



Working Paper

## The role of the Republic of Karelia in Russia's foreign and security policy

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## The Role of the Republic of Karelia in Russia's Foreign and Security Policy

DESIGN : SUSANA PERROTTET RIOS

This paper gives an overview of Karelia's international security situation. The study offers an analysis of the region's various forms of international interactions and describes the internal situation in the republic, its economic conditions and its potential for integration into the European or the global economy. It also discusses the role of the main political actors and their attitude towards international relations. The author studies the general problem of center-periphery relations and federal issues, and weighs their effects on Karelia's foreign relations.

The paper argues that the international contacts of the regions in Russia's Northwest, including those of the Republic of Karelia, have opened up opportunities for new forms of cooperation between Russia and the EU. These contacts have encouraged a climate of trust in the border zone, alleviating the negative effects caused by NATO's eastward enlargement. Moreover, the region benefits economically from its geographical situation, but is also moving towards European standards through sociopolitical modernization. The public institutions of the Republic of Karelia are relatively democratic, and the structures of local self-government are well developed compared to other regions of the Russian Federation.

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By Oleg B. Alexandrov



# The Role of the Republic of Karelia in Russia's Foreign and Security Policy

*By Oleg B. Alexandrov*

***Working Paper No. 5***

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## Foreword

This paper deals with the Republic of Karelia, an ethnically defined region in the Northwest of Russia. The author analyzes Karelia's specific situation within Russia, as well as within a broader international context. The Republic of Karelia has a number of features that make the region's international situation unique. The republic has the longest border of all Russian regions with an EU country, namely Finland. Because Karelians live on both sides of the border, Karelia is closely related to its Nordic neighbor both historically and ethnically. Although the Karelians in the Republic of Karelia make up for only about 10% of the population (73.6% are Russians), they were granted "titular nation" status during Soviet times. The republic's convenient location on the border to Finland provides it with opportunities in cross-border trade, export of raw materials into Western Europe, and tourism.

This study is the fifth in a series of working papers written in the context of the project "Regionalization of Russian Foreign and Security Policy: Interaction between Regional Processes and the Interest of the Central State", funded by the Swiss Federal Institute of Technology (ETH) Zurich. It is, however, the first to focus exclusively on one of the 89 regions of the Russian Federation. The author, Oleg Alexandrov, is a Research Associate at the Moscow State Institute of International Relations and a member of the Russian Study Group at the ETH's Center for Security Studies and Conflict Research.

The paper demonstrates how Karelia actively uses its border location and its ethno-historical vicinity to Finland in order to initiate and to participate in sub-national integration efforts. The republic is taking part in various (partly institutionalized) forms of cross-border cooperation (for example, Euroregions and "Northern Dimension" of the EU). These initiatives have brought economic

benefits to the region and have contributed to a climate of mutual trust along the Russian-Finnish border. In addition, the republic's vicinity to Europe has had a positive influence on its internal developments. Karelia's public institutions are relatively democratic, and the structures of local self-government are well developed compared to other regions of the Russian Federation.

All the studies in this series are also available in full text at <http://www.ethz.ch>.

Zurich, March 2001

Prof. Dr. Andreas Wenger

Deputy director of the Center for Security Studies  
and Conflict Research

## Introduction\*

The Republic of Karelia is one of the 89 constituent entities of the Russian Federation (RF) and geographically the most western of the 21 republics of the RF. Karelia has the potential to turn into a dynamically developing region of Russia. The republic has the longest border of all Russian regions with the EU (790 km)<sup>1</sup>, it is well connected to the major financial and scientific centers of the RF, St Petersburg and Moscow, provides over a highly qualified workforce,<sup>2</sup> some natural resources, and its picturesque natural landscapes make it an attractive tourist place.<sup>3</sup>

The aim of this paper is to study the influence of the Republic of Karelia (direct and indirect) on Russia's foreign and security policy. The first part of the paper looks at the role and characteristics of the Republic of Karelia (RK) as a border region and attempts to assess the internal political and socioeconomic situation in the region through an analysis of its internal political, economic and social situation. This part also looks at ethnic and cultural features of the region and asks for their role in building international ties (mainly with Finland).

The second part of this study analyzes the dynamic of developing external links with other foreign states and regions. In particular, it studies the region's military and strategic situation, as well as its proximity to, or remoteness from

\* The author is grateful to Jeronim Perovic and Andrei Makarychev for valuable comments on earlier drafts. This paper was completed on December 31, 2000, and does not include latest events.

1 The Karelian-Finnish border coincides with the Russian-Finnish border. Besides, Leningrad Oblast in the south and Murmansk Oblast in the northwest also border on Finland.

2 The Petrozavodsk State University, situated in the capital of the Republic of Karelia, is the largest university in the European North of Russia.

3 Here, as well as throughout the paper, the term *region* is applied to the Republic of Karelia.

conflict zones. In addition, it analyzes the relationship between the republic's authorities and the federal center in terms of granting the republic the right to have its own foreign economic and international ties.

The third part of the paper discusses the specific model of the region's interaction with the federal center in the area of foreign and security policy. It also looks at the RK's potential to influence the decision-making process of Moscow's international policy, considering the region's formal and "informal" status within the RF.<sup>4</sup> Finally, this part also explores the impact of President Putin's recent administrative reforms on the algorithm of relations between the federal center and the Republic of Karelia with regard to the areas of foreign and security policy.

This study mostly deals with "soft security" aspects of the republic's external links. In particular, it touches upon the problems of ethnic groups populating the Republic of Karelia, highlights the level of mutual trust on both sides of the Russian-Finnish border, and also raises the issue of the region's ecological safety. A separate task is to follow the evolution and define the current role of the RK in the Northwest of Russia, and in particular, to evaluate the quality of interaction between the leadership of the republic and the Northwest Federal District. A central task of this study is to identify those channels of interaction, which allow the Republic of Karelia to influence the foreign and security policy of Russia in the most effective way.

4 The informal status refers to a regional leadership's skill in establishing personal links in the corridors of federal power, obtaining additional subventions from the state bodies, etc.

## The Republic of Karelia as a border region: main characteristics

The Republic of Karelia is situated in the Northwest of Russia in the Baltic and White Sea Basins. On its perimeter, the Republic of Karelia borders on Finland in the west, Arkhangelsk Oblast in the east, Murmansk Oblast in the north and the Leningrad and Vologda oblasts in the south. Karelia has a comparatively sparse population; its area is 180,500 sq. km (approx. 1.06% of Russia's territory)<sup>5</sup> with a population of 766,400 people (0.51% of Russia's population). The population has declined naturally by 25,600 people over the last decade.<sup>6</sup>

The nationality structure of the republic is close to a mono-national one: 73.6% of the population are Russians, with only 11% Karelians and Veps (the titular nationalities). The remaining percentage is made up of Belorussians (7%), Ukrainians (3.6%), and Finns (2.3%). A micro-census performed in 1994 identified a slight increase in the number of Karelians and Finns, as well as a decrease in the share of Veps, Ukrainians and Belorussians.<sup>7</sup>

The border status of the Republic of Karelia is largely responsible for its export-oriented economy, and also explains its interest in foreign and inter-regional links.<sup>8</sup> Since the late 1980s, the republic has formed part of the northern

5 Klimenko, Aleksandr, ed. *Respublika Kareliia* (The Republic of Karelia). Petrozavodsk: GP "Respublikanskaia tipografiia im. P.F. Anokhina", 2000.

6 Shmelev, V. B., ed. *Respublika Kareliia v tsyfrakh* (The Republic of Karelia in figures). Petrozavodsk: Respublikanskii komitet Respubliki Kareliia po statistike, 2000.

7 *Ibid.*

8 Almost 40% of the industrial branches of the republic (such as forestry, woodworking, wood-pulp and paper industries, machine-building) are export-oriented.

economic region of Russia along with the Arkhangelsk, Murmansk, Vologda oblasts, Komi Republic, and Nenets Autonomous Okrug.

Historically, Karelia as a whole or portions of it formed part of different states. From the 9<sup>th</sup> to the 12<sup>th</sup> century, Karelia was part of Kiev Russia, from the 12<sup>th</sup> up to and including the 15<sup>th</sup> century, it was part of the Novgorod feudal republic, and in 1478 it joined the Russian state and was called *Olonetskaia Guberniia* until the 1917 Revolution. In spite of its long previous history, the republic considers the year 1920 as the founding date of Karelia. This is when the *Karelian Labor Commune* was formed by decree of Vladimir Lenin: thus the region was identified by its ethnic aspect for the first time. Three years later Karelia was given the status of an "Autonomous Republic" within the RSFSR (Russian Soviet Federal Socialist Republic).

Karelia changed its status within the Soviet Union several times. In 1923, Karelia officially became a "National Republic" and joined the RSFSR with autonomous rights. The war between the USSR and Finland in 1939-1940 made the status of Karelia an urgent issue again. Stalin, who had been a strong opponent of Finland's separation from Russia in 1917 and had hardly changed his point of view in 22 years, seemed to be determined to "correct the mistake" and gain cession of the territory on the Karelian Isthmus. If it were impossible for the Soviet Union to take over Finland completely, this would be of strategic importance in view of the coming war with Nazi Germany.<sup>9</sup>

On March 31, 1940, two and a half weeks after the peace treaty between the Soviet Union and Finland was signed which documented the change of border on the Karelian Isthmus and some other areas of Finland to the advantage of the USSR, the Karelian Autonomous Soviet Socialist Republic (ASSR) was turned into the Karelo-Finnish Soviet Socialist Republic and acquired the status of a Union republic. It returned to its autonomous status 16 years later.

Finally, the latest changes in the status were brought about by the declaration of state sovereignty of the Karelian Autonomous Republic, adopted by the Supreme Council of the republic on August 9, 1990. Slightly more than a year later, on November 13, 1991, the Karelian ASSR changed its name to the Republic of Karelia. Thus, Karelian history shows the hardships faced by a border region on its way to acquiring an ethnic and cultural identity.

### 1.1 Public and political features in the context of Karelia's international activity

Unlike other national republics that spearheaded the process of regionalization after the break-up of the Soviet Union, the Republic of Karelia avoided confrontation with the center. In the 1990s, the region was hardly involved in any intra-regional discord. This was partly due to the fact that the Communist administrator, Viktor Stepanov, stayed in power until 1998. He made Karelia's integration into the new political system smoother compared to other regions where the rise to power of first-wave democrats was resisted by the public and the former administrative elites.

As a consequence, the coexistence of the legislative and executive powers was quite peaceful; their viewpoints were similar in many aspects. During the political crisis that gripped the entire country in the fall of 1993, both the executive and the legislative powers of the region showed a unified attitude when they labeled President Boris Yeltsin's decree No.1400 on the dissolution of the Russian parliament as unconstitutional and spoke in favor of a zero option, that is, a simultaneous presidential and parliamentary election in Russia.<sup>10</sup>

*The Chairman of the Government* heads the executive power in the Republic of Karelia. Sergei L. Katanandov has held this post since May 17, 1998. Previously, he had been head of the Petrozavodsk administration from 1990 till 1998.<sup>11</sup> In 1998, when politicians gave way to economists in many constituent entities of the Russian Federation, the former Communist administrator, Stepanov, was replaced by a governor-economist, Sergei Katanandov, as a result of the election in Karelia.

The legislative power in the republic is implemented through the *Legislative Assembly* consisting of two chambers: the *House of the Republic* and the *House of Representatives*. The *House of the Republic* is a representative body of deputies elected by constituency with a set quota of representation, ensuring one seat in the House for each sparsely populated administrative and territorial unit.<sup>12</sup>

The second chamber of the Legislative Assembly, the House of Representatives, is formed by deputies elected in multi-mandate constituencies with a quota of two deputies from a constituency covering the area of the administrative and territorial unit (district or city). The members of the House of Representatives

9 Carr, Edward. *A History of Soviet Russia*. Moskva: Progress, 1990, p. 235.

10 See Resolution of the Presidium of the Supreme Soviet of RK "O situatsii v strane v sviazi s obrashcheniem B. N. El'tsina k grazhdanam RF" (On the situation in the country in connection with the public appeal by B. N. Yeltsin). *Kareliia*, no. 38 (1993).

11 For more detailed information see Zorkal'tsev, V. I., Podberezkin, A. I. *Sovremennaia politicheskaia istoriia Rossii. 1985-1998 gody*. (The modern political history of Russia. 1985-1998). Moskva: AO "RAU-Universitet", 1999.

12 *Konstitutsiia Respubliki Kareliia* (Constitution of the Republic of Karelia). Petrozavodsk: GP "Tipografiia im. P. F. Anokhina", 1999.

work on a part-time basis as the members of the Federation Council of the RF did before the reform.

The political battles during the election campaign in the spring of 1998 mostly concerned internal matters of the republic. The issue of the republic's external links as such was not an issue in the pre-election debate. Only Katanandov's election program indirectly blamed his opponent for a lack of system in external contacts. His program also announced the aim of making an inventory of agreements with foreign partners and of bringing them into line with the domestic needs of the republic.

