged in a goodneighbourly relationship with their large eastern neighbour in order to join the European Union. Furthermore, he cautioned that the project euroregion was a means for the Baltic neighbours to gain access to European aid programs.<sup>313</sup>

According to the study by the Estonian Foreign Policy Institute, the fact that the development of cross-border cooperation is linked to the state of intergovernmental relations between Estonia and Russia makes it more difficult to offer quick solutions to the stalemate. Most existing obstacles, such as double import tariffs on Estonian goods or the missing border treaty can only be solved by national governments in Moscow and Tallinn. Cooperation between border regions is hindered by policy stalemates with a long history. EU enlargement is an important step in the right direction, because it could re-define the framework for bilateral relations between Estonian and Russia. Quoting the study: 'Thus, the overall climate of Estonian-Russian bilateral relations should be seen as an important intervening variable in assessing the effects of EU enlargement on cross-border cooperation. Estonia's accession to the EU will not have any major direct, immediate impact on the border regime or the overall situation of the border regions. The widely held view that the upgrading of candidate country Eastern borders into the external border of the EU will increase barriers to interaction with non-EU neighbors does not apply to Estonian-Russian relations where barriers have been high already since the early 1990s. Instead, Estonian

<sup>&</sup>lt;sup>313</sup> Pskovskoye Agenstvo Informatsii. Alexandr Zakharov, "Yevroregion ili yevrotupik?", Pskov, 31.05.2003.

accession to the EU is likely to improve the overall climate of bilateral relations through correcting regional power imbalances, relieving security concerns, facilitating economic contacts and providing opportunities to develop the treaty basis of interstate relations.<sup>314</sup>

In my opinion, the complicated birth of the euroregion between Pskov, Latvia and Estonia was a reflection of underlying political tensions and economic imbalances between the Baltic and Russian neighbours. Political tensions derive not only from regional animosities between Pskov region and Eastern parts of Estonia and Latvia, but from the general state of Estonian-Russian and Latvian-Russian relations. Economic differences should not be overseen, either. Estonia and Latvia have opened up their markets, joined the WTO and EU, whereas Russia is keen to protect its market, especially the so-called strategic enterprises.

The emotions were running high during the preparations for the establishment of the euroregion. However, after the euroregion was created this topic has all but vanished from the media coverage. Moreover, officials on both sides of the border appear to have lost their interest in the project. The Estonian CEO of the CCBR Mr Andy Karyus, who was the main mastermind, has left the organisation because its financial situation had deteriorated dramatically.

<sup>&</sup>lt;sup>314</sup> Mikenberg, Eero (ed.)., Ehin, Piret., Dmitri, Lanko., and Tüür, Karmo. *The Reasons for the Low Level of Cross-Border Activities: South-Eastern Estonia* analyses the reasons for the low degree of activities in the Estonian-Russian border area. Estonian Foreign Policy Institute: Tartu, 2003, p. 29.

## 5.2. Case Study No 2 "Raketa"-ferry – Will it Travel Again?

The second case study illustrates the evolving relationship between a subnational regional unit in Russia, i.e. Pskov region, and a subnational regional unit in Estonia, i.e. Tartu County. This relationship had a direct impact on the activities of subnational private units, i.e. private companies, on both sides of the Estonian-Russian border.

The broader framework for this case study is cross-border economic cooperation between Pskov oblast' and south-eastern Estonia. In this case, the interaction of the Pskov regional administration and Tartu county administration was aimed at enabling private companies from both Russia and Estonia to carry out a mutually advantageous business project. Unfortunately, as of December 2005, joint efforts have produced a minimal amount of tangible results.

The central question of this case study is, why has cross-border cooperation failed to materialise despite the proclaimed wish of all interested parties? What role was played by the overall political climate in the bilateral relations between Russia and Estonia? Could the failure have been prevented if some actors had have behaved differently? What general conclusions for the *capabilities* of subnational regional units for the conduct of foreign activities can be drawn from this case study?

## **Background Information**

The geographic scope of inland waterways in the region Pskov-Estonia is noteworthy. The Velikaya River links the Estonian-Russian double lake Peipus/Pskovskoye, which is the 7<sup>th</sup> largest in Russia<sup>315</sup>, with the capital of the oblast'. On the Estonian side, the river Emayogy links Lake Peipus with the second-biggest town, Tartu. The two rivers and lakes could become a link connecting Pskov with its Estonian neighbour. Moreover, it could become an additional transportation link, for both passengers and goods, between Pskov and Scandinavia, via Estonia.

Regular ship traffic between Tartu and Pskov was introduced after the World War II. Back in 1957, Pskov newspaper *Pskovskaya Pravda* published a report on the ferry travelling between Tartu and Pskov, which described the trips on the passenger ferry "Yoala" between Tartu and Pskov.<sup>316</sup> In 1965, the first fast ferry equipped with underwater wings arrived in the port of Pskov.<sup>317</sup> The first Raketa-ferry, which was to become the standard ship-type used on this route, arrived in July 1967 from Feodosia via Novgorod.<sup>318</sup>

In 1970s and 1980s there were daily trips by ship over the Emayogy River in southern Estonia from the town of Tartu (Estonia) first to Lake Peipus, then southbound to Lake Pskovskoye and, subsequently, on the Velikaya River to the city of Pskov. The port of Pskov on the Velikaya River linked via water Pskov and the Estonian SSR. Not only tourists but also construction materials, especially sand, and other goods were transported via this port. For example, in 1982,

<sup>&</sup>lt;sup>315</sup> Karpukhina (1994): Karpukhina, M.N. (ed.). *Rossiiskaya Federatsiya: Atlas*. Moscow, Kartografiya, 1994, p. 71.

<sup>&</sup>lt;sup>316</sup> Naimukshin, I. "O reisakh passazhirskovo parokhoda "Yoala", .Pskovskaya Pravda, 8 June 1957.

<sup>&</sup>lt;sup>317</sup> Mikhailov, V. "Strela" letit na Velikom", Pskovskaya Pravda, 13 Aug 1965.

<sup>&</sup>lt;sup>318</sup> Vinogradov V. "Raketa" na Velikom", Molodoi Leninets, 6 July 1967.

450.000 tons of building materials were transported on inland waterways of the oblast<sup>'</sup>.<sup>319</sup> In 1990, shortly before the collapse of the Soviet Union, the respective number was 950.000 tons.<sup>320</sup>

Additionally, internal waterways were used to maintain connections between Pskov and several remote islands in Lake Pskov. Altogether, tens of thousands of passengers and hundreds of thousands of tons of materials were transported annually using this route.



Picture No 8 A fast ferry on the river Emayogy

<sup>&</sup>lt;sup>319</sup> "Na golubykh magistralakh", Pskovskaya Pravda, 4 July 1982.
<sup>320</sup> "Navigatsiya-90 otkryta", Pskovskaya Pravda, 14 Apr 1990.

In Soviet times the Tartu-Pskov river link was an inland waterway connecting two Soviet republics. There were no physical borders inside the Soviet state. Both Estonian and Russian ferries could seamlessly cross the administrative border between the Estonian SSR and the Russian Soviet Federative Socialist Republic (RSFSR). The end of the Soviet Union changed the situation dramatically.

In early 1990s, the regained independence of Estonia made the further use of the waterway between Tartu and Pskov no longer feasible, neither economically or politically. Before the Soviet Union had ceased to exist officially, the administrative border became an international state border between the Russian Federation and the Republic of Estonia. Ships could no longer just cross the border with no formalities. The ship link became subject to bilateral agreements between the national governments of Estonia and Russia.

Beside political changes, the economic framework changed too. Now only a few of the Estonians or Russians could afford to use these ships, because living standardss had deteriorated sharply on both sides of the new border. Foreign tourists were just beginning to discover Estonia, let alone Pskov. The costs of running the ships, on the other hand, increased swiftly as the price for fuel moved towards world market levels. The demand for the transportation of sand collapsed too with the market for new buildings and roads. The outlook could not be worse.

In the second half of the 1990s the situation began to change. In 1997, in Pskov on the regional level a discussion began whether it would be possible to relaunch the ship link between Tartu and Pskov. Everybody agreed that the link would be mutually advantageous to both Pskov and Estonia. The oblast' administration then gave high priority to the development of internal waterways in the region. In spite of all efforts of the administration, however, international traffic on the rivers and lakes of the oblast' failed to materialise.<sup>321</sup>

From the Pskov perspective, without gaining access to Estonia the use of inland waterways was not attractive economically. Both the regional administration and local businesses lacked the financial resources to operate a domestic-only service on a regular basis. Only if the traffic became international, would it have made economic sense for private companies to launch commercial services.

Ferries are a rather inexpensive and environmentally-friendly means of transportation. Both the Estonian and Pskov regional economy would benefit from the ship link. The reopening of the waterway to Estonia would provide foreign tourists visiting Estonia with easy access to the ancient City of Pskov, a tourist attraction. As for the Estonian side, tourists would spend an extra night in the hotels of Tartu with the perspective of making a one-day trip to Pskov on the following day.

The international transportation of goods and materials on the waterways would bring mutual benefits, too. Bulk items such as timber, fertilizers and sand could be transported at much lower cost than on the road or railways. Moreover, the Pskov economy would obtain a route to export its goods more easily. The regional administration in Pskov, which imposes a tax on the use of natural resources, would gain in higher tax revenues from the export of wood and timber.

Beside economic considerations, the potential political profit was not to be underestimated. After years of distrust and mutual neglect between the

<sup>&</sup>lt;sup>321</sup> In Äripäev- Estonian Business Daily, 19 May 2003.

neighbours, the reopening of the ship link is a political enterprise: a symbol of cross-border cooperation.

#### **Interested Parties**

Let us consider more closely the relationship between the four subnational units involved with the reopening of the ship link: a regional unit of the Russian Federation and a private unit, on one side, and a regional and a private unit of the Republic of Estonia, on the other.

On Russian side, the regional unit involved is the administration of Pskov oblast' and the private unit is called GdovInvest Ltd, a holding company. On Estonian side, the regional unit is Tartu county administration and the private unit involved is Transcom Ltd., an holding company. These four subnational units were the main actors in the attempt to revive the ship link. The list of other interested parties playing a role includes regional, municipal, local and private units and the national governments of Russia and Estonia. The main targets of the activities of actors were the central governments of Russia and Estonia, as only they could sign bilateral agreements crucial to the success of the project.

The Russian subnational regional unit involved, Pskov oblast' administration, was interested in the project in general. However, there were periods of disinterest, too. Officially, the project received full support from the regional administration; privately, however, some officials admitted their reluctance. As one oblast' official put it: "Pskov has an international airport, but nobody uses it... Why on earth should anyone want to use our international riverport, if we had one?"<sup>322</sup> The oblast' administration could not do considerably more than lobby the central government in Moscow to sign the necessary bilateral agreements with Estonia.

Tartu County, a subnational regional unit in Estonia, was the third actor interested in this project. The Emayogy River, which links the town of Tartu with Lake Peipus, runs through Tartu County. On Estonian side, Tartu county administration was one of the loudest supporters of the project. However, the jurisdiction of county administrations in Estonia is restricted to representing the central government. County administrations cannot influence the decision-making process on the central state level significantly.