The election process of 1998 was influenced by some aspects of the republic's international cooperation. First, a scandal involving Greenpeace, which had announced a new nature reserve zone in Karelia, served as a background to the election process. In response, the republic's government blamed Greenpeace for defending the interests of foreign companies, above all, German ones.<sup>13</sup> At the same time the conflict between the Karelian government and the Swedish-Finnish *Assi Doman* corporation, which had shortly before bought 57% of the Segezhabumprom shares, came to a head.<sup>14</sup>

During the election, candidate Stepanov was supported by the Communists in Karelia and their Russian colleagues, as well as by managers of major enterprises, and the republic's mass media. In the second round they were joined by the Yabloko party, which had considerably improved its standing before the election, and whose candidate, Aleksandr Chazhengin, came third in the first round of the vote.

Despite Katanandov's personal popularity in Petrozavodsk and among the mayors of other cities, he did not, unlike Stepanov, have a stable support basis. His election program *Take a Step!* said that Karelia would remain a subsidized region unless the management system was restructured. Katanandov's domineering, somewhat authoritative management style<sup>15</sup> contrasted with the democratic, conflict-avoiding manner of Stepanov, whom Yabloko leader Grigorii Yavlinskii once called the most democratic governor in Russia.<sup>16</sup>

Katanandov's electorate consisted mainly of people specialized in the humanities, construction workers, and people employed in the food industry. In all probability, what played a decisive role was the backing by the NDR (Our Home is Russia) party, which at the time was the official party in power, and

13 "Skandal vokrug Kaleval'skogo natsional'nogo parka" (A scandal about Kalevalskii national park). *Nabliudatel'*, no. 4 (1998).

14 Ovchinnikova, Elena. "Spasenie utopaiushchikh..." (A rescue of drowning people). *Ekspert Severo-Zapad*, no. 18 (2000). The whole story of the Assi Doman Corporation is laid down in chapter 1.2.

15 *EWI Russian Regional Report*, no. 24 (1998).

16 Popov, Vasilii. "Khorosho, chto est' oppositsiia" (Opposition is a nice thing). *Nabliudatel'*, no. 8 (2000).

included the personal support extended by Boris Nemtsov and Viktor Chernomyrdin to Katanandov. On the whole, Katanandov's victory in the elections meant a greater leaning towards state-oriented ideology and reliance on the region's economic independence.

Katanandov began his work as a governor by writing a "Concept of socio-economic development of the Republic of Karelia for the years 1999-2002-2010", which presumed that "the state did not understand its role in economic regulation".<sup>17</sup> Katanandov thus spoke in favor of a new model of state management, based on the personal role of the chairperson of the government in monitoring the domestic social and political situation and centralized management of international and inter-regional projects.

In practice, this initiative resulted in the establishment of Karelvneshtorg, a public unitary enterprise for implementing trade and economic agreements with other regions of Russia, and later with foreign companies. The new government structure was intended to be an institution of inter-regional partnership, with economic obligations guaranteed by the state itself and not by commercial structures.<sup>18</sup>

#### *The role of local self-government in the Republic of Karelia*

Karelia is one of the few Russian regions with an actual separation of power, not only along the horizontal, but also along the vertical lines. The Republic of Karelia was one of the first in Russia to adopt a law on local self-government, giving local authorities guarantees of economic and financial independence.<sup>19</sup>

Economically, local self-government is based on local finances, local natural resources, municipal and other property, and property of the Russian Federation and the Republic of Karelia which was handed over for management to local self-government bodies and serves the needs of the population of the area under self-government. Financially, local self-government is based on the budget of the area under self-government, including state subsidies to bring the budget up to the necessary minimum, subventions, credit resources, foreign currency resources, as well as other funds for local self-government.

This law is distinguished by an actual transfer of land, real estate property, funds, and other facilities formerly in possession of the RF and RK into the ownership of municipalities and other local self-government bodies. The law defines

17 "Kontseptsiiia sotsial'no-ekonomicheskogo razvitiia Respubliki Kareliia na period 1999-2002-2010" (Concept on the Social and Economic Development of the Republic of Karelia for the Period of 1999-2002-2010). Petrozavodsk: Karel'skii nauchnyi tsentr RAN, 1999.

18 Volkova, Nataliia. "V vyigryshe budet respublika" (The republic will be the one to benefit). *Kareliia*, no. 79 (2000). In particular, the new structure was established to fulfill obligations of the republic towards Moscow, St Petersburg, Leningrad Oblast, Adygeya and Belorus.

19 *O mestnom samoupravlenii v Respublike Kareliia* (On local self-government in the Republic of Karelia). Petrozavodsk: GP "Tipografiia im. Anokhina", 1994.



local self-government as “a form of democracy, giving the population an opportunity to solve issues of local importance on their own and under their own liability on the basis of their own material and technical base and government support”.<sup>20</sup>

In this respect, the phenomenon of Karelia deserves special attention, as its leadership not only aims at political, but also to some extent at socioeconomic modernization of the republic according to the European model. At present, Karelia is one of the few regions that, since 1991, did not develop along the lines of regional authoritarianism, but instead separated power between regional, municipal, and local authorities.<sup>21</sup>

Currently, the administrative and territorial division of Karelia encompasses a conglomerate of 17 self-governing districts (Loukhskii, Kalevalskii national district, Kemskii, Kostomukhskii, Belomorskii, Pudozhskii, Muezerskii, Segezhskskii, Suoiarvskii, Kondopozhskii, Priazhinskii, Olonetskii, Medvezh'egorskii, Pitkiarantinskii, Lakhdenpokhskii, Prionezhskii, and Vepsskaia national volost'), seven cities, and 131 rural administrations.<sup>22</sup> In addition, local self-government is implemented at grassroots level in the form of territorial public councils (TOS).

The decentralization of power in the region has led to a distribution of the economic resources between the leading enterprises of the republic. As a result, seven economically competing areas emerged; some of them have developed in a more dynamic way than the capital, Petrozavodsk.<sup>23</sup>

#### *Characteristics of the political system of the Republic of Karelia*

Although Karelian political parties did not become a communications channel between the authorities and society, the republic enjoys political pluralism. The main feature of the party system in Karelia is its lack of ideology.<sup>24</sup> As a rule, neither nominees, nor members of the Legislative Assembly have any political affiliation. If this peculiarity grows into a trend, it will be possible to equate politics with business. This transformation holds a certain danger for the democratic development of the republic, because competition of political interests is increasingly giving way to economic competition.<sup>25</sup>

20 *Ibid.* article 1.

21 *Rossiiskii regional'nyi biulleten' Instituta Vostok-Zapad (EWI Russian Regional Bulletin)*, no. 17 (2000).

22 *Respublika Kareliia: Administrativno-territorial'noe ustroistvo* (The Republic of Karelia: Administrative and Territorial Division). Petrozavodsk: Komizdat RK, 1996.

23 According to ratings of districts and towns as of 1999, Kostomukhskii and Suoiarvskii districts, the city of Petrozavodsk, as well as Kondopozhskii, Muezerskii, Segezhskskii and Olonetskii districts had achieved the best economic results. See *Kareliia*, no.32 (2000).

24 Piruanskii, Arnol'd. “Vybornye tendentsii” (Electoral tendencies). *Nabliudatel'*, no. 40 (2000).

25 *Ibid.*

Power structures, business structures and mass media remain real power centers in the republic. At the current stage, the most important factor in the development of the political system in Karelia is the emerging opposition coming from both the new Petrozavodsk mayor, Andrei Demin, and new business structures. This is seen most vividly in the division of the mass media into supporters of Katanandov, of Demin, and of the local oligarchs.<sup>26</sup>

Lately, there has been an aggravation of the conflict between the heads of regional and municipal power, Katanandov and Demin, brought about by a funding cut for Petrozavodsk ordered by the Ministry of Finance of the RK.<sup>27</sup> In Demin's opinion, this amounts to a full-scale campaign launched against the Petrozavodsk administration in order to discredit its leaders. His opponent has been urging the mayor of Petrozavodsk to cut down management expenditures. The conflict between the former allies at the 1998 election may not only aggravate the fundamentally calm internal political situation, but also mar the image of the republic in the eyes of investors.

On the one hand, the occurrence of such conflicts can be explained by the uncompromising style of management characteristic of the chairman of the government. On the other hand, the conflicts may also be the result of the opponents' attempts to improve their political rating before the coming election, and in some cases, also of a desire to blame the republic's authorities for economic failures. The management style of Katanandov, who prefers to be in control of events at all levels in the republic, strongly contrasts with the approach of Stepanov, who kept his distance and did not interfere with the competence of the municipal authorities.

Katanandov's friendly relationship with the mayor of Moscow, Yurii Luzhkov, is a key to understanding his management style. The chairman of the government of the RK, for instance, decided to borrow the idea of an institution of prefects (representatives of the head of the republic in cities and districts) from Moscow's administrative system. He met with resistance in the House of Representatives of the RK, however, which managed to defend the independence of the heads of local administrations.<sup>28</sup>

All the above-mentioned factors characterize the internal political situation in Karelia as favorable for long-term international partnership. Pluralism of political views in combination with the experience of a division of power and a well-developed system of local self-government create the potential for a most efficient

26 For instance, the republican newspapers “Kareliia” and “Severnyi Kur'er”, as well as the TV channel “Kareliia” support Sergei Katanandov. A daily paper, “Gorod”, is backing the mayor of Petrozavodsk, A. Demin. The interests of the powerful Karelian businessman and mayor of Olonets, V. Popov, are voiced by the weekly “Guberniia”. The most balanced position in the political spectrum is presented by the weekly “Nabliudatel'”.

27 *Rossiiskii regional'nyi biulleten' Instituta Vostok-Zapad (EWI Russian Regional Bulletin)*, no. 20 (2000).

28 *Rossiiskii regional'nyi biulleten' Instituta Vostok-Zapad (EWI Russian Regional Bulletin)*, no. 22 (2000).

interaction between Karelia's authorities and the authorities of adjacent countries and their regions on a democratic basis. In addition, the management of the republic has been exercising greater control over the sociopolitical and economic processes in the region as of late.

## 1.2 Socioeconomic situation and investment potential

In 1992, Karelia was one of the first regions to refuse the model of reforms suggested by the center and to launch an experiment, trying to balance the "shock therapy" with directional social support of the least well-to-do people. The republic also started to actively develop external relations. Karelia avoided conflicts between major ethnic groups within the population by showing political tolerance towards its various political forces. The new leadership of Karelia also aimed at a socially oriented market economy and included this provision in the draft of the new constitution.<sup>29</sup>

During the 1990s, the crisis of the real estate sector in Karelia was much deeper than that in Russia. As a result, the gross regional product (GRP) per capita decreased 1.5 times faster than that of the RF. The social situation in the region was characterized by a natural decline of the population, an increased average age, a high rate of unemployment (15.7%, 1999), a low standard of living (26.2% of the population lives below the poverty line), and a comparatively stable migration of the population.<sup>30</sup>

The main sectors of the Karelian economy include forestry, woodworking, wood pulp and paper, machine-building and metalworking industries (equipment for forestry, woodworking, wood-pulp and paper industries), ferrous and non-ferrous metallurgy, mining (iron ore, non-metal building materials), as well as commercial fishing.

The forests covering half of the republic's territory are the main asset of Karelia. The size of their exploitable reserves is 600 million cubic meters: 58% pine trees, 38% fir trees, and 4% broad-leaved trees (including Karelian birch). In addition, the republic is rich in various building materials: granites, diabases, quartzites, dolomites and marble. Karelia has deposits of iron ore (Kostomukshskoe deposit), titanium magnesites (Pudozhgorskoe deposit), mica, as well as considerable potential for utilizing hydropower. The marshland covering 18% of the territory of the republic contains over four billion tons of peat.<sup>31</sup>

29 Provision 1 of Article 8 of the constitutional draft emphasized a socially-oriented market economy; provision 3 of the same article underscores that "property cannot be used in contradiction to the interests of society or the rights and freedoms of citizens".

30 Shmelev, V. B., ed. *Respublika Kareliia v tsifrakh* (The Republic of Karelia in figures). Petrozavodsk: Respublikanskii komitet Respubliki Kareliia po statistike, 2000. See also Popova, M. B., ed. "Uroven' zhizni naseleniia Karelii" (Standard of living of the population of Karelia). Petrozavodsk: KNTS RAN, 1995.

31 "Prirodnye resursy – Respublika Kareliia" (Natural resources – The Republic of Karelia), (<http://notes.society.ru/bibl/polros/Karelia/resurs-kar.html>).

Nevertheless, the condition of the Karelian economy left much to be desired up until the 1998 crisis, which devalued the national currency to a level suitable for exporters. As a result, depression gave way to economic growth in 1999, mostly on account of the export-oriented sectors; the volume of trade turnover of such sectors significantly exceeds that of the internal trade turnover and that of the import-oriented sectors.

An example of the growth and high efficiency of the post-crisis production in Karelia is OAO Karelskii okatysh (the Karelian Pellet Company). This company became one of the winners of the nation-wide contest 'Russian organization of high social efficiency'. More than 500 enterprises from 45 regions of the Russian Federation took part in the contest. Among them were major Russian companies such as AvtoVAZ, LUKoil, Surgutneftegaz, Rosneft', Severstal', the Novolipetskii integrated iron-and-steel works, the Western Siberian integrated iron-and-steel works, Vorkutaugol', the Bogoslovskii aluminium plant, the Krasnoarskii aluminium plant, and the Baltika brewery.<sup>32</sup>

The republic feels the influence of the large Russian companies. One of the most promising Russian companies, for instance, Surgutneftegaz, has established control over Karelnefteprodukt. Diamond deposits with an estimated value of approximately 650 million to 1 billion US dollars were discovered in Karelia.<sup>33</sup> Australia's Ashton Mining Ltd. (AML) was involved in the exploitation of the field from 1994 onwards. Now it has been replaced by the Dutch De Beers company and Russia's Almaz Rossii-Sakha (Diamonds of Russia-Sakha) company.

An important factor that could influence the power resources of both the Russian Northwest and European countries is the development project for the Shtokmanovskoe gas field in the Barents Sea, where the world's largest natural gas deposits with an annual capacity of up to 20 billion cubic meters were discovered. The gas line can be built in two ways. The first option is to install it along the Russian border with Finland, through Finland and then further into Western Europe.<sup>34</sup>

The second option, which is preferable to Karelia, is to run it through the territory of the republic and then to the town of Volkhov in Leningrad Oblast. This could help to provide gas to practically all of Karelia, from north to south. Gazprom will, however, have the last say, and its management is reluctant to supply gas to the internal market at prices below world market prices.

32 *Severnyi kur'er*, no. 233 (2000).

33 "Skoro v Karelii vobnoviatsia poiski almazov" (Search for diamonds in Karelia to begin soon). Web site of the chairman of the government of the RK ([http://www.gov.karelia.ru/gov/News/2000/0914\\_02.html](http://www.gov.karelia.ru/gov/News/2000/0914_02.html)).

34 Zlobin, Vladimir. "Gaz dlia Karelii" (Gas for the needs of Karelia). *Severnyi kur'er*, no. 224 (2000).

On the whole, Karelia has successfully used foreign economic ties as a means to compensate for the drawbacks of social and economic reforms. Moreover, the Guidelines of the Government of the Republic of Karelia for the Development of International Cooperation for the Years 1999-2002 conclude that globalization processes are an objective and that it is necessary for the Republic of Karelia to get involved in them. Literally, the program says that "following the logic of the world's economic development and the processes of its globalization, it is necessary to take into account that objectively Russia, including Karelia, will continue its integration into the global economic system".<sup>35</sup>

Paradoxically, the government of the RK has demonstrated a dual approach towards foreign investors. On the one hand, the administration of the republic is interested in establishing economic contacts with adjacent countries and passes laws aimed at attracting foreign investments. On the other hand, the policies of the republic's authorities clearly show a certain amount of reserve towards foreign investors reflected in the political line adopted in dealings with them.<sup>36</sup>

The key point of this political line is the demand that investors should respect "the rules of the game" proposed by the government of Karelia. This means that foreign investors should commit to "respect the interests of the republic", that is, discuss the goals and methods of reorganization and management of privatized enterprises with the leadership of the republic.<sup>37</sup> In practice, this often means that investors are requested to take on certain social obligations with respect to privatized enterprises and their staff.

This can be illustrated by events that took place at the Segezhabumprom integrated pulp-and-paper mill. The Swedish-Finnish Assi Doman Corporation purchased a controlling share of the integrated works (57.3%) early in 1997. The new owners aimed at a radical reorganization of the enterprise, its complete refitting, and cuts in personnel. At the same time, the concern rejected the existing system of social benefits in the enterprise and in the town of Segezha. It also demanded that the republic's authorities and the federal authorities make some major allowances for it, including the restructuring of the enterprise's debt on taxes and duties, and granting it a 49-year concession over about 40% of the Karelian forests.<sup>38</sup>

In response, the company met with resistance from the republic's authorities, who were against stopping the works for the period of renovation, since this

35 *Osnovnye napravleniia deiatel'nosti Pravitel'stva Respubliki Kareliia po razvitiu mezhdunarodnogo sotrudnichestva na 1999-2002 gody* (Guidelines of International Co-operation Development by the Government of the Republic of Karelia, 1999-2002). Petrozavodsk: GP "Respublikanskaia tipografiia im. P.F. Anokhina", 2000.

36 Krom, Elena. "My opasaemsia variagov!" (We are afraid of the Varangians!), an interview with Sergei Katanandov. *Ekspert Severo-Zapad*, no. 18 (2000).

37 *Ibid.*

38 Ovchinnikova, Elena. "Spasenie utopaiushchikh..." (Rescue of drowning people). *Ekspert Severo-Zapad*, no. 18 (2000).

would have posed a serious social threat to employees and their families. As a result, cooperation turned into litigation and conflict, and ended in Assi Doman's withdrawing from Karelia.

In 1998, after a long chain of lawsuits and litigation, Segezhabumprom was taken over by an external management team invited by the republic's authorities. A new OAO Segezhsksii CBK was set up on the basis of the bankrupt enterprise. The new company has been developing efficiently since the moment of its foundation. The key to its success is the strategy of 'smooth modernization', integration of lumber and woodworking enterprises into a single complex, along with direct investment by Austria's Voiht company, which made it possible to modernize production. Currently, 39 countries are importing products from the enterprise.<sup>39</sup>

To a certain extent, the Assi Doman incident was a result of the negative experiences of Karelia's foreign economic cooperation in the early 1990s when the republic "opened its doors to new proprietors, but they only came to suck money out of Karelian factories".<sup>40</sup> This was the case with the Karelia Trade Company, for instance, which drove a plywood factory in Lakhdenpohja to bankruptcy.<sup>41</sup>

On the other hand, one of the main reasons why Karelia is not all that attractive to investors is its lack of effective investment legislation. Formally, the Republic of Karelia has adopted laws On State Guarantees for Foreign Investments in the Republic of Karelia (No. 60-ZRK) and On Investment Activities in the Republic of Karelia (No. 289-ZRK). In spite of the goal set by Katanandov's government to "create regional conditions to improve the attractiveness of the Republic of Karelia to investors", these laws have not been amended since they were passed. The recent expertise of foreign investment has therefore not been reflected in the legislation of the Republic of Karelia.<sup>42</sup>

The above factors lead to the conclusion that the paradigm of Karelia's development has changed as a result of Katanandov's electoral victory: the comparatively liberal economic model which had existed in Karelia at the time of Stepanov gave way to the state-patronizing model of management favored by Katanandov. In an interview with the Finnish newspaper *Kaleva*, the chairman of the government of the RK was asked about his attitude to the course of reforms

39 "Segezhsksii TSBK: 1998-2000. Dalee bez ostanovok" (Further without delay). *Severnyi kur'er*, no. 220 (2000).

40 Krom, Elena. "My opasaemsia variagov!" (We are afraid of the Varangians!), an interview of Sergei Katanandov. *Ekspert Severo-Zapad*, no. 18 (2000).

41 *Nabliudatel'*, no. 36 (1998).

42 *Osnovnye napravleniia deiatel'nosti Pravitel'stva Respubliki Kareliia po razvitiu mezhdunarodnogo sotrudnichestva na 1999-2002 gody* (Guidelines of the Government of the Republic of Karelia for the Development of International Cooperation for the Years 1999-2002). Petrozavodsk: GP "Respublikanskaia tipografiia im. P.F. Anokhina", 2000.

of Kas'ianov's government. He answered that he supported the "continuation of reforms, especially a stronger role of the state in the economy".<sup>43</sup>

In practice, the role of the state in the Karelian economy is as follows: Members of Katanandov's government are members of the Board of the Belomorsko-Onezhskoe shipping company, the Kostomukshskii integrated mining works, the Pitkiarantiskii integrated works, and quite a few other companies.<sup>44</sup> The transition to this model of managing economic processes in the republic resembles a shift from free economic competition to "state capitalism"; this is unlikely to improve the investment image of the region.<sup>45</sup>

Another peculiarity of Karelia's economy is its dependence on the position of international environmental organizations. The last few years have seen increased confrontation between members of Greenpeace, WWF, and the republic's authorities. Particularly, this concerns the massive attack of environmental organizations against Karelian lumber firms, which are accused of clear-cutting the forests in the border zone. In their turn, the Karelian and Russian mass media accuse Greenpeace and other organizations of applying double standards to Karelia. They also accuse them of attempting to drive away the Karelian population living on the territory lost by Finland in the Soviet-Finnish war of 1939-1940. As a proof they produced a map of the area in question, which coincides with the territory that went to the Soviet Union in 1940.<sup>46</sup>

In spite of Karelia's average investment potential by Russian standards (it holds the 59<sup>th</sup> place in the investment rating of Russia's regions in terms of investment potential and the 31<sup>st</sup> place in terms of investment risk), the management of the republic actively seeks partners abroad.<sup>47</sup> Finland is the main partner, accounting for 32.5% of the RK's exports and 30.5% of its imports in the year 2000.<sup>48</sup>

Cooperation between Finland and the Soviet Union began in the mid-1950s, when the Soviet-Finnish border became the most permeable link in the iron curtain, and Finland was given the exclusive right to exploit the Soviet market. The most important stage of cooperation which directly involved Karelia was the construction of the Kostomukshskii integrated mining works and the town of Kostomuksha in 1977-1985.

43 Tapio, Tuomi-Yuhani. "Kareliia vchera, segodnia, zavtra" (Karelia yesterday, today and tomorrow), RK government web site (<http://www.gov.karelia.ru/gov/Leader/press.html>).

44 Krom, Elena. "My opasaemsia variagov!" (We are afraid of the Varangians!). *Ekspert Severo-Zapad*, no. 18 (2000).

45 Krom, Elena. "Svoi i chuzhie" (One's people and strangers). *Ekspert Severo-Zapad*, no. 18 (2000).

46 Kucherenko, Vladimir. "Drovoseki, von s lesoseki!" (Wood-cutters, get out of the wood cutting area!). *Rossiiskaia gazeta*, October 27, 1999.

47 "Investitsionnyi risk i potentsial rossiiskikh regionov v 1999-2000" (Investment risk and potential of Russian regions in 1999-2000). *Ekspert*, no. 41 (2000).

48 Shmelev, V. B., ed. *Respublika Kareliia v tsifrah* (The Republic of Karelia in figures). Petrozavodsk: Respublikanskii komitet Respubliki Kareliia po statistike, 2000.

Since 1993, the government of the republic has been working on a mid-term concept to encourage foreign economic activities. The calculation is based on the notion of Karelia as a promising transit region capable of bringing together Northern Europe and the central areas of Russia. This view is widely shared by government structures, public organizations, and the mass media. The Guidelines of the Government of the Republic of Karelia for the Development of International Cooperation for the Years 1999-2002 are significant in determining the strategy of Karelia's foreign economic links.

The continuity of the cabinet's course aimed at the region's integration into Europe is confirmed by the fact that an advocate of this course, Valerii Shliamin, who had been Minister of Foreign Relations under Stepanov, kept his post under Katanandov. A document on the region's socioeconomic development for the years 1999-2002-2010, titled "Rebirth of Karelia", was written to ensure a more comprehensive approach to the region's development.<sup>49</sup> The Karelian Scientific Center, the Karelian branch of the Russian Academy of Sciences, plays a significant role in the designing of government programs. This gives Karelia a positive advantage over other regions, where such documents are either not prepared at all, or are prepared behind closed doors.

One of the main tasks stated in the document is the installation of a well-developed infrastructure on the Finnish border, including the construction of good quality roads, petrol stations, an increased number of border checkpoints, and the construction of communications structures and modern hotels. According to the chairman of the government, the successful implementation of transborder projects and making use of the advantages of the EU border require a federal "Frontier" program, which would involve aspects such as a simplified procedure of border control and a convenient visa-issuing procedure.<sup>50</sup>

On the whole, the course of the republic's management, which was adopted in the 1990s and aimed at building a socially-oriented market economy, was not only a response to the ill-conceived and somewhat unsystematic economic policy of the center, but also demonstrated an interest and a responsiveness of the society to western-style social models. Karelia's sociopolitical, economic and cultural potential facilitates the use of the pre-border status of the RK in order to turn it into a transit region and to involve it in globalization.

It is necessary, however, to mention the peculiarity of the socioeconomic process in Karelia, which consists of a combination of a highly democratized public life and political institutes (by Russian standards) and a patronizing and controlling role of the state in the economy. In other words, a region with a

49 *Vozrozhdenie Karelii. Kontseptsiiia sozial'no-ekonomicheskogo razvitiia Respubliki Karelia na period 1999-2002-2010* (Rebirth of Karelia. Concept of socioeconomic development of the Republic of Karelia for the period of 1999-2002-2010). Petrozavodsk: Karel'skii nauchnyi tsentr, 1999.

50 Shchepotkin, Viacheslav. "Karel'skii povorot" (Karelia turns to cooperation). *Rossiiskaia Federatsiia segodnia*, no. 10 (2000).

comparatively well-developed democracy is moving towards internationalization of its economy with a leading role of the state in social and economic matters.