Despite the restricted room for manoeuvre, the county administration launched a project called the 'River-state Emayogy', supported by the Phare programme of the EU.<sup>323</sup> This concept promotes the tourist facilities and other attractions on the banks of the river, including the ship link with Pskov. Moreover, the head of the county administration submitted annually requests to the draft state budget in order to obtain financing for dredging works on the ground of the Emayogy River and Lake Peipus. Those requests were regularly declined, however.

In both countries, there were two subnational private units involved. The Estonian subnational private unit behind the project was a holding company; the Estonia-based Transcom Ltd. Among some other Estonian ports, Transcom owns the river port of Tartu and of the vessels capable of travelling over Lake Peipus.

<sup>&</sup>lt;sup>322</sup> Interview with Vadim Laptev No. 2.

<sup>&</sup>lt;sup>323</sup> The official promoter of the project is Tartumaa Turism, a tourism agency co-owned by Tartu town administration and Tartu county administration. A short summary in English can be found on http://turism.tartumaa.ee/docs/development\_corridor\_summary.doc.

The company belongs to an Estonian businessman Mr Rein Kilk. Moreover, Transcom co-owns the second-biggest Estonian port Parnu, which is the main hub for wood and peat exports from Estonia. The chairman of the supervisory board of Transcom, Mr Kilk, has actively promoted the idea of reactivating the ship link on both sides of the border.

On Russian side, the subnational private unit involved was a holding company, too. The owner of the Port of Storojinetsh, Gdov-Invest ltd, has interests in other sectors, such as oil-producing and petrol retailing in the Siberian part of Russia. The headquarters of the company is in St Petersburg. The company's functioning was, and still is, hindered by an internal power struggle of some leading personalities in top positions. Unfortunately, internal problems took their toll on the performance of the company management.

#### Chronology

According to a former Estonian consul in Pskov, Mr Vladimir Redpap, unofficial discussions to re-launch the ship link had begun in 1993 between the Tartu County' and Pskov regional administration officials.<sup>324</sup> The unofficial phase of preparations lasted four years.

On 16 May 1997 a protocol of intention was signed between the regional administration of Pskov, and the county administration of Tartu, aimed at reactivating the ship link. Mr Kilk, commenting on the observed document, that the main problem was the Russian visa, which could only be obtained in Tallinn.

<sup>&</sup>lt;sup>324</sup> Mr Vladimir Redpap in his speech on the Peipus Forum/Forum Balticum 9-10 September 2005 in Tartu, Estonia.

Back in 1997, he had hoped that the ship link would be reactivated within a week or two.<sup>325</sup>

On 20 June 2000 the first experimental trip took place on the route Tartu-Storojinetsh-Pskov. No regular international traffic followed. The explanation: the routes for ship traffic and the location of border-crossing points must be agreed upon between Estonia and Russia.<sup>326</sup>

The year 2002 was an important milestone: the legal basis for ship traffic was formulated. In that year, the necessary bilateral agreements were signed between authorities of the Republic of Estonia and the Russian Federation. Moreover, the subnational private units from Estonia and Russia involved, Transcom and Gdov-Invest, formulated their intentions in terms of developing the necessary infrastructure in the form of a bilateral agreement.

On 20 March 2002, Estonian Minister of Roads and Communications and her Russian counterpart signed in Moscow an agreement (*soglashenie*) on regulation of ship routes. The agreement regulates the routes for ship traffic over the Estonian-Russian border on Lake Peipus. In this agreement, specific points where ships are allowed to enter the territory of the neighbouring state, were agreed upon. The article 2 of the agreement requires both sides to open special border-stations for ships at those entry points. <sup>327</sup>

The Article 4 of the agreement stipulates that any vessel will be subjected to the laws and regulations of the state in which' waterways it travels. In other words an Estonian ship would come under Russian jurisdiction by default when entering Russian territory and vice versa. This article was more favourable to the

<sup>&</sup>lt;sup>325</sup> Mr Kilk in his speech on the III Peipus Forum, 22 August 2003 in Tartu, Estonia.

<sup>&</sup>lt;sup>326</sup> In Äripäev – Estonian Business Daily, 19 May 2003,

<sup>&</sup>lt;sup>327</sup> A copy of the text obtained by author from the CEO of the Port of Tartu, Mr Ain Adamson.

Russian side, since Russian laws ban foreign vessels from offering services in its internal waterways, whereas Estonian laws do not. Therefore, later on, this part of the agreement became a source of conflict since the Estonian ship owners were discriminated against.

Subnational private units involved signed a bilateral agreement four months later. On 7 June 2002, in Gdov (Russia) the representatives of the operator of the port of Storojinetsh, Gdov-Invest Ltd, and its Estonian counterpart, Port of Tartu Ltd (100% owned by Transcom Ltd), signed an agreement on Joint Action of Interested Parties for the Constructing and Equipping the Multilateral Checkpoint 'Praaga-Storojinetsh'. The agreement No 01/2002 refers in its preamble to the agreement of transportation ministries from March of the same year. The signing parties agreed on cooperation in all aspects of guaranteeing the readiness of technical infrastructure of the two ports for the transportation of passengers and goods. The construction of border stations or providing the technical equipment to those stations was not part of the agreement, however. As will be discussed below, the financing of the construction of border checkpoints and the necessary technical equipment will become the main source of conflict on both sides of the border. Subnational private units resisted consequently the demands from state and regional officials to build the border checkpoints.<sup>328</sup>

Following the signing of the agreement between transportation ministries from March 2002, on 16 June 2002, Estonian Foreign Minister and Ambassador of the Russian Federation to the Republic of Estonia signed in Tallinn an agreement on international border crossing points for ships on the Estonian-Russian border. In this agreement, three border checkpoints were agreed upon: on

<sup>&</sup>lt;sup>328</sup> A copy of the text obtained by author from the CEO of the Port of Tartu, Mr Ain Adamson.

the Estonian side, the village of Praaga in the mouth of the river Emayogy, and, on the Russian side, the port of Storojinetsh and the port of Pskov. <sup>329</sup>

An important change in the agreement was that on the Estonian side, only one border checkpoint (Praaga) was chosen. Earlier, there were speculations that Estonia could have a checkpoint in Tartu, too. Having two checkpoints to choose from would have allowed for more flexibility for picking the optimal location on the Estonian side of the border. Praaga is a tiny Estonian village in a swamp in the mouth of the river Emayogy. Being located in a swamp, Praaga is only accessible via water or air, except in the wintertime. Previous considerations to open the checkpoint in Tartu had been abandoned since the Estonian Border Guard insisted that the border formalities should take place as close to the physical border as possible. This was arguably a requirement of the Schengen visa regime, which Estonia is about to join.<sup>330</sup>

After the agreements had been signed, a period of confusion followed. Apparently nobody, neither in Russia, nor Estonia, had expected that these agreements would be signed so swiftly. Because of this, neither the Russian nor the Estonian side was actually technically prepared to let foreign vessels cross the border on Lake Peipus. A long list of preconditions had to be met on both sides, before the first ship could travel across the state border. The Russian side claimed it was better prepared than the Estonians, however. The port of Storojinetsh could arguably offer the border guards and customs officers satisfactory working conditions after some minor reconstruction works. In Estonia, a discussion emerged whether Praaga was the best location for a border checkpoint. Several

<sup>&</sup>lt;sup>329</sup> A copy of the text obtained by author from the CEO of the Port of Tartu, Mr Ain Adamson.

<sup>&</sup>lt;sup>330</sup> Interview with former CEO of the Port of Tartu, Mr Ain Adamson, 18 May 2003.

small villages and towns on the shores of Lake Peipus claimed that they would, in fact, be more suitable. This discussion was bound to be meaningless since the agreement had been signed already and none of the signing parties was prepared to restart the negotiations.

## **Problems and Possible Solutions**

This section will analyse the specific problems that subnational units, both governmental and private, needed to solve on both sides of the border in order to restart the ship service. Despite the fact that Russia is a federal state and Estonia a unitary one, problems are relatively similar. Moreover, some solutions proposed by different actors will be discussed.

Let us first examine the problems on Russian side. Pskov oblast', a landlocked region, was interested in developing its inland waterways. With federallevel and foreign assistance, international ferry transport on the lakes and rivers of the oblast' linking it with Estonia could have become a lucrative business in the region. Several problems on the federal and bilateral level with Estonia can be singled out that delayed the re-launch of the international service, and which the oblast' administration was incapable of solving independently.

The first problem was the lack of permission to handle international traffic in the Port of Pskov, which is situated in the centre of the City of Pskov. There was an alternative to circumvent the bureaucratic hurdles of applying for such permission for the port of Pskov, however. The most realistic alternative considered by oblast' officials was the port of Storojinetsh on Russian side of Lake Peipus, which had the permission to handle international traffic of persons and goods already. This port is located on the shore of Lake Peipus some 50km north of Pskov and capable of serving both passenger ferries and cargo ships. There were suitable facilities for both customs and border guard in the port that could have been upgraded at acceptable cost.

The idea was to divert passenger traffic on the route Tartu-Pskov to the port of Storojinetsh, where the customs and border officials would check the passengers. Subsequently, passengers would have re-boarded the ship and continued their journey to Pskov. The main disadvantage of this alternative route was that the port of Storojinetsh is not located on the shortest possible ship route from Tartu to Pskov. The additional distance makes the trip longer by an hour. Moreover, it adds to the fuel costs and makes travelling less convenient for passengers.

A serious obstacle to foreign tourists was the Russian visa, which was not easy to obtain. Many tourists were not willing to take the burden of applying for a visa and refrained from visiting Russia. The problem was partially solved in the late 1990s, when Western tourists were allowed to apply for a visa directly on the border. This practice was abolished later.

In addition to general problems like international status or Russian visa emerged the issue of technical preparedness of the port of Storojinetsh. The owners of the port had invested some 100 million RUB (3 million USD) in the port of Storojinetsh under obscure circumstances. Despite this huge investment in what had been a tiny fisherman's village, the port was still not in a condition to handle international traffic.<sup>331</sup> Since there was no dispatcher service available, no communication was possible with the Estonian side. And last but not least, there

<sup>&</sup>lt;sup>331</sup> Information from Oleg Melnikov, Representative of the Port of Storojinetsh in Estonia.

were no facilities suitable for the customs or the border guards. To put it bluntly, there was a huge empty building standing on the shore of the Lake Peipus, called 'port'.

The owners of the port were reluctant to pour any new funds in the project because of its unclear future perspectives. A vicious cycle: the port could not be used for handling traffic before the investments had been made.

On Estonian side, the problems were similar. First, the port of Tartu lacked international status, too. Second, obtaining an Estonian visa was not easy for Russians either. Additionally, the level of technical preparedness was as low as in Pskov. The initial idea of having a border checkpoint for ferry passengers in Tartu was rejected by the border guards. They demanded that the border station should be located as close as possible to the physical state border.<sup>332</sup> Consequently, the location of Praaga was chosen. Praaga, which lies in a swamp at the mouth of the river Emayogy, and is not accessible via land.