### 1.3 Role of ethnic factors in the context of Karelia's border cooperation

Karelia is a unique historical and cultural phenomenon of the European North. It is not only the birthplace of the *Kalevala* epic and the legends of Il'ia Muromets and Solovei-Razboinik, Vol'ga and Mikula, but also the crossroads of different cultures and religions (the Orthodox, Catholic, and Lutheran churches).<sup>51</sup> The experience of cultural and historical inter-penetration between Finno-Ugrian and Slavic peoples goes back nearly one thousand years.

Many centuries of political transformation have resulted in the indeterminate and fragmented borders of the habitat of the Karelian ethnic group. Today, the territory of the Republic of Karelia is made up of Ladozhskaja Karelia, which became part of the Soviet Union after World War II, and Eastern Karelia; Northern and Southern Karelia are provinces of Finland, and the Karelian Isthmus, the ancient motherland of the Karelians, is part of Leningrad Oblast.<sup>52</sup>

The cultural and historical legacy is one of the important factors determining the level and quality of border relations of the Republic of Karelia. A vivid example of such cooperation is the establishment of *Euroregion Karelia*, which includes the Republic of Karelia on the Karelian side, and Northern Karelia, Northern Pohjanmaa and Kajnuu on the Finnish side.<sup>53</sup> In addition, the RK has established friendly ties with four areas of Finland (Northern Karelia in 1992, Oulu in 1993, Mikkeli in 1992, and Middle Finland in 1994), with two communalities (Northern Savo in 1993 and Keski-Suomi in 1995), and with districts of Sweden and Norway (Vesterbotten in 1994 and Tromsø in 1994).

An important factor in the interaction of cultures and economies of the republic's areas are the close exchanges with regions and towns of the borderland of Finland. Virtually all the towns and districts of the republic are twinned with one of over 60 Finnish towns and communes. Not only towns and villages, but also educational and scientific institutions, hospitals, orphanages and enterprises have partners in Finland.<sup>54</sup>

The main coordinating body of cooperation is the Consultative Commission on Cooperation of Communes of Eastern Finland and the Republic of Karelia. It

is a forum of regional and local politicians, who present ideas and project initiatives, and exchange information on important issues of cooperation. Within the framework of the Consultative Commission, projects for joint funding are selected on a competitive basis.

The priorities of border cooperation are the preservation of the environment, the development of agriculture and forestry, the improvement of border infrastructure and border checkpoints, as well as the development of transportation and telecommunications, health care and social security services. Developing management and increasing the potential for trade and economic cooperation are further goals of joint cross-border efforts.<sup>55</sup>

The ethnic factor plays an important role in the improvement of economic cooperation with bordering countries – above all, with Finland. Similarity of language and culture with the Finnish-speaking population of Karelia, along with the historical experience of coexistence and cooperation, make Karelia an object of increased attention for neighboring Finland. Thus, Finland accounts for 236 out of the 410 enterprises with foreign investments working in Karelia (58.1%).

The Republic of Karelia benefits from a “special relationship” with Finland in many aspects of international cooperation, attracting new investors and demonstrating the possibility of making investments in the republic's economy. From 1994 up until now, 250 joint Karelian-Finnish projects have been realized and are still being implemented in the framework of border cooperation.<sup>56</sup>

There are, however, still a number of obstacles in the way of border cooperation. One of the obstacles is the gap in the level of economic development of the bordering Finnish and Karelian areas: ironically, the least developed Karelian districts, such as Sortavala, Vepsskaia national volost', and Kalevaskii national district, are situated along the Finnish border. One of the main reasons for their economic backwardness is their specialization in agriculture. This, in combination with the underdeveloped tourism infrastructure, makes them outsiders among Karelia's districts. Another reason is that the Vepsskaia volost' was established with a cultural and political purpose, but without taking into account any economic realities.<sup>57</sup> Nevertheless, the frontier position of said areas gives them a chance to develop tourism.

Under these circumstances, the Ministry of External Contacts of the RK has made a number of proposals to adapt the Russian program of border cooperation. In particular, it suggested going back to the discussion of the status of a Russian

51 Ivanov, Aleksandr. “Rodina Kalevaly” (The birthplace of Kalevala). *Ekspert Severo-Zapad*, no. 18 (2000).

52 *Ibid.*

53 *Kareliia*, no. 77 (2000).

54 “Programma prigranichnogo sotrudnichestva Respubliki Kareliia na 2001-2006 gody” (Program of Cross-border Cooperation of the Republic of Karelia, 2001-2006), RK government web site (<http://www.gov.karelia.ru/Power/Ministry/Relations/Boundary/02a1.html#07>).

55 *Ibid.*

56 *Osnovnye napravleniia deiatel'nosti Pravitel'stva Respubliki Kareliia po razvitiu mezhdunarodnogo sotrudnichestva na 1999-2002 gody* (Guidelines of the Government of the Republic of Karelia for the Development of International Cooperation for the Years 1999-2002). Petrozavodsk: GP “Respublikanskaia tipografiia im. P.F. Anokhina”, 2000.

57 *Nabliudatel'*, no. 10 (2000).

border region, including a “more active state support of border trade and fewer visa formalities for business executives and tourists”.<sup>58</sup> These proposals, however, are unlikely to meet with any understanding from the federal center. First of all, the patchwork picture of the Russian border regions and their individual peculiarities can hardly be reflected in a single legal act. While the situation in the western and south-western border regions of Russia is comparatively safe, its southern and, to some extent, its south-eastern border regions are potentially unstable with smoldering or on-going conflicts.

Meanwhile, the fall of the Iron Curtain highlighted a number of problems that have defined the Russian-Finnish relationship in the past and are still significant today. These problems still echo in the emotional background surrounding border cooperation between Karelia and Finland. The main issue is the memory of the past Soviet-Finnish war, its results and victims.

Finland has lately experienced an increased influence of extreme rightist organizations such as “The Tartu Peace Treaty” and “New Finland” that are acting in favor of retrieving the Finnish territories lost in World War II. On the Karelian side, they are actively supported by the “Karelian Movement” that uses the same slogans.<sup>59</sup> The susceptibility of the Karelian population to these slogans complicates the external links of the republic and has created tensions in public opinion on both sides of the border. Meanwhile, the Russian side has made efforts to normalize the atmosphere of the Russian-Finnish relations. In May 1994, Russia, represented by President Yeltsin, publicly admitted that the annexation of the Finnish part of Karelia had been an act of aggression on the part of Stalin’s regime.<sup>60</sup>

On June 27, 2000, the Cross of Sorrow was unveiled on Karelian territory. It commemorates the victims of the Soviet-Finnish War and World War II. Both events contributed to a reduction of tensions in the bilateral relationship.<sup>61</sup> The memorial was opened in the presence of the Deputy Chairman of the Russian government, Aleksei Kudrin, the Chairman of the Government of the Republic of Karelia, Sergei Katanandov, and the Prime Minister of Finland, Paavo Lipponen. In a short interview with journalists, Lipponen mentioned, among other things, that the issue of Finland’s post-war territorial claims to Russia could be left to history.<sup>62</sup>

A specific phenomenon of Karelia’s political life of the early 1990s was the unfolding of *national movements*. At the beginning of the political and economic reforms in the republic, the Karelians, the titular nation of Karelia, were on the verge of losing their ethnic language and culture, which only existed in the domestic sphere. In the early 1990s, about half of the Karelians, including almost all the young people, did not know their mother tongue.<sup>63</sup>

This had been the situation when the Societies of Karelian and Vepsian Culture and the Union of Finns-Ingermanlanders were founded in Karelia in 1989. In 1991 the Karelian Movement was founded. While the programs of both the Societies of Karelian and Vepsian Culture and the Union of Finns-Ingermanlanders did not go beyond the demand for ethnic and cultural autonomy and the development of the Karelian, Finnish and Vepsian written languages, the Karelian Movement, headed by Anatolii Grigor’ev, entered the political arena demanding “free self-determination of the Karelian people”.<sup>64</sup> On June 28-30, 1991, the Republic’s Congress of Karelians was held in the town of Olonets with delegates invited from the Tver and Leningrad oblasts, as well as from Finland. The Congress did not support the idea of establishing a “Karelian autonomy inside the Republic of Finland”, as proposed by Grigor’ev.

Having met with firm resistance in political circles, the Karelian Movement took a more moderate stand by the mid-1990s, insisting that a legal mechanism should be introduced for the guaranteed representation of Karelians, Veps and Finns in the governing bodies of the RK. Meanwhile, the 1998 election to the House of the Republic showed that the majority of the Veps, like the Karelians, lack a feeling of ethnic singularity, as proved by the victory of a Russian candidate, Yurii Koren’kov, at the election for the Vepsskaia national volost.<sup>65</sup>

An animated discussion on the ethnic issue was launched in the press in 1992. It was triggered by an article by Zinaida Strogal’shchikova called “The hard history of Karelia, or who is who in this land”, which stipulated the right of the indigenous population, meaning the Karelians, Finns and Veps, to a special status within the Republic of Karelia.<sup>66</sup> Responding to this article, authors of other publications, including Anatolii Tsygankov, Vladimir Fomichev, Vadim Badanov, and Alexei Kharlamov expressed their doubts over the author’s

58 See Shliamin, Valerii. “Strategiia sotrudnichestva” (A strategy of partnership). *Kareliia*, no. 61 (2000).

59 See on this question Virrankoski, Pentti. “Vopros o Karelii I ego istoricheskii fon” (The Karelian question and its historical background), Slavic Research Center web site ([http://www.funet.fi/pub/culture/russian/html\\_pages/Karelia/Virrankoski.html](http://www.funet.fi/pub/culture/russian/html_pages/Karelia/Virrankoski.html)).

60 Sergunin, A. A. “Regionalizatsiia Rossii: rol’ mezhdunarodnykh faktorov” (Regionalization of Russia: role of international factors). *Polis*, no. 3 (1999), p. 84.

61 “Krest skorbi” (A Cross of sorrow), chairman of the government of the Republic of Karelia web site (<http://www.gov.karelia.ru/Leader/Days/cross.html>).

62 Prime Minister of Finland Paavo Lipponen: “U Finliandii net territorial’nykh pretenzii k Rossii” (Finland has no territorial claims to Russia), RK government web site ([http://www.gov.karelia.ru/gov/News/2000/0628\\_02.html#02](http://www.gov.karelia.ru/gov/News/2000/0628_02.html#02)).

63 Verigina, Anna M. “Natsional’nye dvizheniia i politicheskie partii v Respublike Kareliia (80-90-e gg.)” (National movements and political parties in the Republic of Karelia, 1980-90s). In *Na putiakh politicheskoi transformatsii* (On the roads of political transformation). Moskva: MONF, 1997, pp. 207-235.

64 Tsygankov, Anatolii. *Politicheskie partii i obshchestvenno-politicheskie dvizheniia v Respublike Kareliia. 1991-1995*. (Political parties, public and political movements in the Republic of Karelia. 1991-1995). Petrozavodsk: Petrozavodskii gosudarstvennyi universitet, 1995, p. 37. One may know that Russian political practice is still guided by Lenin’s definition of self-determination, which in a number of cases equates self-determination with separation.

65 *Nabliudatel’*, no. 10 (2000).

66 Strogal’shchikova, Zinaida. “Neprostaia istoriia Karelii, ili Kto est’ kto na dannoi zemle” (The hard history of Karelia, or who is who in this land). *Kareliia*, no. 22 (1993).

approach to the definition of indigenous nationalities, and also accused her of fanning ethnic discord.

Katanandov's proposal to grant the Karelian language the status of a state language along with Russian, complemented by a proposal to rename the Republic of Karelia "the Republic of Karelia – Karjala" was a milestone event and testified to the importance of the ethnic factor in Karelia.<sup>67</sup> One of the main motives behind the proposal was a new statistic showing an unfavorable demographic situation among the Karelians and Veps.

The recent decision of the chairman of the government to confirm the federal status of the Russian and Karelian languages in the Constitution was not only backed by members of national public movements, but also by the House of Representatives.<sup>68</sup> The prospects of the language amendment are, however, still unclear. They will largely depend on both the position of the House of the Republic, where the amendment needs a constitutional majority, i.e. two thirds of the votes, and the reaction of the federal authorities.

Earlier, an educational base had been created in the republic for the study of the Karelian language in schools and public culture centers. In addition, Karelian districts were organized according to both the administrative-territorial and ethno-territorial principle. The latter refers to the Karelskii national district and Vepsskaia national volost'. Some TV programs are broadcast in Karelian, and municipal street signs are in both Russian and Karelian. The efforts of the government and the people of Karelia to protect the language and culture of the Karelians, Finns and Veps found support at the 3<sup>rd</sup> World Congress of the Finno-Ugrian people held in Helsinki in December 2000.<sup>69</sup>

The facts noted above show the Republic of Karelia as a region with rich cultural and historical traditions, where the ethnic factor gives a certain color to the political process and facilitates tourism, cultural, and cross-border economic links between the people of Karelia and Finland.

67 Sergeev, Andrei. "Predsedatel' Pravitel'stva delaet rezkii povorot" (Chairman of the government takes a sharp turn). *Karelia*, no. 92 (2000).