No public money was made available for the construction of a new border station on the Estonian side initially. The port of Tartu had no other option than trying to seek financial contributions from aid programmes. Since port itself was not eligible for such aid programmes, a foundation was established in cooperation with the port of Pärnu. The Foundation for Development of Estonian Inner Waterways had the task of attracting public interest and media attention to the problems of use of inner waterways.

Several attempts were made to raise funds for the construction of the border checkpoint. There was money available from the European Union for the assistance of cross-border cooperation. However, those funds were designed for

<sup>&</sup>lt;sup>332</sup> Interview No 2AD with Ain Adamson, CEO of the Port of Tartu, 18 May 2003.

so-called 'soft' activities, i.e. no investment component was allowed. To put it ironically, there was money to discuss the need for a border checkpoint but not a single euro to build one.

After the potential financial sources of the EU had been examined without success, attention was diverted to national aid programmes. The state-funded vehicle for assisting infrastructure and tourism projects is called Enterprise Estonia and it operates under the Ministry of Economy and Communications.

Prolonged negotiations with the political members of the Council of Enterprise Estonia produced an offer which was extraordinary in its nature. One member of the council declared that Enterprise Estonia would only be willing to participate in the financing of the checkpoint if the applicant would contribute at least 50% of the cost (the regular degree of self-financing was 10-20%).<sup>333</sup>

Since no other options were available, the Foundation of Inland Waterways accepted the offer instantly. The border station in Praaga became operational in May 2003. The port of Tartu financed 50% of the costs via its foundation. The remaining 50% came from the Enterprise Estonia. The total cost was 1.24 million Estonian kroons EEK (ca 80.000 EUR).

In fact, neither in Russia nor in Estonia was the state willing to bear the costs of building a border station. Normally, a border checkpoint on waterways would be built by the operator that needs it. The state finances the construction of checkpoints on land only. The checkpoints on *inland* waterways are not in the category of waterway checkpoints, however. Inland waterways are considered an extension of land in this context and, therefore, the state should finance the

<sup>&</sup>lt;sup>333</sup> A telephone conversation between the author and an official, Mr Raul Malmstein, of the Enterprise Estonia.

construction of border checkpoints there. This fact was left unnoticed by the national governments on both sides of the border.

## Media Coverage

Without the intention of giving the full picture of media coverage of the 'saga' of the re-launch of the ship link, some trends can be singled out. In general, media coverage of the ship link has been extensive on both sides of the border.

The Estonian daily <u>Postimees</u>, based in Tartu, was a very close follower of the events in the late 1990s. Earlier reports were overly optimistic. The enthusiasm of journalists faded away in the course of time, however. Positive reports on benefits for the local economy from the ship link were replaced by stories blaming different actors involved for the failure to make the project a success.

In 2002, after several bilateral agreements had been signed between the states and subnational private actors but no actions followed, reports in <u>Postimees</u> turned sarcastic. The head of Tartu county administration was the main target for accusations. In an editorial from July 2002, <u>Postimees</u> accused the head of administration of pretending not being involved and trying to decline any responsibility.<sup>334</sup>

In April 2004, <u>Postimees</u> brought a sensational report that Mr Kilk, the owner of the Port of Tartu, has abandoned the ship link between Tartu and Pskov altogether. Citing bureaucratic hurdles and incapability of the Russian government – both national and regional – the businessman declares that the

<sup>&</sup>lt;sup>334</sup> In Postimees, 1 July 2002.

project has been put on ice for the foreseeable future. He would not move a finger to put more pressure on Russian officials involved, since there are more rewarding business opportunities around.<sup>335</sup>

The second-biggest Estonian daily <u>Eesti Päevaleht</u>, which is based in the capital Tallinn, was less interested in the early phase of the project. Later, however, reports become more frequent. In August 2005, the newspaper reported on plans of the Port of Tartu to boost traffic on Estonian inland waterways as an alternative to waiting for the Russian border to open up. For this purpose the port intended to invest in a cruiser with up to 30 cabins.<sup>336</sup>

More recently, media focus in Estonia and Pskov has shifted from domestic scapegoats to foreign ones. Estonian media have brought stories on how the Russian side had failed to make the necessary preparations and vice versa. The reports reflect the level of frustration that was growing on both sides of the border. Reports have become less frequent and especially cautious about predicting when the ships would cross the border again.

#### Outlook

The prospect of a quick reactivation of the ferry link between Pskov and Tartu is rather dim. 'High politics' between Estonia and Russia continue to interfere with the project. On Russian side, the incapability of subnational actors to find the necessary financial means to upgrade the port of Storojinetsh is another obstacle. On Estonian side the fleet needs an upgrade.

<sup>&</sup>lt;sup>335</sup> Niitra, Nils. "Rein Kilk lõi bürokraatia võrgus siplevale laevaliinile käega" {Rein Kilk Has Dumped the Ship Link Caught in a Bureaucratic Trap}, Postimees, 16 April 2004.

<sup>&</sup>lt;sup>336</sup> "Rein Kilk plaanib osta Peipsile kruiisilaeva" {Rein Kilk Plans to Buy A Cruise Ship}, Eesti Päevaleht, 3 Aug. 2005.

Despite the difficulties, in the next two or three years things will change for better. Russian-Estonian relations have become part of the broader Russian-EU relationship. Both sides, Russian and Estonian, have developed a more business-oriented approach to cross-border activities. A ferry link between the two countries would fit in this new paradigm and serve mutual business interests. Moreover, EU programmes that become available to Estonia from 2004, such as INTERREG IIIC, will probably give a boost to the project.

However, given the political tensions in the aftermath of the nonratification of the border treaty with Estonia in the Russian Duma in the summer of 2005, the outlook for Russian-Estonian relations in general remains bleak. A Russian diplomat has admitted privately to the author that there is a strong political dimension of the ship link. Therefore, recent political turmoil in the capitals has put the ship link project on ice for the foreseeable future.

On the grass-root level, problems persist, too. Since the owners of the relevant ports can not be certain that the border will open up for their vessels, they are reluctant to invest in new ships. The existing fleet grows older and will soon not be able to travel such long distances.

## Conclusion

This case study examined the difficulties that derive from general political constellations, which interfere with the conduct of subnational foreign activities. As the relationship between the two states, the Russian Federation and the Republic of Estonia, were far from friendly in the 1990s, some difficulties at the subnational level might reasonably have been expected. What was surprising,

however, was that problems on the inter-state level led to a de facto blockade of a cooperation project at the subnational level.

In spite of declarations from both sides of the border aiming at deepening cross-border cooperation, very little progress was made in this particular case. Attempts by subnational units to carry out foreign projects without a federal or national centre's direct help are bound to fail.

One should not overestimate the economic importance of reactivating the fast-ferry link between the second-biggest town in Estonia and the capital of one of the economically weakest regions of Russia. But it is a litmus test for Russian-Estonian relations in general.

#### **Conclusion – the Theory and Practice of Cooperation Projects**

The media hype surrounding main cross-border cooperation projects between Pskov and its Baltic neighbours is only partly justified. As our two case studies have illustrated the results of such cooperation projects are of questionable value.

The term 'officials' tourism', i.e. cooperation projects serve the purpose of legitimising the travel expenses of administration officials mainly, seems applies to most cases of cross-border cooperation projects between Estonian and Pskov' subnational units. Nevertheless, bringing together key figures from administration and business circles can contribute to a better understanding of partners from the other side of the border. Mezhevitch and Litovka believe that Russian border regions, because of their weakly developed economies, have failed to follow a worldwide trend in cross-border and trans-border cooperation. Namely, many other border regions have been able to benefit from globalisation and increase their economic activity. They have discovered cross-border and trans-border cooperation as a source for economic growth. Transportation of goods and passengers, joint use of natural resources and environmental protection are the fields, where Russian regions could benefit from their location on the state border. In the Russian case, however, the location in the border area is rather a disadvantage from economic point of view.<sup>337</sup>

The authors believe that the self-isolation imposed by the Soviet Union is to blame for socio-economic weakness of Russian border regions presently. Unemployment rate is up to two times higher in border regions than in the inland. Personal income, on the other hand, is up to two times lower. Mezhevitch and Litovka cite Pskov as the classic example for their hypothesis.<sup>338</sup>

Apparently, both Pskov' and Baltic subnational units need to adopt a new strategy in order to achieve success in cross-border cooperation projects. Currently, cross-border projects carry the by-taste of improvisation. The ad-hoc approach does not provide for sustainability in cross-border cooperation, which certainly is needed. The inadequacies of communication between parties and lack of regular contacts between neighbours are the impediments that can be solved on the grass-root level, without any assistance from the central government..

<sup>&</sup>lt;sup>337</sup> Mezhevitch/Litovka (2002), p. 69.

<sup>&</sup>lt;sup>338</sup> Ibid, p. 69.

The overall political climate between states involved plays central role in cross-border cooperation projects. Recent events, such as the non-ratification of the border treaty between the Republic of Estonia and the Russian Federation in the Russian Duma, are heralding future difficulties facing cross-border projects. It is highly unlikely that any of these projects between Pskov and its Baltic neighbours can become a success without the political climate improving.

Political tensions between Russia and the Baltic states are not the only obstacle to cross-border cooperation created by central governments. Russian state has rejected the New Neighbourhood initiative of the European Union, which would have increased cross-border activities. The rejection has caused further uncertainty for cooperation projects. Currently, there are attempts to interlink INTERREG in the EU projects with TACIS projects in Russia. However, there is no evidence of successful attempts in this field.

An the theoretical level, it could be argued that in spite of the perception of subnational units on both sides of the Estonian-Russian border that they can engage in subnational foreign activities independently from the central government, Moscow and Tallinn are ever-present. The capabilities of subnational units, both governmental and private, are limited when it comes to creating the optimal framework for cross-border cooperation projects.

Until political tensions have been reduced between the neighbouring states, successful cross-border cooperation projects remain an anomaly in Russian-Estonian relations. Subnational units must rely on respective central governments for removing political, legal and financial obstacles.

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# <u>Chapter 6 Making Sense of Subnational Foreign Activities:</u> <u>the Case of Pskov</u>

The theoretical framework for the academic research of subnational foreign activities is far from complete. In this Chapter, an attempt has been made to make use of the available theories, especially the theory of international actorness developed by Hocking. More specifically, the validity of those theories in the case of Russian subnational units in general Pskov subnational units in particular will be examined.

Mainly, the research focus in the field of subnational foreign activities has been on *describing* this new phenomenon in the field of international relations. The theoretical framework for *explaining* subnational foreign activities has been proposed by a limited number of authors only, most prominently Brian Hocking and Feldman & Feldman. Those theories are far from perfect, since they do not provide sufficient tools for evaluating the phenomenon of subnational foreign activities.

In my view, the most comprehensive attempts to explain subnational foreign activities have been made by Brian Hocking. His theory has been discussed in detail in the section *1.4. Conceptual framework: types of subnational* 

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*foreign activities* of this thesis. Hocking refers to his model as the concept of 'international actorness'.