68 *Severnyi kur'er*, no. 234 (2000).

69 "Rukovodstvo kongressa polozhitel'no otsenilo nashu deiatel'nost'" (The leadership of the Congress positively assessed our activities), RK government web site ([http://www.gov.karelia.ru/gov/News/2000/1214\\_03.html](http://www.gov.karelia.ru/gov/News/2000/1214_03.html)).

## Karelia's foreign contacts

The second and third sections of this research paper are aimed at defining the mechanisms of Karelia's influence on the development and implementation of Russia's foreign policy. The regional influence on foreign and security policy is seen not only as the interaction between the center and the region on specific international issues, but also as including those independent international activities of the region which make it necessary for the center to respond to them.

Chapter 2.1 therefore studies the geographical, geopolitical, military and strategic aspects, as well as the extent of internationalization of the region's economy; these are factors that determine the importance of the RK in the international context. Chapter 2.2 deals with the study of foreign links of the Republic of Karelia. In addition, it looks into aspects of the relationship between the federal center and the Republic of Karelia that are connected to the prerogative of forming external links, which was independently granted to the Republic of Karelia by the federal center.

### 2.1 *The Republic of Karelia in the international context*

The break-up of the Soviet Union had a significant influence on the geopolitical status of the western and northwestern regions of Russia. The role of the former decreased due to the establishment of new independent states in Central and Eastern Europe, as well as states that emerged in the post-Soviet area. All these new states separated the developed countries of Western Europe from Russia. The role of the regions in the Northwest of Russia increased for the same reason. The vector of Russia's foreign economic relations shifted from the West to the Northwest of Russia, thereby improving the geopolitical situation of regions such

as St Petersburg, Leningrad Oblast, Kaliningrad Oblast, and the Republic of Karelia.<sup>70</sup>

Karelia's place in the international context is largely determined by its advantageous geographical situation and favorable ecology, which create good conditions for the development of border tourism. Geographically, the republic is situated at a junction of the promising northwestern and northern regions. It can therefore aspire to become a transitional region in the north of European Russia, along with St Petersburg and Leningrad Oblast.

The favorable geographic situation is complemented by the border with Finland and the EU, as well as the proximity to other flourishing countries of Northern Europe. The internal political situation in the Russian regions bordering on Karelia is quite calm. Like Karelia, these regions are far from the zones of ethnic conflict situated in Southern Russia. The military and strategic situation is defined by the republic's proximity to the frontier between NATO and Russia. Norway, a NATO member with a highly militarized territory, borders directly on Murmansk Oblast, which houses the base of Russia's Northern Fleet, and used to house almost half of the nuclear arsenal of the USSR during the Cold War.<sup>71</sup>

On the whole, the ecological situation in Karelia and the border zone is favorable. The republic's unique natural landscapes, the world-famous *Kizhi* and *Valaam* historical, architectural, and spiritual monuments offer a considerable potential for the development of tourism, and Karelia's flora is rightly labeled "the lungs of Europe". Over 12.5% of Karelian territory is covered by national parks and natural preserves. The hazardous environmental situation in neighboring Murmansk Oblast, which is the main source of contamination in the north of Europe, has, however, had a negative impact on the ecology of the RK.

The borderland position of Karelia reflects on its economic profile. Karelia is a vivid example of an export-oriented region. Thus, the role of export in the overall volume of industrial output in terms of value increased from 5% in 1993 to 55.2% in 1999. The share of the European Union members in the foreign trade of the republic grew from 25% in 1993 to 62.4% in 1998. One of the negative trends is the decreasing share of manufactured products in the structure of both Russian and Karelian exports.

As a result, the republic's foreign trade turnover with all European countries has reached 78% (1998), while the share of CIS states in the foreign trade turnover continues to fall, having reached 2.4%. This means that the Karelian economy is predominantly aimed at European markets. In August 2000, Karelia's foreign trade turnover amounted to US\$623.2 million, with US\$497.7 million of export

70 See Sergunin, A. A. "Regionalizatsiia Rossii: rol' mezhdunarodnykh faktorov" (Regionalization of Russia: role of international factors). *Polis*, no. 3 (1999).

71 Krylov, Sergei B. "Sotrudnichestvo na severe Evropy" (Cooperation in the North of Europe). *Mezhdunarodnaia zhizn'*, no. 9 (1996): 41-46.

and only US\$125.5 million of import. It should be added that Finland accounts for up to half of the goods turnover between the EU countries and Russia.<sup>72</sup>

There has been a shift in evaluating the role of foreign links for the RK. While at first the republic's leaders considered international cooperation an instrument of Karelia's social and economic development that was necessary to mitigate the aftermath of the transitional period and to create economic growth potential, they now speak of the "further integration of the RK within the RF into the European economic dimension".<sup>73</sup>

In 1995, the EU countries and the RF specified the priority of Russia's Northwest area in the TACIS program. One of six TACIS technical offices in Russia was opened in Petrozavodsk in 1997. Finland presented the concept of the "Northern Dimension in the policy of the European Union", wherein the RK was given an important role in the further development of cooperation between the EU and Russia.

According to the former president of the Finnish Republic, Martti Ahtisaari, "unprecedented opportunities are being created for including Russia more closely in the integration process ... the city of St Petersburg and the Baltic Sea region could then become one of the focal points of our continent, let us call it the 'green northern zone' of Europe ... Finland's unique position vis-à-vis Russia gives her an opportunity to develop new forms of regional cooperation with the aim of strengthening democracy, the rule of law, and the market economy in her neighboring areas".<sup>74</sup>

The main significance of the "Northern Dimension" for Russia is that it involves Russia in the common European process, and gives it an opportunity for development on the basis of foreign economic, social, political and legal cooperation. The majority of projects currently being implemented in Karelia are those within the framework of the "Northern Dimension". In particular, this does not mean investments in the manufacturing sector, but rather the attraction of financial resources for projects such as the transfer of expertise on issues of local self-government, social security, health care, and mass media.<sup>75</sup>

The idea of creating a free economic zone for export-oriented production near the town of Kostomuksha is hard to implement, but quite feasible. Karelia

72 *Vneshneekonomicheskie svyazi Respubliki Kareliia za 1999 god* (Foreign economic links of the Republic of Karelia in 1999). Petrozavodsk: Gosudarstvennyi komitet Respubliki Kareliia po statistike, 2000.

73 *Osnovnye napravleniia deiatel'nosti Pravitel'stva Respubliki Kareliia po razvitiu mezhdunarodnogo sotrudnichestva na 1999-2002 gody* (Guidelines of the Government of the Republic of Karelia for the Development of International Cooperation for the Years 1999-2002). Petrozavodsk: GP "Respublikanskaia tipografiia im. P.F. Anokhina", 2000.

74 Harle, Vilho. "Martti Ahtisaari, A Global Rationalist". In *Northern Dimensions Yearbook 2000*, ed. Tuomas Forsberg. Helsinki: The Finnish Institute of International Affairs, 2000, p. 12.

75 *Ibid.*, p. 45.



has accelerated its participation in cooperating in the Barents Euro-Arctic Region since 1994, and in 1995 joined a cooperation agreement within the framework of the Council of the Baltic Sea States. Karelia was defined in 1994 as a priority region for funding under programs of the Council of Ministers of Nordic countries, and in 1996 also under the Interreg-Karelia program. The most important in terms of Karelia's transit potential, however, are two projects with the participation of Karelia, Finland, Sweden and Norway.<sup>76</sup>

The first project is the *Atlantic – Karelia* highway-based development corridor (Komi – Vologda – Arkhangelsk – Karelia – Southern Finland – Sweden – Norway), which involves the creation of free economic zones in the border areas (Kostomuksha, Sortavala). The corridor is also likely to influence the southern part of Karelia. The second project is the *Arkhangelsk Corridor* development project covering Karelia's northern areas. It is based on the Ledmozero – Kochkoma commercial railway, now under construction.

There are currently 17 checkpoints for vehicles along the Karelian side of the border. Two of the checkpoints – Vartsila and Lutta – have the status of international automobile checkpoints and are intended for multi-directional international cargo and passenger flow; 15 have the status of basic checkpoints with various specifications (two-way, cargo, permanent, temporary, seasonal). In addition, there are two railway border and customs crossings (Vartsila and Kiviarmi stations). Said checkpoints are well equipped and serve the needs of both the Republic of Karelia and other constituent entities of the federation, including regions of the Northwest Federal District.

The Republic of Karelia therefore has a considerable potential for trans-border and international cooperation. Combined with the advantageous geographical situation of the region and interest on the part of the population, this creates favorable conditions for the region's economic integration into the economy of Northern Europe.

## 2.2 Development dynamics of Karelia's foreign relations

Before analyzing in detail the aims and forms of interaction of the republic with the outside world, we should specify the peculiarities of regionalism in Karelia. It is well known that implications of regionalism are different depending on the type of community in question and the set of goals it pursues. While regionalism combined with globalization signifies a new quality of socioeconomic modernization in Western Europe, regionalism is above all a political practice in Russia;

76 *Osnovnye napravleniia deiatel'nosti Pravitel'stva Respubliki Kareliia po razvitiu mezhdunarodnogo sotrudnichestva na 1999-2002 gody* (Guidelines of the Government of the Republic of Karelia for the Development of International Cooperation for the Years 1999-2002). Petrozavodsk: GP "Respublikanskaia tipografiia im. P.F. Anokhina", 2000.

it took shape against the background of deteriorating centralized power structures, and is aimed at providing for the decentralized management of the country.

It is no secret that many regions of Russia have seen international contacts as an important attribute to underscore their high position in the hierarchy of the Russian Federation. After an initial rush of international cooperation, such regions witnessed a subsequent decrease in foreign contacts because of an immaturity of the economic base, lack of legislation, and lack of skills (and in some cases, a lack of ambition) on behalf of the regional authorities to build long-term relationships. In this context, the Karelian phenomenon deserves special attention, since its leadership has set the objective of social and economic modernization of the republic on the basis of co-development under the Northern Dimension program.

The *Euroregion Karelia*, comprising the Republic of Karelia and three Finnish regional unions – Kajnuu, Northern Karelia and Northern Pohjanmaa –, was established on February 24, 2000 as a result of the administration's goals. *Euroregion Karelia* was modeled on *Euregion Egrensis*, which straddles the German-Czech border.<sup>77</sup>

The territories within *Euroregion Karelia* are under the respective national jurisdictions, and the supreme body of power is the Executive Committee, made up of six representatives from each side, as well as experts of the Ministries of Foreign Affairs of Russia and Finland. All decisions in the Euroregion are made on the principle of full consensus, and joint projects are financed on a parity basis by each side.<sup>78</sup>

The goal set by the Karelian side goes beyond the framework of a directional project. In the view of Karelia's leaders, the creation of the Euroregion is aimed at the "comprehensive use of Karelia's advantageous geopolitical situation and the promotion of the inclusion of Russia into the European integration process by all means possible".<sup>79</sup> The Euroregion model adopted by the republic's leadership deserves attention as a promising way of integrating Russia into worldwide globalization and regionalization processes. The model rests on the idea of regionalization of Russia's foreign economic and international ties on the basis of border transparency and equal cooperation. For Karelia, this form opens up new prospects for increased investments in the republic's economy, and also improves its transit potential.

77 According to V. Shliamin, the model of Egrensis Euregion was chosen by the government of Karelia because it had represented the experience of cross-border cooperation between the former opponents alongside the Iron Curtain. "Kalitka v Evropu" (A wicket into Europe). *Novye Izvestiia*, September 13, 2000.

78 *Ibid.*

79 *Ibid.*

Karelia went through at least two phases of development on its way to the current level of international interaction. During the first stage, between 1991 and 1993, Karelia joined the regionalization process and established its right to an independent choice regarding the path of further development. Some ideas along these lines were written down in amendments to the 1978 Soviet Constitution (the 1991 version). Article 1 of the Constitution of the RK specified the republic's right to "define and implement its interior and foreign policy independently, within its jurisdiction confirmed by the Constitution of the RF and the Federative Agreement".<sup>80</sup>

This version of Article 1 existed for about nine years without attracting the attention of the federal center. Then, at the beginning of Putin's administrative reform, he called on the regional leaders to bring the laws of the RF's constituent entities in line with the Constitution of the RF. The point is that this provision, which provided an opportunity for independent definition and implementation of foreign policy by a constituent entity of the RF, is against provision "k" of Article 71 of the Constitution of the Russian Federation, which refers foreign policy and international relations to the jurisdiction of the RF.

A characteristic feature of the second stage was a continuous economic decline involving the most important sectors of industry. As a result, foreign economic activity stagnated, and the level of foreign investments in the Karelian economy stalled at an extremely low figure (US\$4.3 million). In total, the decline lasted from 1994 up to and including 1998, and by and large wiped away the achievements of the first stage.

The current stage of development coincided with the beginning of the national election campaign at the beginning of 1999 and was characterized by renewed economic growth in Karelia, as well as in the country as a whole. As a result, foreign investments in the republic went up to US\$15 million within a short time, with direct investments accounting for almost a half.<sup>81</sup> The volume of foreign investments is, nevertheless, still considerably lower than that of internal Russian investments, which amounted to US\$110 million in the last year alone.<sup>82</sup> Karelia still remains largely in the shadow of St Petersburg, which possesses a much larger investment potential.