A team of authors, Feldman & Feldman, have made a similar attempt to describe the subnational foreign activities. Their concept has been discussed in the above-mentioned section of this thesis, too. Feldman & Feldman do not offer any evaluation of models either. Although they offer a tool for collecting and systemising information about subnational foreign activities, there is no indication as to how this information could be used.

Theories of international relations focus on states as actors. From the viewpoint of those theories, there is little room for alternative players on sub-state level, such as regions or cities. Interestingly, the available theories on subnational foreign activities follow a similar pattern. These theories do not deal sufficiently with the local level of government, i.e. towns and districts. Instead, the theories of subnational foreign activities focus on regions, and large cities to a great extent. In my view, for a comprehensive study of the phenomenon of subnational foreign activities it is necessary to cover all levels of government, including towns and districts, i.e. local municipal and local rural units, too.

Three *levels of analysis* are relevant for the study of international relations. The first is the *level of international system*, which puts the emphasis on longterm trends and the 'continuities' of international relations, such as imperialism, balance of power, international law, attempts at international cooperation, etc. The second level of analysis is called the *national level*. When focussing on the national level, the specific characteristics of a state take centre stage. The individual level of analysis, for its part, focuses on who personally is in charge of the foreign policy making in a particular state.<sup>339</sup>

Those three levels of analysis are relevant for the analysis of subnational foreign activities too. The first level, the level of international system, affects, especially via international law, the ability of subnational units to engage in foreign activities. As was written in Chapter 2 of this thesis, from the viewpoint of international law it is up to national constitutions to define the rights of subnational units in terms of foreign activities. The international system affects the subnational foreign activities of local municipal and local rural units to a lesser extent, since they are not subjects of the federation.

The national level, in the case of subnational units, is concerned with special features that characterise and eventually make a subnational unit distinct from the others. Especially in Russia, where the regions, not to mention towns and districts, differ to a great extent, this level is important. Ethnic composition, economic wealth and geography are the main determinants of subnational foreign activities that should be analysed on the subnational level.

Last but not least is the individual level of analysis. In subnational units, particular personalities play an important role when it comes to defining the aims of foreign activities. The national-level features mentioned above, such as geographic location, availability of natural resources and socio-economic situation, predetermine the room for manoeuvre of any regional political leader to a large extent, however. Nevertheless, despite these limitations, it is the

<sup>&</sup>lt;sup>339</sup> Bealey/ Chapman/ Sheehan (1999): Bealey, Frank, Richard A. Chapman and Michael Sheehan. *Elements in Political Science*. Edinburgh: Edinburgh University Press, 1999, p. 299.

personalities in charge of political decision-making who give the direction for subnational foreign activities of a particular subnational governmental unit..

The following sections will make an attempt to apply Hocking's theory of measuring the international actorness to the analysis of the subnational foreign activities of regional, local municipal and local rural units in the Pskov oblast'. Using the criteria form his theory, the information on subnational foreign activities of the above-mentioned governmental units in the oblast' has been systemised.

## 6.1. Analysis of Regional Foreign Activities

An attempt to measure the foreign economic activity of Russian regions has been made in a comparative study by the Russian Ministry of Foreign Affairs in 2001.<sup>340</sup> The study found that foreign economic relations play a relatively modest role in the Pskov regional economy, compared to other North Western regions of the Russian Federation.

Our aim in this thesis is not to focus on economic inputs only, but to take the overall foreign activities into account when assessing subnational foreign activities of an actor. This section will make use of the inputs proposed by Hocking in his concept of measuring international actorness of subnational

<sup>&</sup>lt;sup>340</sup> The study found that the foreign economic activity index was 8.0 in the case of Pskov. For comparison, the indexes for other Russian North Western regions were 17.9 (Arkhangelsk oblast'), 15.4 (Republic of Komi), 14.9 (Novgorod oblast'), 13.0 (Leningrad oblast'), 11.7 (Vologda oblast'), 10.8 (City of St Petersburg), (4.9 Tver oblast'). The index indicates the importance of foreign economic activity for the socio-economic situation in the region. The comparison included inputs such as (1) development index, (2) state of the manufacturing sector, (3) financial strength of the region, (4) investment activity, (5) income by the population, (6) employment level, (7) social security of the population, (8) ecological situation. Granberg (2001): Granberg, A.G. *Mezhdunarodye I Vneshekonomicheskie Svyazi Subyektov Rossiiskoi Federatsii*. Moscow: Nauchnaia Kniga, 2001, pp. 167-173.

governmental units for the evaluation of the nature of subnational foreign activities of the regional administration of the oblast' Pskov. In the case of the Pskov regional administration, the information on foreign activities is often incomplete. This complicates the use of Hocking's concept, since information on some inputs is not available. Often, data is only partly accessible as archives are poorly maintained and not being updated. What is more, detailed information on the financial commitments for foreign activities is not available. Especially, compared to the main local municipal unit in the region, the city of Pskov, the information on the foreign activities of the regional administration was insufficient.

An alternative to the less-than-accurate official record of subnational foreign activities is the use of print media, which give a good coverage of events. For background information, extensive interviews with relevant officials and other actors were invaluable. Media reports were another source of relevant and timely information.

Before applying Hocking's concept in the case of Pskov regional administration, some clarifications are necessary. Explaining his concept, Hocking underlines that the *asymmetric nature* of a federal system should be kept in mind when measuring the international actorness. The Russian Federation is an asymmetric federation, where federated units differ not only in terms of territory, population and economic wealth, but also in terms of their legal status as members of the federation. Moreover, the political and economic weight of Russian regions differs vastly. As explained by Melvin, in Russia there is a hierarchy of federated units as far as their rights to engage in subnational foreign activities is concerned (see section 2.3. of this thesis *Russian regions in the*  *international system*). In Melvin's view, oblasts as a type of subnational governmental units in Russia have fewer rights when engaging in subnational foreign activities than national republics. This should be kept in mind in future research of Russian subnational foreign activities.

#### **Aims and Motivations**

What were the main aims and motivations of Pskov regional foreign activities in 1991-2000? In Hocking's view, in Europe the main motivations of subnational foreign activities are *trade issues*, access to structural funds of the European Union and building alliances with foreign regions. Let us examine in this section whether those motivators were behind Pskov regional foreign activities too.

Economic or trade considerations and political motivations seem to have fought for a dominant position in the case of Pskov regional administration during the 1990s. Apparently, the political agenda was more important. It was only in the end of the last decade economic considerations began to dominate the conduct of regional foreign activities.

Let us first compare the quantity of documents signed with foreign partners with the participation of the regional administration. The total number of such documents reached 19 in the 1990s. Among these documents, there was only one treaty and one agreement, both signed with a Byelorussian partner. The remaining 17 documents represented less binding types of agreements: memorandums, joint action plans, protocols of visits abroad, etc. This fact

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supports the case that the regional administration was favouring Byelorussia as a partner.

As far as the qualitative data is concerned, in interviews and conversations with participants the author of this thesis discovered a clear preference for contacts with Byelorussian partners during the 1990s. Both economic and political considerations played a role. Political and economic circles in Pskov missing the old Soviet times preferred Byelorussia. In terms of external trade, it made sense to cooperate with Byelorussia. Byelorussian products were less expensive than Russian. As one interviewee put it: if a bottle of Byelorussian beer costs 4 roubles, then a bottle from St Petersburg costs 8 roubles and a bottle from the Baltic states costs 10 roubles.<sup>341</sup>

One could argue that in the long term it would have made more sense economically for the region as a whole to seek cooperation with Western partners, including the Baltic States, rather than with politically and economically isolated Byelorussia. Apparently, the regional administration came to that conclusion somewhere in the late 1990s, too. Indeed, as Vice-Governor Blank put it in 2002: the Pskov region can only attract Western investments and know-how via the Baltic States and this should be the top priority of the regional foreign activities.<sup>342</sup> Currently, Estonia and Latvia are the biggest trading partners and foreign investors in the regional economy.

Access to structural funds of the European Union became a relevant aim in the late 1990s as the regional elite began to grasp the inevitability of the EU

<sup>&</sup>lt;sup>341</sup> Interview No 1 AA with Mr Alexander Andreyev, Vice-Rector of Pskov State Pedagogical Institute, conducted 11 May 2000 in his office.

<sup>&</sup>lt;sup>342</sup> Presentation by Vladimir Blank, vice-governor of Pskov region, on a seminar introducing investment opportunities in Pskov region to Southern-Estonian business leaders, organised by Tartu County administration, in April 2002 (attended by author).

enlargement to Pskov' doorstep. Throughout the 1990s, however, the availability of EU funds was too modest to attract the attention of the regional administration.<sup>343</sup>

The intra-regional struggle for access began in the year 2000, when the regional administration made an attempt to become a player in cross-border cooperation schemes by establishing a euroregion. This attempt has been discussed in detail in Chapter 5 (case study on the birth of a euroregion)...

The third motivator indicated by Hocking seems not to apply in the case of Pskov regional administration in the 1990-s. In his view, subnational units tend to build alliances with similar partners, i.e. regional units, in other states. Those alliances would be aimed at making the voices of subnational units heard internationally. In the case of Pskov, no such alliances with other regional units existed, however.

The situation changed after the turn of the century, however. From then on, Pskov regional administration diversified its partnerships. A Polish county and a Swedish county became partners of Pskov regional administration, with whom it signed official cooperation agreements. With other partners, cooperation took place in the framework of specific projects, such as Tacis, INTERREG or projects financed by foreign states, such as Denmark. Since the registration of official agreements with foreign partners had been made more complicated and time-consuming by the federal government, cooperation in the form of aid projects became an attractive alternative.<sup>344</sup>

<sup>&</sup>lt;sup>343</sup> Interview No 1VL with Mr Vadim Laptev, Head of Committee, Committee of Foreign Links and Tourism, Administration of the Oblast' Pskov, conducted 16 May 2000, in his office.

<sup>&</sup>lt;sup>344</sup> Interview No 1VL with Laptev.

## **Extent and Direction of Involvement**

The second input of Hocking's theory is *extent and direction of involvement*. According to Hocking, it is the main criterion for assessing the international presence of a subnational unit. The main questions are here: where are the foreign partners located geographically and what are the topics in which a particular subnational unit is taking an interest in its foreign activities.

As Hocking explains, several factors set limits to the involvement of a subnational unit in international affairs. Firstly, geography predetermines the scope of involvement. Cross-border linkages would be preferred to geographically distant partners. The second limitation is the availability of bureaucratic resources for the conduct of foreign activities.

The direction of involvement of the Pskov regional administration was mainly westbound, in the geographical rather than the political sense. Geographic extent of involvement was less impressive than in the case of the City of Pskov, for example. Pskov region had its eyes on neighbouring or geographically not distant countries, such as Poland, Sweden or Byelorussia, of which two are Slavic states. During the 1990s, two of the direct neighbours, the Baltic States, which are non-Slavic, received less attention.

Hocking draws our attention to the location in a policy environment as one of the defining elements for the geography of foreign activities, citing the examples of EU and NAFTA. Pskov regional foreign activities were to a large extent influenced by the eastern enlargement of the EU and NATO. Therefore, the location in the policy environment of the EU and NATO has shaped the subnational foreign activities of the Pskov regional administration.<sup>345</sup>

As was mentioned in the previous section on aims and motivations, securing access to structural funds of the European Union is a motivator for subnational foreign activities. As we can read in the case study "Euroregion vs Council for cross-border cooperation" of this thesis, EU funds were, indeed, an important driving force for regional foreign activities. In order to gain access to the EU funds available for cross-border cooperation, the regional administration began to take interest in the Baltic neighbours, especially in the local municipal and local rural units in the border area.

Officials from the regional administration were participating in numerous international seminars and conferences on cross-border cooperation in both Pskov and abroad. The so-called conference diplomacy was conducted by vice-governors, head of department for external economic links and head of department of foreign links and tourism; considerable bureaucratic resources were available for the conduct of foreign activities. This is no longer the case after the overhaul of the regional administration by the new Governor Kuznetsov, however.

#### **Structures and Resources**

The availability of financial and bureaucratic resources is the main limitation to subnational foreign activities. In the case of Pskov regional administration, measuring these inputs was complicated by the fact that the

<sup>&</sup>lt;sup>345</sup> Governor Mikhailov's remarks that Pskov Airborne Division could take Tallinn in 48 hours are an example for the attitude of the regional administration.

regional budget did not clearly indicate this sum. The amount of financial resources in the regional budget allocated for subnational foreign activities was hidden behind articles such as "other expenses", etc. Moreover, persons dealing with foreign activities were not easy to identify because of the diversity of – partly over-lapping - structures dealing with foreign issues.

As far as the financial resources available for the conduct of regional foreign activities are concerned, it was not possible to identify the exact amount of money allocated in the budget of the regional administration. Officially, there was no article for expenses on subnational foreign activities in the regional budget. Such costs were covered from the article 'other expenses' and therefore, the officials dealing with foreign issues in the administration could not name the exact figure. However, in the year 2000 1 million roubles (ca 40.000 USD) was allocated for attracting foreign tourists.<sup>346</sup>

The bureaucratic resources of the regional administration for the conduct of foreign activities included several institutions. The following institutions dealt with foreign issues: the Governor, one Vice-governor, Department for External Links and Tourism and Department for External Economic Links. Altogether, in those departments 6-7 persons were employed.<sup>347</sup> Therefore, in total, up to 9 officials dealt directly with foreign issues in the oblast' administration in the 1990s and early this century.

Other resources of the regional administration in terms of foreign activities include its ability to assist federal government in foreign policy issues. Hocking argues that, often, subnational units are able to provide assistance to the federal

<sup>&</sup>lt;sup>346</sup> Interview No 2VL with Mr Vadim Laptev, Head of Committee, Committee of Foreign Links and Tourism, Administration of the Oblast' Pskov, conducted 29 June 2001, in his office.

<sup>&</sup>lt;sup>347</sup> Interview No 2VL with Mr Vadim Laptev.

government with expertise in specific policy areas. Pskov regional administration could assist the central government in Moscow in issues of cross-border cooperation. Governor Michailov accompanied President Putin on some of his foreign visits.

## **Levels of Participation**

The levels of participation of the regional administration in foreign activities were limited to bilateral partnerships. It preferred bilateral relations to participation in international or transnational organisations. Additionally, the regional administration was operating in informal networks and was engaged in 'conference diplomacy'.

Pskov region was a member in one international organisation in the 1990s. This was a transgovernmental organisation, namely the Organisation of Baltic Sea States Subregional Cooperation (BSSSC). Beside Pskov oblast', this organisation included 4 other north-western Russian regions, St Petersburg, Kaliningrad, Leningrad and Novgorod oblasts.<sup>348</sup>

As far as potential partners were concerned, Pskov region did not focus on partners with equal status, i.e. subnational regional units, only. The regional administration, represented by the Governor, officially met ministers of national governments or even the president in neighbouring countries on several occasions.<sup>349</sup> Moreover, some agreements of the regional administration with

<sup>&</sup>lt;sup>348</sup> An overview of the history, structure and activities of the BSSSC can be found in Chapter 4 of this thesis.

<sup>&</sup>lt;sup>349</sup> For example, on 17 Oct 2000 Governor Mikhailov was received by the President of the Republic of Belarus Alexander Lukashenka. The topic of discussion was boosting mutually advantageous

foreign partners had a national government as the other party (cooperation agreement with the Republic of Belarus).

*Conference diplomacy* as an instrument of subnational foreign activities was widely used by the regional administration. Participating in international conferences enabled the officials of the regional administration not only to promote the region as an investment opportunity but also to counterbalance the negative publicity the region had received in the international media after the LDPR's victory in 1996 governor elections. Especially vice-governors and heads of departments for external and external economic links were actively participating in conferences and seminars with foreign participants both in Russia and abroad.

#### **Strategies**

Hocking argues that there can be two types of strategies for subnational foreign activities. Firstly, a mediating strategy, which supports the foreign policy line of the federal government. Secondly, the so-called primary strategy, refers to the direct involvement of a subnational unit abroad, i.e. establishing representative offices, signing bilateral cooperation agreements, etc.

In his view, subnational regional units located on the political periphery were more likely to seek a direct presence abroad, since they do not perceive the foreign policy of the central government as representing their interests. Paradoxically, those units happened to have the least resources for being able to

cooperation on the basis of the recently signed agreement between the parties. (Pskov Region News, 17 Oct 2000, <u>www.pskov.ru/region/171000.html</u>, accessed 18 Oct 2000).

follow primary strategies, which is more resource-consuming than the mediating strategy.<sup>350</sup>

In the case of Pskov, which is a region on the periphery of the Russian federation, the opposite seems to be the case. The regional administration was not only supporting official foreign policy but was even in some cases more conservative and reactionary than the central government. Clear preference for Belarus as the main foreign partner, visit of Governor Mikhailov to Kosovo to see Pskov troops located there were supportive of the foreign policy line of the federal government in the 1990s.<sup>351</sup>

There was no official strategy for the subnational foreign activities of the region in the 1990s. The need for a strategy was being discussed in April 2003.<sup>352</sup> As of spring 2006, the strategy had not been approved, however. Neither was a draft of the strategy available. In an interview, Vadim Laptev, head of the department for external links and tourism of the regional administration pointed out that cooperation took place on case-by-case basis. With every partner, specific goals were followed. As changes in federal legislation obliged members of federation to go through a complicated registration procedure for cooperation agreements with foreign partners, regional administration began to prefer participation in concrete aid projects without a legally binding document between the parties.

<sup>&</sup>lt;sup>350</sup> Hocking (1999): Hocking, Brian. "Patrolling the 'Frontier': Globalization, Localization and the 'Actorness' of Non-Central Governments," in Francisco Aldecoa and Michael Keating (eds.). *Paradiplomacy in Action: The Foreign Relations of Subnational Governments*. London: Frank Cass Publishers, 1999, p. 30.

<sup>&</sup>lt;sup>351</sup> Pskov Regional Administration's press-release at <u>www.win.pskov.ru/events/kosovo/</u>, accessed 18 Oct 1999.

<sup>&</sup>lt;sup>352</sup> Speech by Dmitri Shachov on a seminar orgaised by the Lake Peipus Project, a Pskov-based NGO,5 April 2003 in Pskov.

For the promotion of external economic links, a law on attracting foreign investments to regional economy of Pskov was adopted by the Pskov Oblast' Duma on 31 January 1996. This law was replaced by a new version on 19 March 1998. This law foresaw several guarantees for investors by the head of the regional administration and by heads of local municipal/municipal units of government. Article 10 of the law addresses a sensitive issue: abuse of power and other illegal actions taken by state authorities/officials. Investors are promised full compensation for losses incurred due to such actions. Further in the law, tax incentives were made available and the creation of free economic zones was allowed.<sup>353</sup>

In general, the information obtained from interviews with regional and federal officials located in Pskov leads to the conclusion that in the 1990s the main strategy of the regional administration in terms of foreign activities was to boost cooperation with *politically* close partners abroad. Economic considerations did not dominate the agenda. This pattern began to alter in the beginning of the current decade when new members entered the team of governor Mikhailov, such as vice-governors Vladimir Blank and Dmitri Shahhov.

<sup>&</sup>lt;sup>353</sup> "Zakon o privlecenii investitsii", {Law on Attracting Investments}, www.win.pskov.ru/money/invest/invest en.html, accessed 18 Oct 1999.

# 6.2. Analysis of Local Municipal Foreign Activities

Applying the concept of *measuring the international actorness* in the case of the administration of the City of Pskov is more accurate than in the case of the regional administration. The information on municipal foreign activities is better systemized and access to it is less restricted. Especially, detailed information on financial aspects of foreign activities provides important insights.

# **Aims and Motivations**

The central aim of foreign activities of the City of Pskov was improving living standardss in the city, especially by assisting projects designed for the less-protected members of the society, i.e. socio-economic type of contacts dominated.<sup>354</sup> Orphans and disabled persons received special attention; humanitarian aid was one of the key issues in foreign activities. Student, pupil and youth exchanges with foreign partners were organised by the city administration. Youths from foreign cities came to the city to work voluntarily on the construction of churches etc. In return, youths from the City of Pskov assisted similar projects abroad.

<sup>&</sup>lt;sup>354</sup> Interview No 1TR with Ms Rumyantseva.

The city administration measured its success in the field of subnational foreign activities in monetary terms. As one can read in the report for the year 1998, the city had received from foreign partners 40.420 DEM, 40.258 USD, 520 FIM, 12.914 RUB; 8 trucks with humanitarian aid (total value: 34.957 DEM), 1 container (value: 7060 RUB)<sup>\*</sup>.<sup>355</sup> In 2000, the financial gains had increased even further. The total monetary value of income from foreign activities had increased to nearly 12 million roubles, whereas ca 90% of aid originated from Germany.<sup>356</sup>

#### **Extent and Direction of Involvement**

The City of Pskov was acting globally, in the geographic sense. Sistertowns of the City of Pskov were located on several continents. The intensity of contacts depended on the geographic distance to the partners and their ability to finance the cooperation, however.

As it was mentioned in the section 4.3.1 of this thesis, there was a major change in the direction of local municipal foreign activities after the fall of the Soviet Union. The City of Pskov, which was able to develop contacts with foreign partners in Soviet times already – in contrast to the regional administration -, began favouring Western partners at the expense of towns from the former Soviet bloc.

In the 1990s, the administration of the City of Pskov had partners in such distant countries as the United States of America (Massachusetts and Roanoke,

<sup>&</sup>lt;sup>355</sup> Otchet (1998): "Iz otcheta Mera g. Pskova za 1998 g: Sotrudnichestvo s gorodami partnyorami Pskova". A copy of the report obtained from Head of Department, Department for Foreign Links and Tourism, Pskov City Administration.

<sup>&</sup>lt;sup>356</sup> Otchet (2000): "Otchet otdela zarubezhnykh svyazei za 2000 g {From the Report of the Foreign Links Department}". A copy of the text obtained from Head of Department, Department for Foreign Links and Tourism, Pskov City Administration.

Virginia) and in the People's Republic of China. Contacts with geographically distant partners were much less intense than with European partners, however. This can partly be explained by high travelling costs.