At present, the leadership of the republic has not only decided on priority countries, but also elaborated a strategy of international cooperation, the main aspects of which are government support and the monitoring of international

projects. The leaders of the republic believe that this will increase the trust of foreign investors. Northern Europe has become the geographical priority and object of Karelia's international regional strategy without reservations. Karelia has been successfully dealing with Northern Europe in the framework of the Nordic Council, the Council of Ministers of Nordic Countries, the Mid North Committee, and the Council of the Barents Sea Euro-Arctic Region.

Karelia still has some complaints about the federal center, which, in the view of the republic's leaders, has distanced itself from solving border cooperation issues. Among the claims is "the lack of a federal strategy for the development of borderland regions and border cooperation of the Russian Federation", which "does not allow the region access to those international organizations and financial institutions whose terms of reference imply working with such regional projects and programs that enjoy the official support of the state represented by the federal center".<sup>83</sup>

In addition, Karelia blames the center for its "lack of a definite position in respect to international initiatives (the "Northern Dimension" in the EU policy", strategy of the EU, and individual North European countries in respect to cooperation with Russia)", and also reproaches it for "lack of constancy in the implementation of international programs".<sup>84</sup>

Thus, the republic's leadership admits that at the present stage, Karelia's independent efforts are not sufficient for the development of equal cooperation with neighboring European countries. To a great extent this is an expression of the existing power correlation between the center and the region, which requires effective interaction between the federal and regional authorities for successful foreign economic cooperation. This is especially clear against the background of re-centralization of the political, economic and legal resources in the hands of the federal center and its federal representatives.<sup>85</sup>

80 *Konstitutsiia Respubliki Kareliia* (Constitution of the Republic of Karelia). Petrozavodsk: GP "Tipografiia im. P. F. Anokhina", 1999. Article 1.

81 *Vneshneekonomicheskie sviazi Respubliki Kareliia za 1999 god* (Foreign economic links of the Republic of Karelia in 1999). Petrozavodsk: Gosudarstvennyi komitet Respubliki Kareliia po statistike, 2000. These figures do not include international projects carried out on the territory of the republic.

82 Krom, Elena. "Svoi i chuzhie" (One's people and strangers). *Ekspert Severo-Zapad*, no. 18 (2000).

83 *Ibid.*

84 *Osnovnye napravleniia deiatel'nosti Pravitel'stva Respubliki Kareliia po razvitiu mezhdunarodnogo sotrudnichestva na 1999-2002 gody* (Guidelines of the Government of the Republic of Karelia for the Development of International Cooperation for the Years 1999-2002). Petrozavodsk: GP "Respublikanskaia tipografiia im. P.F. Anokhina", 2000.

85 "Cherkesov sozdal sobstvennyi Sovet Bezopasnosti" (Cherkesov has created a Security Council of his own). *EWI Russian Regional Bulletin*, no. 20 (2000).

## **Interaction with the federal center in foreign and security policy**

The third part of this research paper studies the mechanisms of institutionalization of interests of the RK through the federal executive and representative bodies of power, such as the president of the RF, the head of the Northwest Federal District, the Federation Council, the State Council, and the State Duma. Special attention is given to the formal and informal channels of interaction between the region and the federal center. Chapter 3.1 considers to what extent the constitutional status has helped the republic's management promote the interests of the republic at the federal level.

Chapter 3.2 highlights the forms of interaction between the Republic of Karelia and the federal center as regards foreign and security policy. Chapter 3.3 analyzes the changes in the interaction mechanism between the region and the federal center, triggered by changes initiated by the first stage of Putin's administrative reform.<sup>86</sup>

The issue of influence exerted by constituent entities over the process of elaboration, coordination and implementation of foreign and security policy has many aspects and is hard to define. Obviously, research into this question is difficult because only part of the communication between the regional and federal elites is made public, that is, is reflected in official documents and the mass media. Above all, it is quite hard to classify types of influence, the intensity of

<sup>86</sup> The first stage of the administrative reform took part in 2000 and embraced four events: change of the role of the Federation Council, creation of seven federal districts, establishment of the State Council, and change of principles of interaction between the federal center and regions. According to plans, a law on political parties will be adopted at the second stage of the administrative reform. In addition, a clear division of constitutional prerogatives between the center and the regions will take effect.

influence, and to identify the causal relationship between the subject and object of influence. Thus, the description of the degree and intensity of the RK's influence on the decision-making process in the area of foreign and security policy is for most part evaluative.

### 3.1 Role and constitutional status of the region within the Russian Federation

The role of Karelia within the Russian Federation is defined by a number of factors. The status of a republic puts Karelia on the same footing as other similar constituent entities of the Federation. These have the highest jurisdiction among all entities of the RF according to the 1993 Constitution of the RF and the Federative Agreement. Thus, the existing Constitution of the RK defines Karelia as "a state within the Russian Federation with full sovereignty over its territory with the exception of authorities delegated to federal bodies of the state power".<sup>87</sup> The constitutional status is therefore the first formal factor, which defines the role and importance of the region within the RF.

Powers and privileges granted to the region by the center make up the first informal factor. Throughout the 1990s, the degree of interaction with the federal center depended to a large degree not so much on the realization of common interests of the center and the region, but on the political set-up. This sometimes drove the center to make concessions to the regions (including Karelia), and sometimes made it take back the concessions already given. An episode of this kind took place during the constitutional confrontation between Yeltsin and the Supreme Soviet.

Before the crisis, Yeltsin took steps in order to win over the heads of republics, thus increasing the number of his supporters. The *Washington Post* wrote on May 25, 1993, that Yeltsin, who was interested in Karelia's support of his struggle against the Russian Parliament, had signed an act that allowed Karelia to keep 90% of its annual income, which used to be sent to Moscow.<sup>88</sup>

Another of Yeltsin's steps to win the sympathies of the republic's leaders was the president's meeting with leaders of the constituent entities of the federation on August 14, 1993, in the Karelian capital of Petrozavodsk, where he proposed to create a new body – the Council of Heads of the Republic.<sup>89</sup> Considering this body as just another counterweight to the parliament, Yeltsin had no serious intentions for its further development. As a result, the Council was destined to

87 *Konstitutsiia Respubliki Kareliia* (Constitution of the Republic of Karelia). Petrozavodsk: GP "Tipografiia im. P. F. Anokhina", 1999. Currently, a new constitution is being prepared which will not mention the statehood of Karelia.

88 *Kareliia*, no. 37 (1993).

89 Shevtsova, Liliia. *Rezhim Borisa El'tsina* (Regime of Boris Yeltsin). Moskva: Rosspen, 1999, p. 134.

share the lot of similar stillborn institutions. It was soon forgotten and set aside in the course of the fight between the president and parliament. Tax benefits followed suit and were soon forgotten.

In its turn, Karelia's leadership was not quite immune to considerations of momentary advantage and ideas of strengthening the republic's position and raising its status. In a September 1993 interview with the newspaper *Karelia* headed "Power, snatched from Kremlin by force", the then chairman of the government of the RK, Viktor Stepanov, speaking of the future role of the federal center, said that "decentralization should and will continue. Moscow should deal with issues of defense, space exploration, and human rights. The rest should be delegated to the local authorities".<sup>90</sup> In spite of such a strong statement, the management of the republic did not push for its implementation.

The second formal factor, which determines the role of a republic in the Russian Federation, is the economic factor. While Karelia was a donor region in the Soviet Union, the republic turned into a subsidized region as soon as the reforms began and the economic links with CIS countries were disrupted. In the mid-1990s, Karelia received up to one third of its budget in the form of subsidies from the federal center.<sup>91</sup>

The second informal factor is the loyalty factor. In the current internal political situation, a regional leader's loyalty or lack of loyalty to the president of Russia is an unofficial criterion influencing the standing of the region. Ever since the March 2000 presidential election, loyalty to the president is often measured by the number of votes for the president in a particular region. It is obvious that the unofficial division of regional leaders into loyal and disloyal ones reflects on the region's status in many ways, specifically influencing the access of regional leaders to presidential structures and the ability to solve the region's problems in the corridors of federal power. Thus, Katanandov's position became noticeably stronger, since 64.27% of the Karelian electorate voted for the president-to-be. This was much higher than the 17.04% coming from Gennadii Ziuganov's constituency, who came second.

Nevertheless, because of his ambiguous pre-election position, Katanandov has not yet been admitted to the president's close circle. Katanandov's pre-election position was sympathetic to Yurii Luzhkov and his Fatherland party, which the Karelian leader first decided to back at the parliamentary election in December 1999. At the time Katanandov, having come to power as the new chairman of the government of the RK, revised Karelia's legislation, linking it to the base of the republic's economic activity, including customs affairs and foreign economic relations.

90 *Kareliia*, no. 37 (1993).

91 Popova, M. B., ed. "Uroven' zhizni naseleniia Karelii" (Standard of living of the population of Karelia). Petrozavodsk: KNTS RAN, 1995.

Meanwhile, the government of the RK began its work on the draft agreement “On separation of jurisdictions and authorities between state power bodies of the Russian Federation and state power bodies of the Republic of Karelia”. The draft contained an annex, an agreement on customs affairs and on the regulation of international and foreign economic links. The elaboration of this document can be interpreted in two ways. On the one hand, the desire of the republic’s leadership to join other regions that had signed similar agreements with the center is understandable. On the other hand, the time of preparation of this document coincided with the beginning of the organization of the Fatherland movement, which proved to be a regional opponent to the federal power during the last election.

This is reason to suppose that the agreement was no ordinary document, but rather a new conceptual vision of the model of interaction between the federal center and the regions, with hopes pinned on the transfer of the center of business, cultural, and political activities from the federal center to the regions.<sup>92</sup> Such an interpretation is confirmed by the presence of many of the clauses of the never-signed agreement in the wording of many of the republic’s internal republican.<sup>93</sup>

In general, however, although Katanandov’s participation in the opposing Fatherland movement at the past parliamentary elections led to tension in his relationship with the federal power, it was compensated by the high number of votes in favor of Putin in Karelia.<sup>94</sup> On the third day after he was elected, Putin met with 18 key governors whose regions had given him the highest support at the presidential election. The Karelian leader was among them.<sup>95</sup>

Katanandiv’s loyalty was demonstrated by the fact that Karelia was one of the first republics to react to the demand of the federal center to bring legislation in line with the Constitution of the RF. The republic chose the radical way, deciding to adopt a new Constitution of the RK, where the sharp edges of the existing constitution would be well padded. While Article 7 of the current version of the Constitution of the RK, for example, said that the status of the Republic of Karelia could not be changed without its consent, Article 2 of the draft constitution states that the status of the RK is determined by the Constitution of the RF and the Constitution of the RK. The draft of the new constitution also confirmed Karelia’s

92 *Osnovnye napravleniia deiatel'nosti Pravitel'stva Respubliki Kareliia po razvitiu mezhdunarodnogo sotrudnichestva na 1999-2002 gody* (Guidlines of International Cooperation Development by the Government of the Republic of Karelia, 1999-2002). Petrozavodsk: GP “Respublikanskaia tipografiia im. P.F. Anokhina”, 2000.

93 Thus, a number of them can be found in the program of international cooperation, chairman of the government of the RK web site (<http://www.gov.karelia.ru>).

94 Some interesting aspects of the personal relationship between Putin and Katanandov are available in the article by Ul'ianov, Nikolai. Farutin, Andrei. “Sveriaias' s kremlevskimi chasami” (Following the Kremlin watch). *Nezavisimaia gazeta*, no. 4 (2000).

95 *EWI Russian Regional Report*, April 05, 2000.

right to determine state languages in its territory, as well as to institute its own flag, emblem and anthem.<sup>96</sup>

The government’s draft of the new Constitution of the RK, taken as a basis for the elaboration of the new constitution and having passed two readings, provides for a full-time, single-chamber parliament – a legislative assembly consisting of 57 deputies elected for a four-year term in single-mandate constituencies. In contrast to the Russian parliament, whose authorities are quite modest, the draft constitution gives the legislative assembly extensive powers to exercise control over the executive power.<sup>97</sup>

Another innovation of the draft constitution is the introduction of the post of the head of the RK. The post of Prime Minister is to be introduced for the management of the executive power.<sup>98</sup> It should be noted that this correction goes against the previous experience of power division in Karelia, where the executive power was put on the same level as the legislative power without “being superior” to it. If Katanandov’s version finds support among the members of parliament, the structure of power in the republic will correspond to the all-Russian one, where the president of the RF is the supreme arbiter, standing above the legislative, executive, and judicial power.

Meanwhile, the republic is already facing a constitutional crisis, which threatens to grow into a serious conflict inside the republic, as well as lead to sanctions brought by the federal center against the legislative assembly. This is because the legislative assembly did not meet the specified time limit and could not make its decision before 1 January 2001. Moreover, the deputies have questioned the draft of the new constitution and have started work on a new version of the existing constitution. In all probability the final destiny of the Constitution of the RK will be settled in 2001. Before leaving for the New Year vacation, the House of the Republic rejected the new version of the Constitution of Karelia, with 10 votes in favor of it and 11 votes against it. The House of Representatives was asked to set up a mediation commission.<sup>99</sup>

96 Karelia has taken advantage of this right. On October 5, 2000, laws “On the state emblem of the Republic of Karelia” and “On the state flag of the Republic of Karelia” were adopted. See *EWI Russian Regional Bulletin*, no. 18 (2000).

97 In accordance with a constitutional draft, the legislative assembly is empowered to adopt a new constitution and amendments to it, laws and resolutions concerning jurisdiction of the RK or joint jurisdiction of the RK and RF. It is also empowered to approve the budget of the RK, to schedule elections of the head of the RK, of the legislative assembly as well as of heads of the local self-government. Apart from that, the legislative assembly decides on the structure of the government of the RK upon presentation by the head of the RK; it launches the impeachment procedure of the head of RK and can approve it with two thirds of the votes. Finally, the legislative assembly is authorized to introduce changes into the administrative and territorial division of the Republic of Karelia.

98 RFE/RL Russian Federation Report, April 12, 2000, Volume 2, Number 14.

99 “Konstitutsionnyi protsess zatiagivaetsia” (The constitutional process is delayed), Legislative Assembly of the RK web site ([http://www.gov.karelia.ru/LA/News/2000-b/12\\_25\\_a.html#1](http://www.gov.karelia.ru/LA/News/2000-b/12_25_a.html#1)).

On the whole, it can be said that the role of the Republic of Karelia in Russia's foreign and internal policy has changed quite noticeably throughout the 1990s. The status of a republic greatly contributed to the acceleration of Karelia's international contacts in the early 1990s, and also helped to maintain its position throughout the lengthy economic decline up to 1999. It is only now that the republic is beginning to restore its impaired position among the regions of Russia.

### 3.2 *Forms of interaction with the federal center on foreign and security policy issues*

The interests of the RK were being promoted through the federal center in two ways: on the one hand, by lobbying for a federal legislation that enhances the republic's prerogatives in the field of foreign relations, and on the other hand, by making use of the informal contacts, first of all with Yeltsin. The latter had provided the republic's leadership with discretionary powers to pursue broad international contacts extending beyond what had been permitted by the existing legislation. The interaction of the RK and the federal center had thus been implemented both on a formal (legislative) and an informal basis.

Until recently the formal, that is, legislative framework of the foreign economic activities of the RK, as well as the capability of the region to influence the decisions of the federal center in this sphere have been narrow. The legislative basis for the foreign economic ties of the regions started to form only from the mid-1990s onwards. At that time, two laws were adopted which were directed at regulating the interactions of the federal center and the regions in the foreign relations sphere: the law On the State Regulation of Foreign Economic Activities, and the law On International Agreements of the Russian Federation.

Judging from the narrow interpretation of the regions' rights, the regions had not been perceived as, or there had been no desire to see them as serious participants of foreign economic relations. The law on international agreements, for example, in Articles 4 and 8 only provided for the right of the constituent entities of the RF to present recommendations to the federal center on issues under the common jurisdiction of the federal center and the entity.<sup>100</sup>

In real terms, however, the RK's foreign contacts since 1991 went beyond the boundaries traced by the law in many cases, the initiator of these contacts being not only the leadership of the republic but the federal center as well. Thus, on January 20, 1992, Yeltsin gave the RK the right to sign an agreement on trade and economic, scientific, and technical cooperation with the Republic of Finland within

the framework of the Russian-Finnish Agreement on Cooperation of the Border Regions.<sup>101</sup>

Yeltsin issued special decrees in 1991 and 1993 on the specific regime for the investment and foreign economic activities of the RK. Among other things, these decrees contained permission for the establishment of direct contacts and the signing of agreements with territories of Finland, Sweden and Norway on an experimental basis. In this case the international activities of the RK, as well as many other regions of the RF, had been precedent-setting in their character, although they were not in direct violation of the Russian legislation.

Since 1994 the region and the federal center have entered a new level of collaboration. The Consultative Council on International and Foreign Economic Relations of the constituent entities of the federation under the Ministry of Foreign Affairs of Russia (MFA RF) became the new channel for coordination of international contacts of the regions.<sup>102</sup> Later on the MFA of Russia was chosen to be the basic coordinating body in the relations between the center and the regions. In the second half of the 1990s the lobbying efforts of the Republic of Karelia together with other regions of the legislation on the status of the borderland territories were approved by the MFA RF, but resulted in failure. Later the draft traveled among different government bodies but was never approved.

At last, on January 4, 1999, the law On the Coordination of International and Foreign Economic Relations of the Constituent Entities of the Russian Federation was adopted, making the broad interpretation of the practice of foreign economic contacts of the Russian regions lawful for the first time, and at the same time fixing a certain procedure for their implementation. According to the law, the entities of the RF have received the right to conduct international and foreign economic relations with the entities of foreign federative states and administrative and territorial entities of foreign states. They have also received the right to participate in the activities of international organizations within the framework of the bodies specifically created with those aims in mind.

An important new feature of this law became its stipulation that the constituent entities of the Russian Federation may, upon the approval of the government of the RF, carry out foreign economic relations *with bodies of state power of foreign states*. At the same time, draft agreements being concluded by institutions of the state power of a constituent entity of the RF on conducting international relations and foreign economic relations, should be agreed upon with the MFA RF. After signing, such draft agreements should be registered with the Ministry of Justice and included in the state registry. This means that the Republic of Karelia, as well as the rest of the regions, now has a law in place that allows it to develop foreign activities while not infringing the Russian legislation.

100 Federal'nyi zakon "O mezhdunarodnykh dogovorakh Rossiiskoi Federatsii" (On international treaties of the Russian Federation). In *Vneshniaia politika i bezopasnost' sovremennoi Rossii*, ed. G. A. Arbatov. Moskva: MONF, 1999.

101 *Karelia*, no. 34 (1993).

In the first year of his presidency, President V. Putin decided not to change the legislative basis of international cooperation of the regions. The "Concept of the foreign policy of the Russian Federation" adopted on June 28, 2000, therefore, reaffirms the right of the constituent entities of the RF to carry out international relations in accordance with the existing legislation, but insists on the "strict observance of the sovereignty and territorial integrity of the RF".<sup>103</sup>

In other words, the relationship between the federal center and the Republic of Karelia was evolving mostly in an informal atmosphere in the sphere of foreign policy in the course of the 1990s. Only the adoption in 1999 of the law On Coordination of International and Foreign Economic Relations of the Constituent Entities of the Russian Federation, as well as the new concept of foreign policy of the Russian Federation have created the prerequisites for putting the international contacts of the region within the legislative framework.

*Practice of Karelia's collaboration with representative bodies of power and the Northwest Federal District*

Karelia has channels for pursuing its interests through the central executive and representative bodies of power. First of all, representatives of the republic are active in the Federation Council and the State Duma. In the Federation Council the Republic of Karelia is represented by Chairman of the Government S. Katanandov, and Head of the House of the Republic of the Legislative Assembly of the RK V. Shil'nikov. In the State Duma the interests of Karelia are being protected by Valentina Pivnenko and Artur Miaki.<sup>104</sup>

Valentina Pivnenko and Artur Miaki are members of the deputies group "North of Russia", that at present comprises 38 deputies and is engaged in the internal economic problems of the northern regions. Sergei Katanandov is a member of the Committee on the Affairs of the Federation and the regional policy of the Federation Council. His opinion also has weight in the discussion of issues related to the local self-government.<sup>105</sup> In spite of Katanandov's participation in one of the sessions of the State Council, however, this body does not yet play any noticeable role in providing for and defending the interests of the Republic of Karelia in the sphere of foreign relations.

Meanwhile, the reform of federal institutions launched by President Putin induces Karelia to restructure its relations with the representative and executive bodies of power depending on whether the importance of either of them is

102 Orlov, Valerii. "Vneshniaia politika i rossiiskie regiony" (Foreign policy and Russian regions). *Mezhdunarodnaia zhizn'*, no. 10 (2000).

103 Kontsepsiia vneshnei politiki Rossiiskoi Federatsii (Foreign policy concept of the Russian Federation). *Mezhdunarodnaia zhizn'*, no. 8-9 (2000).

104 V. Shil'nikov is a member of the Communist Party of the RF. Valentina Pivnenko together with Artur Miaki represents the Union of Right Forces.

105 *EWI Russian Regional Report*, no. 10 (2000).

growing or falling. The second half of 2000 was the time during which the staff of the Northwest Federal District was formed, and a mutual ground for its structures and the regional structures of power was found.

The chairman of the government of the RK positively evaluated the appointment of Colonel-General Viktor Cherkesov as the head of the Northwest Federal District, promoting his businesslike character and his state supportive vision. Katanandov expressed his conviction that Cherkesov will be capable of putting "cooperation with the regions in order".<sup>106</sup> While commenting on the appointment of Cherkesov, who is one of the people most trusted by the president of Russia, to this post, Katanandov underlined that the "Northwest region in its importance for the president... is truly a priority".<sup>107</sup>

In his turn, the head of the Northwest Federal District called Karelia one of the dynamically developing territories at his first video press conference for the media of St Petersburg and the whole region held on July 7, 2000. He stressed that this was due to "the businesslike leadership of the republic, which clearly understands its tasks".<sup>108</sup> Viktor Cherkesov added that "a lot of the Karelian experience would be useful to the Northwest district as a whole".<sup>109</sup>

At the same press conference Cherkesov informed the media of the terms of reference and tasks of the Northwest district and its head. Along with its main function of checking the compliance of the local legislation to the federal one in legal terms, the new structure has taken on the control over the state funds and property, and the implementation of federal programs and personnel policy. The terms of reference also include the coordination of activities of the law enforcement bodies and the control of the economic processes in the regions. The staff of the plenipotentiary representative consists of around a hundred people.<sup>110</sup>

Cherkesov started his activities as the head of the Northwest Federal District by getting acquainted with the leadership of the region. Karelia, which was celebrating its 80<sup>th</sup> anniversary on June 9, 2000, was the first on the list. Already on June 7, Cherkesov met the leaders of the mass media of the republic.<sup>111</sup> The same day Cherkesov conducted talks with the leadership of the republic. These were

106 "Viktor Cherkesov smozhet naladit' vzaimodeistvie s regionami" (Viktor Cherkesov is able to put in order cooperation with the regions), chairman of the government of the RK web site ([http://www.gov.karelia.ru/gov/News/2000/0524\\_04.html](http://www.gov.karelia.ru/gov/News/2000/0524_04.html)).

107 *Ibid.*

108 Lapshov, Sergei. "Na sviazi Viktor Cherkesov" (An interview of Viktor Cherkesov). *Kareliia*, no. 54 (2000).

109 *Ibid.*

110 *Ibid.*

111 "Vstrecha Polnomochnogo Predstavitelia Prezidenta Rossiiskoi Federatsii v Severo-Zapadnom Federal'nom okruge V.V.Cherkesova s rukovoditeliami sredstv massovoi informatsii Respubliki Kareliia" (A meeting between the plenipotentiary representative of the president of the RF in the North-West district V.V. Cherkesov and the leadership of mass media of the RK), chairman of the government of the RK web site (<http://www.gov.karelia.ru/gov/Different/Federal/000607c.html>).

followed by meetings with representatives of the law enforcement bodies of Karelia (September 22), with the mass media of the Northwest (October 18), as well as by monthly meetings with the chairman of the government of the RK.<sup>112</sup>

During the celebration of the 80<sup>th</sup> anniversary of the Republic of Karelia the representative of the president of the RF in the Northwest Federal District made a significant statement that he had no intention “of interfering into somebody else’s competence” in his work.<sup>113</sup> According to him there are “so many levels of power that God bless each bureaucrat to implement what is his duty on the job”.<sup>114</sup> There remain few doubts that the Northwest Federal District and its head are not only becoming an important channel of cooperation between the federal and regional powers, but are also to a great extent reshaping the previous system of relations between the center and region, moving its center from Moscow to the capitals of the federal districts.

Before meeting the president of Russia, Vladimir Putin, on October 27, 2000, for instance, Sergei Katanandov met with the plenipotentiary representative of the president of the Russian Federation in the Northwest Federal District, Cherkesov, in St Petersburg. At that meeting the two leaders discussed the economic situation in Karelia and the “issues which the head of the government of Karelia proposed for discussion with the president at the meeting fixed for October 27”.<sup>115</sup> The conversation included, inter alia, the concerns of the republic’s leadership as to the possible elimination of northern benefits in the territory of Karelia. As a result of that meeting Cherkesov supported Sergei Katanandov on this issue.

The institution of federal inspectors was created in order to have direct control of the situation in the regions. The federal inspectors report directly to the head of the federal district. On August 3, 2000, Valentin Shmykov was appointed the chief federal inspector for Karelia. Earlier he had worked in the state security bodies, and since 1993 he was the interim chief of the department of the federal tax service police of the RF in the Republic of Karelia.<sup>116</sup>

112 “Viktor Cherkesov priniial uchastie v pervoi vstreche rukovoditelei sredstv massovoi informatsii Severo-Zapada Rossii” (Viktor Cherkesov took part in the first meeting with the leadership of the mass media of the Russian North-West), chairman of the government of the RK web site ([http://www.gov.karelia.ru/gov/News/2000/1018\\_03.html](http://www.gov.karelia.ru/gov/News/2000/1018_03.html)).