The direction of foreign activities was clearly western, both in political and geographical sense. Contacts with West European partners were the most rewarding financially. Since the City of Pskov administration measured its success in the field of foreign activities in financial terms mainly it can be argued that Western European partners were the preferred ones.

# **Structures and Resources**

The information on the financial aspects of subnational foreign activities was more accurate than in the case of the oblast' administration. The city administration not only counted every rouble spent on foreign activities, but also gave an estimate of how much the city had gained financially from foreign activities.

In 2000, for example, the administration spent 250.000 roubles (nearly 10.000 USD) on foreign activities. The direct financial return, however, was much higher, 12 million roubles.<sup>357</sup>

As far as human resources were concerned, there were 6 persons dealing with foreign issues in the city administration in the 1990s. There was a Department for Foreign Links and a Department for Foreign Economic Links, both employing two persons. Moreover, the mayor and one of his deputies were in charge of foreign relations.

<sup>&</sup>lt;sup>357</sup> Otchet (2000).

# Levels of Participation

The city did not participate in international organisations for local municipal units, except for one organisation, the Sister Cities International.<sup>358</sup> It preferred bilateral or multilateral forms of cooperation. Those cooperation forms included the possibility of the inclusion of regional units, such as Pskov regional administration or local rural administrations.

The bilateral form of cooperation was based on equal partnership, i.e. foreign counterpart was a local municipal unit, not a regional unit. Some of those bilateral relationships had already been established in the 1960s, i.e. in Soviet times, which was the main difference to the pattern of foreign activities of the Pskov regional administration.

The proposal made by the Pskov regional administration to establish a euroregion envisaged the inclusion of the City of Pskov. A case study on the birth of a euroregion between Pskov, Estonia and Latvia (Chapter 5 of this thesis) explains the reasons why this project failed, however.

# Strategies

Pskov city administration had no officially approved strategy for foreign activities in the period 1991-2000. According to city officials, with every partner, plans were discussed for the following year individually.<sup>359</sup> Those discussions

<sup>&</sup>lt;sup>358</sup> For more information on Sister Cities International visit http://www.sister-

cities.org/sci/aboutsci/faqs#faq1. <sup>359</sup> Interview No 1TR with Ms Rumyantseva.

took place on a regular basis annually. Financial aspects were the main factor deciding the extent and intensity of contacts with any particular partner.

Individual plans for bilateral relations were worked out in a dialogue with the particular partner annually for the following year. The intensity of relations with geographically distant partners was lower given the higher travelling costs.

The main strategic aim seems to have been increasing the financial benefits from subnational foreign activities. For this purpose, partners willing to cover the travelling costs of participants from the City of Pskov were preferred.

# 6.3. Analysis of Local Rural Foreign Activities

Border-located local rural units in Pskov region were not engaged in regular foreign activities in Soviet times. In this respect they were unfamiliar similarly to the regional administration - to the subnational foreign activities. The start of local rural foreign activities in the Pskov region coincided with severe economic hardship in the entire country, which affected local rural units too.

The end of the Soviet Union exposed the now border-located local rural units of the Pskov region to the outside world. In Soviet times, when Estonia, Latvia and Byelorussia were still Soviet republics, the situation was quite different.

It is not possible to measure the *international actorness* of local units nearly as accurately as in the case of regional or municipal units, since the availability of data is poor. In fact, Hocking does not foresee the option of using his concept for measuring the international actorness of local rural units. He focuses on regional units and, in some cases, on large cities. Despite this, I am going to go beyond those limitations and apply the concept of international actorness in the case of local rural units too.

# **Aims and Motivations**

The main *aim* of foreign activities of local units in the Pskov region was easing the impact of the newly erected state border on the local economy.<sup>360</sup> A physical border between the local units of the oblast' on the one side and the respective units in the neighbouring former Soviet republics of Estonia, Latvia and Belarus caused not only economic problems. What was more, the state border separated communities that used to live in a single state in Soviet times. Enabling local residents to cross the border more easily in order to visit relatives etc was another aim.

On the other side of the border, in the Baltic States, living standardss rose quickly. Cross-border cooperation with Estonian and Latvian counterparts was seen as a means of attracting foreign capital and know-how, i.e. developing socioeconomic contacts and foreign trade/business links. Several local rural units were keen to attract foreign investors in the framework of cross-border cooperation. Moreover, access to EU structural funds, as indicated by Hocking, was not to underestimated

# **Extent and Direction of Involvement**

The main direction of foreign activities of border-located local units was neighbouring countries, Estonia, Latvia and Belarus. However, contacts were developed with trans-border partners such as Swedish and Danish local units, too. Moreover, there were trans-governmental cooperation schemes with foreign partners.

<sup>&</sup>lt;sup>360</sup> Study by EVI.

The extent of involvement was modest compared with the regional or local municipal units, given the limited financial and personal resources of the local rural units. Nevertheless, from the Pskov oblast', only the local rural units were participating in the Council for cooperation of border regions, a transgovernmental organisation. The newly established euroregion continues this tradition.

#### **Structures and Resources**

Scarce information was available on the financial aspects of subnational foreign activities of subnational local rural units. As far as human resources are concerned, in the rayons the head of administration dealt with foreign issues, i.e. one person was in charge.

The financial aspects of foreign activities were less clear. Participation in the Cooperation council for border regions cost 1000 EUR per participant annually. The new euroregion proposed by the Pskov regional administration would have demanded 0.2 per cent of the budget of each participant.

### **Levels of Participation**

The Council for Cooperation of Border Regions of the Republic of Latvia, the Russian Federation and the Republic of Estonia was the main body for coordinating the subnational foreign activities of local units.

Additionally, subnational local rural units were engaged in multilateral cooperation schemes with foreign partners. For example, in 1998, a cooperation

protocol was signed between the district Nordborg of Denmark, Pechory district of Pskov oblast' and the Pskov regional administration's social security department.

#### **Strategies**

In the 1990s, an outline strategy for subnational foreign activities of the local rural units in the Pskov region emerged. However, after studying official documents and interviewing the relevant persons, the elements of a strategy can be identified.<sup>361</sup>

The main priority was to promote cross-border cooperation, a fact illustrated by the existence of the Council. However, the mere existence of the council did not provide for a boost for cross-border cooperation with neighbouring local rural units. The overall level of cross-border activities was low.

Nevertheless, in the framework of a Tacis programme, all local rural units of the Pskov oblast' were invited to outline their 'strategic development plans'. Those development plans included foreign components, such as attracting foreign investments or using foreign expertise. All border-located local rural units indicated attracting foreign investors as one of their main priorities.<sup>362</sup>

For example, Gdov district saw foreign markets as the main destination for its production, especially fish products and timber. Moreover, the district

<sup>&</sup>lt;sup>361</sup> From a letter sent by Dmitri Novoshinski, the Russian CEO of the CCBR to Dr Detlev Kraa, longterm expert of the Tacis Programme. A copy was obtained by the author from Dr Kraa in Pskov in 2000.

<sup>&</sup>lt;sup>362</sup> Kontseptsii Strategicheskovo Rasvitiia Munitsipalnykh Obrazovanii na Primere Pskovskoi Oblast'i. Sbornik Materialov. Moscow: Tacis, 2001.

administration was hopeful that foreign investments would finance the reconstruction of tourist facilities in the area. Another district, Pechory, hired foreign experts to work out a strategic plan for attracting tourists from abroad.

# Summary: a Pskov-made Foreign Policy?

The purpose of this thesis is not to compare different actors in the Pskov oblast' in terms of their international actorness. The aim is to describe and analyse those actors and their subnational foreign activities in order to examine the usability of existing theories on subnational foreign activities, among them the concept of *measuring international actorness* developed by Hocking in the case of Pskov regional, municipal and local foreign activities. Moreover, in the conclusion suggestions will be made as to how this concept could be modified for a more accurate evaluation of the subnational foreign activities units, with a special emphasis on Russian subnational units.

For a comparative approach, further research is necessary on other Russian regions' subnational foreign activities. Future researchers on other subnational governmental units' subnational foreign activities are welcome to use data from this thesis.

Several conclusions can be drawn based on the findings of this thesis. First of all, just as Russia speaks with many voices abroad so does Pskov as a subnational unit. Both subnational levels of government, regional and local, have, indeed, different aims and motivations for their foreign activities. Moreover, on the local level of government, municipal and rural units differ to a great extent in terms of their foreign activities.

What makes the case of Pskov peculiar in the worldwide context? Previous research on subnational foreign activities has focussed on North America and Western Europe mainly, i.e. on states with a relatively long tradition of democracy and federalism. The Soviet Union was a totalitarian state, where the members of the Russian Soviet Federal Socialist Republic were not allowed to interact with the outside world directly. The central government was in control of all foreign contacts of the subnational units. In the case of Pskov we can examine how a subnational unit with its totalitarian background manages its foreign contacts on two levels of government, i.e. regional and municipal/rural.

Was there a 'foreign policy' of the Pskov region? Did the regional administration seek to coordinate its foreign activities with those on lower level of government? Was there a 'regional foreign policy' that would have facilitated the interests of all Pskov' subnational units engaged in foreign activities?

The main finding of this thesis is that in the Pskov oblast', three groups of subnational government, i.e. regional, local municipal and local rural, have chosen a different approach in terms of their foreign activities. Below those approaches will be analysed. Moreover, the reasons why a particular approach was chosen will be enlisted.

There was no official strategy of the regional administration for the conduct of foreign activities. Moreover, the regional administration was not in a position to coordinate or direct the foreign activities of local government, i.e. local municipal or local rural local levels. The attempt to establish a euroregion failed spectacularly. Therefore, we cannot speak of a 'foreign policy' of the Pskov oblast' as a whole. The foreign activities of all subnational units in Pskov oblast' were not only fragmented but had different aims and motivations.

Let us first examine the regional level of government. In general, it could be argued that the foreign activities of Pskov oblast' were driven by political rather than economic considerations during the period this thesis is dealing with, the 1990s. From the economic point of view it would have made more sense to associate with wealthier and modern Western economies in order to attract foreign know-how and investment to the ailing regional economy. The regional administration, however, chose Belarus, an economically backward and politically isolated country, as its prime target.

If Pskov had chosen the other option of working closely with its Baltic neighbours and Scandinavia, for example, would this have improved the socioeconomic situation in the oblast' at all? In my view, given the overall poor state of Baltic-Russian relations, such an approach would not have had a strong positive impact.

Governor Mikhailov, who came to power in 1996, used the 'weapon' of foreign policy in order to keep the population busy with 'external enemies'. Highlighting issues such as the discrimination against Russian-speaking minorities in the neighbouring Baltic States, Western aggression in Kosovo, and the expansion of Western organisations like NATO and EU has probably helped the governor to divert the attention of the people from the rapidly deteriorating socio-economic situation in Pskov itself.

The subnational foreign activities of the Pskov regional administration in the 1990s were not aimed at weakening the central authorities' control in the region. The subnational foreign activities of the regional administration were clearly a case of paradiplomacy. Protodiplomacy, i.e. secessionist tendencies, was absent. Pskov region was not only a loyal federal subject but a strong supporter of the foreign policy line too. I would call the foreign activities of the Pskov oblast' administration in the 1990s a '*policy of overreaction*'. Pskov has not only eagerly supported foreign policy decisions coming from the central government. In fact, the regional administration was opposing NATO enlargement and favouring cooperation with Belarus in a way that rivalled even the hardliners in Moscow.

The main local municipal unit in the Pskov oblast', the City of Pskov, had a different agenda for its foreign activities than the regional administration. The city administration was more interested in financial gain than political profit when engaging in subnational foreign activities. The municipal authorities undertook a fundamental overhaul of their foreign activities in the early 1990s. They focussed on Western partners now, instead of their old Soviet-time partners. In the assessments of the success of subnational foreign activities, the object of measurement in the case of city administration was the aid received from foreign partners.

There were several reasons why the local municipal unit under consideration was more active in developing foreign contacts than the regional administration or local rural units. First of all, the foreign contacts of municipal units in the oblast' had already begun to develop in Soviet times, when the oblast' was effectively barred from foreign activities. Although most of the partners from Soviet times lost their significance during the 1990s, the city administration was more experienced when dealing with foreign partners than other subnational units.

The city of Pskov had already been allowed to establish foreign links in Soviet times. Although it happened in accordance with strict guidelines from Moscow, some of these links were sustainable and still exist. Consequently, the city administration was in a much better position after the collapse of the Soviet Union when the issue of subnational foreign activities emerged.

In contrast to the Belarusian orientation of the regional administration, the city chose a Western direction. The local municipal unit focussed on partners with ability and willingness first to finance the cooperation scheme with the City of Pskov, and, second, to provide humanitarian aid to the inhabitants of the city. As the cities and towns in the former Communist bloc were facing financial hardship, Western partners were the obvious alternative.

Border-located local rural units, for their part, with their limited resources and specific border-related interests, focussed their foreign activities on their counterparts, i.e. local rural units, across the border. The main focus was on local authorities of Latvia and Estonia. The Council for Cooperation of Border Regions of the Republic of Latvia, the Russian Federation and the Republic of Estonia was the main body for the conduct of local foreign activities. The Council that was formed between the local units of Pskov region, Estonia and Latvia failed to offer solutions to problems facing its founders, however.

In my view, the eastern enlargement of the European Union will further strengthen the Baltic orientation of the local rural units, since more funds will become available for cross-border cooperation.

The subnational dimension of foreign activities makes the international system more complex. As it would be misleading to think of states as having a single voice abroad, in the case of subnational units, the diversity of interests is ever-present too. As I have discovered in the case of subnational units in the oblast' Pskov of the Russian Federation, three dimensions of subnational foreign activities co-exist. There is no single 'foreign policy' of the Pskov oblast'. In fact, there are three of them.

# Pskov, Regions and Foreign Policy in Retrospect

From the academic's perspective, the topic of subnational foreign activities remains an ambiguous one. The role of subnational foreign activities in the international system has not been clearly defined. This task has been delegated to federations, which will have to use the constitution for that purpose. On the other hand, hopefully, academic studies of the phenomenon of subnational foreign activities can contribute towards finding the appropriate place for those activities in international and centre-periphery relations.

The case of subnational foreign activities in Russia should be especially intriguing for academic researchers, since this large and diverse state has experienced a turbulent period in terms of centre-periphery relations. Unlike the United States or Germany, Russia is in the middle of the process of finding right balance in centre-periphery relations. Subnational foreign activities are an important aspect of these relations, and, therefore, a potential source of conflict. In the conclusion, some predictions will be made on the future of subnational foreign activities in Russia in general and in Pskov in particular.

The theoretical framework for explaining subnational foreign activities needs further development. Moreover, the amount of empirical evidence of these activities is clearly insufficient. Here, in the concluding part of the thesis, some suggestions will be made, how the existing theories and concepts could be modified and combined in order to improve the 'tool-box' for the study of subnational foreign activities.

#### **Global Aspects of Subnational Foreign Activities**

As the examples of the United States and Germany in Chapter 1 have demonstrated, federations with long democratic traditions are relatively tolerant towards subnational foreign activities. It is because the rules for conduct of subnational foreign activities are defined in a way that is accepted by both the federal centre and the members of federation. The absence of clear definitions can lead to different and partly conflicting interpretations by federal centre and members of federation of the nature of subnational foreign activities, as the case of Russia in the 1990-s illustrates.

Federations will continue their search for the optimal form of facilitating subnational foreign activities. Those activities are an important aspect of centreperiphery relations and, therefore, must be seen in the wider context of the ongoing introduction of the principle of *subsidiarity* in many federations. Ignoring foreign policy and foreign economic interests of subnational units by federal centre can lead to the emergence of secessionist tendencies, i.e. protodiplomatic activities. Granting subnational units more rights in terms of foreign activities can be both dangerous and rewarding to a federal system, however.

Let us first consider potential benefits of subnational foreign activities for the international system in general and for a federal system in particular. From the viewpoint of stability of the international system, subnational foreign activities could be a useful tool in many aspects. Most importantly, subnational actors add diversity to the international system; tensions between states can be reduced using subnational actors such as regions or cities as mediators.

For a federation, subnational foreign activities can bring both political and economic benefits. In a federal system, allowing for subnational foreign activities can boost the socio-economic development of its members. Furthermore, federal centre can use the distribution of rights for the conduct foreign activities as an individual bonus for preferred members of federation. Federal ministries, such as the ministry of foreign affairs, can use members of federation for communicating with their foreign counterparts indirectly.

In an era of globalisation, for a subnational unit, engaging in foreign activities can be considered vital. First of all, increasing foreign investments and transfer of know-how are the main priorities of subnational actors when engaging in foreign activities. By engaging in foreign activities, subnational units can develop a clear profile for potential investors from abroad. Secondly, intense and profitable foreign partnerships can strengthen subnational unit's position vis-à-vis federal centre.

Let us now consider the dangers linked to the conduct of subnational foreign activities. There are several aspects that make subnational foreign activities a liability to international system and federal systems. Firstly, by undermining the monopoly of the federal centre in international affairs ('multitude of voices'), subnational foreign activities can damage the ability of the federal centre to act in the international arena. Allowing for subnational foreign activities can reduce tensions between states, on the one hand. But, as the number of actors in the international system grows, so does the potential for conflict between actors.

Secondly, subnational foreign activities can lead to disintegration of a federal system; suspicion of federal centre towards such activities can be understood As far as federal systems are concerned, those activities can endanger the territorial integrity by assisting secessionist tendencies. Last but not least, the existing ambiguity that surrounds legal aspects of subnational foreign activities makes foreign interference by outsiders in the internal affairs of a federation easier. In other words, if the rules for subnational foreign activities are not clearly defined, subnational actors can be manipulated by foreign actors in order to create an internal opposition to the positions of the federal centre in international affairs.

Thirdly, risks for subnational actors lie in underestimating the resources, financial and human, needed for the conduct of foreign activities. Developing sustainable partnerships is time-consuming; the rewards from those partnerships are, however, not always tangible. The costs for foreign partnerships should be defendable in the eyes of taxpayers, i.e. voters.

#### **Russian Subnational Foreign Activities**

In the case of Russia the issue of subnational foreign activities should be examined within the context of ongoing power struggle between the federal centre and 88 federal subjects. The right to interact with outside world without specific permission from Moscow was an attractive option for regional leaders. Political leadership of the federation under Putin realised quickly that loosely controlled subnational foreign activities can be dangerous to the interests of Russia as a whole, however. The potential dangers of subnational foreign activities to the Russian federal system include its disintegration, when paradipolmatic activities transform into protodiplomatic activities. Moreover, allowing for 'regional foreign policies' to emerge can weaken the position of Moscow in the international system.

It is not just the federal centre in Moscow that should be concerned about the uncontrolled emergence of subnational foreign activities, however. In my view, allocating excessive financial and human resources to foreign activities can weaken the respective subnational administration financially, if the benefits from these activities are not adequate.

President Putin has introduced large-scale reforms to curb powers of regional political leaders, among them an overhaul of the rules for the conduct of subnational foreign activities. Procedures to strengthen federal control of these activities were introduced by the government of Mr Kasyanov. The State Duma has by now adopted several laws to regulate subnational foreign activities.

The right to engage in subnational foreign activities is one aspect of centre-periphery relations. In the light of changes imposed by the federal government, the regional leadership has in some cases altered its attitude towards foreign activities. As will be discussed below, Pskov regional administration has undertaken a radical reduction of its foreign activities' capabilities in the wake of respective federal reforms.

Russian local municipal and rural units have by large eclipsed the recent strengthening of federal control over subnational foreign activities, however. In contrast to regional units, local municipal and rural units lack the political dimension in their foreign activities. As their main interests abroad lie in socioeconomic and cultural cooperation, these activities do not attract the attention of the federal centre. Therefore, Russian rayons and towns can continue engaging in foreign activities as usual, i.e. as in the 1990s.

# Pskov' Experience

The introduction of strict federal regulations for the conduct of subnational foreign activities has enabled the regional administration to become a pioneer of implementing the federal guidelines on the grass-root level.



Picture No 9 Before Pskov was incorporated by the Russian centralist state, foreign affairs were decided here, in the Pskov Kremlin.

For Pskov regional administration, changes in federal legislation and a new regional leadership under Governor Kuznetsov have brought about an opportunity to reassess administrative structures dealing with foreign issues. Both the structure and personnel of the regional administration were subjected to a critical review. After the new governor was elected in 2005, an overhaul of the regional administration was launched. One of the outcomes of this overhaul, which was completed in 2006, was the abolishing of the structures dealing with subnational foreign activities, with the exception of structures engaged in subnational foreign economic activities.

For academic researchers, assessing benefits from subnational foreign activities for regional, local municipal and rural units for the purpose of research is not an easy task, given the scarcity of information. In general, however, it could be argued that the City of Pskov, which has the most clear-cut aims in terms of foreign activities, has been the most successful subnational foreign actor in Pskov oblast'. The city administration measures its own success in monetary terms and is, in that respect, the biggest beneficiary among the three types of actors in Pskov oblast'.

Pskov regional administration had not defined its goals in terms of foreign activities as clearly as the city administration; the only clearly formulated task has been attracting foreign investments to the regional economy. In that respect, the regional administration gained less from foreign activities, especially compared to neighbouring regions such as Leningrad and Novgorod.

The results of subnational foreign activities of Pskov local rural units in border areas units are mixed. The aim of assisting foreign activities in the form of cross-border cooperation has been achieved partly. On the one hand, Pskov rural units have succeeded in establishing the most advanced structure for the conduct of cross-border activities, a euroregion. On the other, they have failed to fill this structure with life. A crucial test for the sustainability of Pskov local rural foreign activities will be transforming the euroregion that currently exists on paper only into an organisation capable of solving local problems in close cooperation with foreign partners.

# **Theoretical Framework: Are the Existing Theories Sufficient?**

One of the conclusions of this thesis is that existing theories on subnational foreign activities need further development in order to produce usable output. Generally, the existing theories do not enable us to explain the phenomenon of subnational foreign activities but only to describe it.