113 “Polpred presidenta RF Cherkesov v svoei rabote “ne nameren vtorgat’sia v chuzhuui kompetentsiiu” (The presidential envoy, Cherkesov, does not intend to interfere in somebody else’s competence), chairman of the government of the RK web site ([http://www.gov.karelia.ru/gov/News/2000/0610\\_02.html](http://www.gov.karelia.ru/gov/News/2000/0610_02.html)).

114 *Ibid.*

115 “Polnomochnyi Predstavitel’ Presidenta podderzhal glavu Karelii, vystupaiushchego protiv otmeny v respublike severnykh l’got” (Plenipotentiary representative of the president of the RF supported the head of the Republic of Karelia who speaks against cancellation of ‘northern subventions’), Press service of the chairman of the government of the RK web site ([http://www.gov.karelia.ru/gov/News/2000/1009\\_01.html](http://www.gov.karelia.ru/gov/News/2000/1009_01.html)).

116 “Glavnyi federal’nyi inspektor po Respublike Kareliia Shmykov Valentin Aleksandrovich” (Chief Federal Inspector for Karelia), chairman of the government of the RK web site (<http://www.gov.karelia.ru/gov/Different/Federal/shmykov.html>).

Following his appointment, Valentin Shmykov had a number of meetings with the leadership of the republic as well as with its political and public figures. He met, in particular, with the deputies of the State Duma of the RF from Karelia, Artur Miaki and Valentina Pivnenko, with the coordinator of the public and political movement “Unity” in Karelia, Valerii Tol’skii, with the heads of districts and cities of Karelia, with lecturers and employees of the Petrozavodsk University, as well as with the editors of the local mass media.<sup>117</sup> An important factor contributing to the understanding between the federal inspector and the authorities of the republic is the fact that the federal inspector has lived in Karelia since 1945, and knows the situation in the region well.

On the whole it may be stated that the leadership of Karelia is cooperating in a generally constructive manner with both the plenipotentiary representative of the president of the RF in the Northwest Federal District, Cherkesov, and the federal inspector for the Republic of Karelia, Valentin Shmykov. The major factors contributing to the successful cooperation of the leadership of the region and the staff of the Northwest Federal District include the similar views on the problems of federalism and regional policy of the center, the loyal attitude of the Karelian authorities towards the federal center, as well as an almost identical understanding of the role of the state in economic processes.

In an interview with the Finnish paper *Kaleva*, for example, Sergei Katanandov answered to the question regarding President Putin’s desire to establish more strict control of the center over the regions, and how this would influence the republic’s “independence” in foreign economic relations by saying the following: “I believe that the regional leaders do not have the right to evaluate the actions of the president. Yet, as an expert in management I can express my opinion on that. In the last few years the vertical line of power in Russia has weakened. This is a tragedy for such a big country. There is lack of clear coordination of the activities of the different federal and regional structures. Not all the management decisions correspond to the interests of the state. That is why the reforms of the president are warranted and necessary. I am convinced that, in the meantime, the regions will not lose their independence, and the heads of regions will have enough authority in their territory. A more streamlined cooperation between the center and regions should have a positive influence in the life of Russians”.<sup>118</sup>

Meanwhile, in the light of the new strengthening of the role of the plenipotentiary representatives in the federal districts and giving them new prerogatives in the sphere of control over regional spending, it is still not quite clear whether

117 See information of meetings of the Chief Federal Inspector for Karelia (<http://www.gov.karelia.ru/gov/News>).

118 Tapio, Tuomi-Yuhani. “Kareliia vchera, segodnia, zavtra” (Karelia yesterday, today and tomorrow), chairman of the government of the RK Press service web site (<http://www.gov.karelia.ru/gov/Leader/press.html>).



any further functions of control are planned for them in the system of international relations of the Russian regions. It is quite possible that the center would strive to establish general control over the foreign economic activities of the regions with their assistance, and that the regions would use these foreign economic activities as a channel of operational communication with the presidential structures.

### 3.3 *The impact of Putin's reforms on Karelia's cooperation with the federal center*

While the administrative reform of President Putin is basically directed at strengthening the role of the executive power, it is objectively increasing its significance in the Russian political system and reducing the importance of the representative (legislative) institutions. For the Republic of Karelia this means that it is necessary to cope with the new forms of collaboration with the federal center in order to secure more effective protection and promotion of its own foreign economic interests.

The adoption of the federal law on political parties that, in particular, provides for a decrease in the share of deputies elected according to the party lists, may facilitate the improvement of the position of the regions in the lower chamber of parliament. Such developments objectively correspond to the interests of the Republic of Karelia. Moreover, the leadership of Karelia is capable of improving its unofficial status if it engages in skillful collaboration with the executive structures represented by the president and his administration, the government, as well as the president's supervisor in the Northwest Federal District.

The extremely bureaucratized system of the federal control in the republic remains an important problem of the administrative reform. At present, 3300 federal officials work within the territory of Karelia. This surpasses the number of people working in the executive and legislative bodies of power in the RK considerably. Such a large number of federal bureaucrats often leads to a duplication of the regional authorities' functions.<sup>119</sup>

It is evident that the interest of the Republic of Karelia in the support of international projects on the part of the federal center, as well as the interest of Moscow in the economic prosperity of the region is a favorable basis for bilateral dialogue. Parallel to this, the strengthening of the executive institutions of power creates a prerequisite for the dialogue between the center and the region to flow into an informal sphere. The latter development is dangerous in that, although it may expedite the process of reaching an agreement and making a decision, it gives the center a free hand as regards the regions.

119 "Ni shagu nazad!" (Not a step backwards!), an interview with Sergei Katanandov. *Kareliia*, no. 95 (2000).

Prospects of cooperation of the federal center and the Republic of Karelia in foreign relations

At the present stage, when international contacts of the regions, including those of Karelia, can play a decisive role in the growth of Russia, the federal center is objectively in need of correcting the regional policy. Under the conditions of growing internationalization of the economic relations of the Republic of Karelia a change in the paradigm of cooperation between the center and the region of the type that existed in the 1990s (that involved fluctuations between periods of misunderstanding and mutual sympathy) is required. A transition towards better consideration of the foreign economic interests of the region is also necessary.<sup>120</sup>

Alongside with the implementation of the control functions the center should also take upon itself the organizational, technical, political, and legal guarantees of the foreign activities of the regions. Applied to Karelia this involves a set of measures in order to support the conducting of foreign economic activities. Such guarantees also presume, *inter alia*, the legislative introduction of a preferential customs treatment for the importation of technological equipment, renovation of the interstate treaty basis of the Russian-Finnish cooperation (regimes of border crossing for tourism purposes, cultural and twinning contacts, creation of border zones with a special status, including trade and economic establishments of the "Euroregion" type, etc.), and expediting the process of the Russian Federation accession to the European (Madrid) frame convention on border cooperation of the territorial associations and authorities of May 21, 1980.

Such a position is far from being shared by some of the representatives of the center, and many of them are just plainly hostile to it. In reality, the center usually reserves the right to control functions over the regions regarding any present-day political transformations. Meanwhile, the redistribution of powers between the federal and regional authorities in favor of the former, and the strengthening of the vertical line of power entails not only new conveniences in ruling the country, but also certain obligations to the regions, in particular in the sphere of their foreign contacts.

The center should take into account that an attempt to redistribute the tax base in its favor, without taking on responsibility for the social and economic situation in the regions, is useless for the federal administration and could result in a loss of progress in the social and economic transformations taking place. In addition, the course directed at making the federal elements unitary and centralizing the institutions of power runs counterproductive to implementing the tasks of the social and economic modernization of Russia.

120 See Ivanov, I. Vystuplenie na vtoroi mezhdunarodnoi konferentsii po problemam federalizma (Igor Ivanov addresses the second international conference on federalism). *Diplomaticheskii vestnik*, February 1998.

And finally, the growing international activities of Karelia, alongside with St Petersburg and the Leningrad and Murmansk oblasts are influencing the military and strategic situation in the Northwest and the North of Russia, mitigating the acuteness of the conflicts in the border zone and creating a climate of trust. It is evident that this process is impossible without the active involvement of the federal authorities.

An additional factor which may radically influence the forms and framework of international cooperation is the policy of the European Union towards Russia. In the document adopted on June 4, 1999, "On General Strategy of the European Union towards Russia for the period from 1999 to 2003", the EU is urging Russia to pursue the liberalization of its economic legislation in order to expedite its integration into the European economic and social dimension.<sup>121</sup> Important foreign policy contacts between President Putin and the European Union in the fall of 2000 were dedicated to defining mutual interests in concrete terms.

It seems that in the near future the type of interaction between the center and the regions will not change substantially, and that it will include both formal and informal contacts. In general, three basic factors influence the policy of Karelia in its relations with the center. *The first factor* is economic and is characterized by the absence of any highly liquid raw materials in the republic (such as oil or gas) that would allow it to pursue its own foreign policy independently from the center by relying on its own financial prosperity. In order to achieve the proclaimed goals of international cooperation, the leadership of the republic therefore needs to receive the support of the president and other federal structures.

*The second factor* is political and is characterized by the upcoming triple elections of the head of the republic, the mayor of the city of Petrozavodsk and the deputies of the new Legislative Assembly in the spring of 2002. Under such circumstances the chairman of the government, Katanandov, will hardly dare to introduce any changes in the system of relationship with the federal center.

And finally, *the third factor* is the high level of foreign economic interaction achieved between the Republic of Karelia and the Republic of Finland within the framework of the *Euroregion Karelia*. At this stage, Karelia would need the support of the center for projects that have already started. This provides an additional incentive to improve the relations between the center and the region, and to adapt them to the new formula of interaction that has appeared on the stage as a result of the administrative reform. Judging by the above, it seems that the prospects for the interaction between the federal center and the Republic of Karelia in foreign

121 Pautola-Mol, Nina. "Integratsiia Rossii v obshcheevropeiskuiu ekonomiku – dvizhenie v storonu institutov evropeiskogo tipa: opyt Vostochnoi Evropy" (Intergation of Russia into the European economy – moving toward institutions of an European profile: experience of Eastern Europe), Polit.ru World wide web site (<http://www.polit.ru/documents/371030.html>).

and security policy will in many ways depend on the new model of relations that will emerge as a result of the implementation of all the elements of the administrative reform.

## Conclusion

In the course of the 1990s, the direct relations between Karelia and the federal center were characterized by unpredictability, depending to a large extent on the personal relations of those in charge. Having started in an exuberant atmosphere at the beginning of the 1990s, the relationship entered a sluggish stage during the mid-1990s. It was only at the end of the 1990s that the center declared its interest in the economic success of the regions. By that time, the Republic of Karelia had proved itself as a promising region, capable of structuring its foreign economic relations and influencing, together with other regions, the foreign and security policy of Russia. Currently, Putin's administrative reform has not only revived the vertical axis of power, but has also concentrated the supervision of international and foreign economic relations of the regions in the hands of the federal authorities. Putin has thus shown that he intends to keep the international relations of the regions, including Karelia, under his personal control. Nevertheless, the republic is a region where stable ruling elites and political structures have formed, and where the regional elite has created its own system of communications with the bureaucrats from the nation's capital city and with big business. A broad scope therefore remains for both "independent" international relations and for the region's own foreign economic interests to be served through the existing institutions of federal power.

An important trump card of the republic in its talks with the center is its contribution to the normalization of the military and political situation in the Northwest of Russia and the success in its foreign relations. From the military and strategic point of view, the international contacts of the regions in the Northwest of Russia, including those of the RK, have allowed the establishment of a climate of trust in the border zone and have thus mitigated the negative effects caused by the NATO expansion to the East. From the political point of view, the

international contacts have opened up opportunities for new forms of cooperation between Russia and the EU. From the economic point of view, they have become an independent channel for attracting investments in the Russian economy. And finally, from the social point of view, they have somewhat mitigated the drop in productivity and decreased the rate of unemployment at the most complicated point of the economic transformations.

In conclusion, it is necessary to trace the main channels of interaction that allowed the Republic of Karelia to influence the foreign and security policy of Russia in the most effective manner. In the course of the 1990s, such channels were the independent foreign relations of the republic, which singled Karelia out from among the other regions and attracted the attention of the center to its expertise, and the informal channels of interaction with the federal center through which the republic achieved its current level of cooperation with the outside world.

Against this background, the creation of the Northwest Federal District opens up new prospects for the meaningful interaction between the RK and the federal center on topical issues of foreign relations. There is a strong possibility that the Northwest Federal District will become a major channel of interaction and mutual influence of the republic and the federal center in the sphere of foreign relations.

From the above observations, one may conclude that in the future both the federal center and the Republic of Karelia will be in need of effective interaction on issues of international and trans-border cooperation in the North and the Northwest of Europe. It is likely that the federal center will be more interested in this interaction than previously expected.