International theorists warn that in the current situation, where new actors other state enter the international system, old theories to explain international relations may no longer be valid. Because of the rapid increase in the number of actors and their growing diversity the existing international theories need an urgent update.<sup>363</sup>

Subnational foreign activities are a relatively new phenomenon in international affairs; therefore, the theoretical framework for explaining them is far from complete. The strengths and flaws of existing concepts and theories for explaining these activities will be discussed below. Furthermore, suggestions will be made on how the existing theoretical framework could be modified for more

<sup>&</sup>lt;sup>363</sup> Dougherty/ Platzgraff (2001): Dougherty, James E. and Robert L. Platzgraff, Jr. *Contending Theories of International Relations: A Comprehensive Study*. New York: Longman, 2001, p. xiii.

accurate analysis of subnational foreign activities, with special emphasis on Russia.

The most comprehensive attempt to explain subnational foreign activities has been made by Brian Hocking. He has proposed a set of entries for describing subnational foreign activities. In the case of Russia, the validity of his theory can be questioned in several aspects, however. This thesis will propose some extensions to the available body of theories on subnational foreign activities, based on research of subnational foreign activities in Pskov oblast'.

### Hocking's Theory of International Actorness

In general, in my opinion, Hocking's concept of *measuring the international actorness* of a particular subnational unit is only useable in a comparative analysis of similar actors, i.e. actors with similar status in a federation. The Russian federation consists of several types of members, which have different status.

Moreover, Hocking's theory does not provide for keys for explaining and evaluating foreign activities of a subnational unit. It is a good basis for collecting and categorising data about subnational foreign activities, however. Further below, alterations to Hocking's theory will be proposed.

### Feldman & Feldman's Comparative Approach

Comparison is the basic tool for any social scientist. Drawing the right conclusion from comparison is the key, however. Unfortunately, Feldman &

Feldman do not offer any keys on how to assess and evaluate the information gathered using the comparative approach.

For example, does the fact that a regional unit has signed more agreements with foreign counterparts than a local municipal unit make the regional unit a more influential international actor automatically? Many questions remain unanswered using Feldman & Feldman's method of comparison. Nevertheless, it is an important tool for gathering information on subnational foreign activities.

# A Toolbox for Future Researchers

As far as the tools for evaluating the data gathered using the modified inputs of Hocking's theory, I would propose a more extensive use of *financial* information on subnational foreign activities.

The information obtained on subnational foreign activities in Pskov is not sufficient for proposing a complete model for the evaluation of subnational foreign activities. Three inputs are relevant for a future model, in my view, however. First, the percentage of the unit's budget allocated for foreign activities. Secondly, the relation of the expenditure on foreign activities to regional GDP should be taken into account. Thirdly, financial rewards from foreign activities for a subnational unit should be calculated.

Measuring financial commitments only does not provide for sufficient information for assessing the degree of international actorness, however. Nevertheless, it is the key element for any model for assessing subnational foreign activities. Future research on subnational foreign activities should focus on models for measuring and comparing international actorness of subnational units. Ideally, those models should be applicable universally, i.e. in all subnational governmental units in federations.

Case studies are an invaluable source of information on the practice of subnational foreign activities. The two case studies presented in this thesis illuminate the difficulties facing subnational actors when dealing with foreign issues.

#### **Outlook for Subnational Foreign Activities**

The diverse world of subnational foreign activities is likely to continue thriving. As the world grows more and more interlinked; the state is no longer the sole player in the international system. Finding the right place for subnational foreign activities in international relations will not be an uncomplicated process, however.

In the coming years, the overall political climate in Russia will determine the state of subnational foreign activities of regions, towns and rayons. Domestic factors, such as strengthening of the 'vertical of power' favoured by Putin and his team.

The shifting paradigm in the defence and security field from Cold War confrontation between two political blocks to fighting terrorism and securing energy supplies for the economies has redefined Russia's position in the international system. Russia's relationship with the West has several dimensions. Most recently, fight against terrorism has become the common nominator for Russia and the West, especially the United States. Russia has partly succeeded in presenting the war in Chechnya as a war with al-Qaeda. The growing imbalances in the energy sector favour the oil and gas producers, such as Russia. As the oil and gas from the Middle East grows increasingly unpopular with the Western states, vast resources in Russia become increasingly attractive. Growing energy dependence of Europe on Russian oil and natural gas will limit the room for manoeuvre for European politicians when dealing with Russia, however. As we have witnessed during the Ukrainian-Russian 'gas war' early 2006, Russia is prepared to use energy supplies as a political weapon. Western Europe, on the other hand, is too dependant on Russian energy supplies to react adequately to such political pressure on its allies.

The arrival of Ms Angela Merkel in the chancellor's office in Berlin may bring about changes in European-Russian relations in general and in German-Russian relations in particular. The decision to construct a new natural gas pipeline, which would link Russia and Germany directly, circumventing Ukraine and Poland, has triggered a strong reaction from the capitals of states, whose interests and historically explained sensitivities have been ignored to a large extent.

The Baltic States have joined both NATO and the European Union in the year 2004. The hope that by joining those two organisations Russian-Baltic relations would automatically move to a higher next level seems to have been unfounded. Given the unresolved border question it is not surprising that in the Pskov Public Library, the record on all entries about the relations with Estonia and Latvia can be found in the catalogue 'border dispute'.

#### **Outlook for Subnational Foreign Activities in Russia**

In Russia in general and in Pskov oblast' in particular, the trend towards centralisation shows no signs of reversing. In terms of subnational foreign activities, the reduction of freedom is highly likely to continue. However, there are signs that regions are reacting to the re-centralising tendencies and searching for ways to maintain some forms of subnational foreign activities.

President Putin and the federal centre he represents are, in my opinion, highly likely to try and reduce the subnational units to a merely administrative status, as it was in Soviet times. New practices such as nomination of the governors by the president personally, are another step in this direction.

In terms of subnational foreign activities, the effects of the recentralisation process can be noticed too. Beside ordering the registration in the federal Ministry of Justice of all agreements with foreign counterparts,

# **Outlook for Subnational Foreign Activities in Pskov**

Pskov region, a new neighbour of both NATO and EU, will have to live in an increasingly paranoid situation. On the one hand, the temptation to seek foreign assistance for revitalising its economy will grow as more funds will become available for cross-border cooperation. On the other hand, however, the general political environment in Russia imposes other priorities. Soon after its arrival in the office, the new administration of President Putin made it clear to the regional leaders that the period of uncontrolled relationship of regions with their foreign partners must end. However, the federal centre realised it was not possible to force the regions to behave like in Soviet times in terms of foreign activities, i.e. not having any foreign contacts at all. Therefore, a *modus operandi* acceptable to both the federal centre and regional governments had to be found.

The most likely future scenario for subnational foreign activities in Russia in general, and in Pskov in particular, would be, in my view, what Duchacek has called *co-operative/competitive segmentation*, which is a mixture of cooperation between the central government authorities and subnational units in some areas of foreign activities, and competition or duplication in the others. Russia is no longer a totalitarian state that can fully control foreign activities of its subnational units.

#### **Regional Unit**

In the coming years both centrifugal and centripetal would forces would continue to influence subnational foreign activities in Russia. Nevertheless, the predictions of Russia falling apart because of secessionist movements in the regions, which were circulating in the 1990s, appear too far-fetched.

On the regional level, the committee for foreign links and the institution of the vice-governor for foreign links were abolished in 2005. Already, back in 2000, a federal official indicated that the regional administration had given up on the illusion of 'independent foreign policy'. After a few trips to foreign states, governors of different regions of Russia had discovered that they had no real authority by the Constitution to sign treaties with foreign counterparts, be it a foreign state or its subnational unit.<sup>364</sup>

As far as the structures dealing with foreign issues are concerned, the changes that have taken place in the regional administration since the new Governor took power in November 2004 are of symbolic nature. I believe that, again, Pskov is a forerunner. In other regions similar changes, i.e. abolishing the structures for the conduct of foreign activities, might herald new times in terms of foreign activities.

The new structure of the regional administration introduced in September 2005, reveals important changes. The position of a vice-governor in charge of foreign activities has been abolished. The department for foreign links and tourism and foreign economic links have been abolished, too. The only part of the foreign activities structure in the regional administration that has survived this radical overhaul, is the tourism desk, which is now subordinated to the department for economy.

The overhaul of the regional administration took the Governor nearly 9 months. The changes in the field of foreign activities are massive. In fact, the capability of the regional administration in terms of foreign activities has been nearly annihilated.

The question that remains to be answered is whether those radical changes that have taken place in the Pskov regional administration after the arrival of the new governor have broader meaning for other Russian regions. The new governor was elected as a candidate supported by the Communist Party. However, after the

<sup>&</sup>lt;sup>364</sup> Interview with an official from a federal ministry, conducted 10 May 2000, in Pskov.

elections, the governor distanced himself from the Communists (this step is similar to the former governor Mikhailov, who broke with the LDPR shortly after being elected).

The fact that the structure for the conduct of foreign activities is no longer available is likely to reduce the degree of communication with foreign partners. The role that the two departments and the vice-governor responsible for foreign relations played was central. Nevertheless, it would be too early to predict the 'end of foreign activities' and a return to Soviet-style absence of foreign contacts on the oblast' level.

As we have seen in the case study of the ship link between Tartu and Pskov, foreign economic links were subordinated to political considerations. Will the changes in the structure of the regional administration mean that the focus of foreign activities will shift from political cooperation to economic cooperation?

#### **Local Municipal Units**

Local municipal units in Pskov oblast' are in a different position than the regional unit. Most importantly, they do not share political motivations that drive some of the regional unit's foreign activities. Putting the emphasis on humanitarian aid, for example, gives local municipal units a different perspective in communication with foreign partners.

Local municipal foreign activities are not regulated by federal legislation. Therefore, their agreements with foreign partners do not require the approval of federal ministries. The financial benefits from foreign activities will most probably remain the main driving force of local municipal foreign activities. The City of Pskov is likely to continue its pursuit of humanitarian aid and cultural cooperation. The lack of political interests in the field of foreign activities helps to focus on clearly defined issues. By focussing on specific projects, such as assistance to the handicapped and orphans, the City of Pskov will continue to attract foreign partners seeking tangible results.

Concerning the structures dealing with foreign issues in the city administration, no relevant changes can be foreseen.

#### **Local Rural Units**

The eastern enlargement of the European Union to the Russian border has confronted local rural units of the Pskov oblast' with new challenges. Having the EU as a neighbour brings both advantages and disadvantages.

The creation of the euroregion Pskov-Livonia has so far not increased cross-border activities of Pskov local rural units. It is not clear, what benefits the euroregion will bring to the border areas. The potential of the euroregion should not be overestimated, since the necessary infrastructure for cross-border cooperation is not there.

Local rural units in the border areas of Pskov oblast' are likely to continue their manoeuvres between the political pressures from the regional capital and the socio-economic necessities on the spot. In other words, as the case study on the euroregion has illustrated, the regional political leadership is more than eager to exploit the opportunities offered by cross-border cooperation with EU member states and their subnational units. It seems, however, that Pskov local rural units do not accept direct interference from the regional unit in cross-border affairs.

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