

Democratization, Europeanization and Regionalization beyond the European Union: Search for Empirical Evidence
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Abstract
This paper gives a viewpoint on a controversial issue of transnational regional cooperation (TRC) in Eurasia covering the analysis of cooperation between Europe and the regions of Russia. By promoting the favorable regime of transnational regional cooperation, both sides become more effective in managing such common problems as mutual security, political, economic and environmental challenges; illegal immigration; drug- and human-trafficking; etc. What is needed for the successful development of TRC in Eurasian context? What factors make a crucial impact on the development of regional cooperation, whether it is further "inclusion" or "exclusion" of the regions from cooperation with European neighbors? Is it the geopolitical location of the regions that makes regional cooperation more feasible or are there other factors that influence the success of this process? How might the regulatory and administrative tools of central government facilitate or complicate this process? To answer these questions, the study attempts to re-conceptualize the theories of integration, Europeanization, and regionalism. Then, it addresses the role of ethnicity, economical development, and geopolitical factors in the establishment and development of transnational regional cooperation. It also investigates the importance of "domestic-policy factors" (reforms in the federal governments) in the development of TRC.
Kurzfassung
Dieses Papier nimmt einen Standpunkt zur kontroversen Angelegenheit der transnationalen regionalen Kooperation (TRK) in Eurasien ein, indem es die Kooperation zwischen Europa und den Regionen Russlands analysiert. Durch die Förderung eines für die transnationale regionale Kooperation günstigen Regimes werden beide Seiten effektiver im Umgang mit gemeinsamen Problem wie etwa der beidseitigen Sicherheit, der politischen, wirtschaftlichen oder Umwelt-Probleme, der illegalen Immigration, des Drogen- und Menschenhandels etc. Was ist notwendig für die erfolgreiche Entwicklung der TRK im eurasischen Kontext? Welche Faktoren haben entscheidenden Einfluss auf die Entwicklung regionaler Kooperation, sei es der weiteren "Einbindung" oder der "Ausschließung" der Regionen von der Kooperation mit den europäischen Nachbarn ist? Ist es die geopolitische Lage der Regionen, die die regionale Kooperation erleichtert, oder gibt es andere Faktoren, die den Erfolg dieses Prozesses beeinflussen? Wie vermögen rechtliche oder administrative Instrumente zentraler Regierungen diesen Prozess zu erleichtern oder zu verkomplizieren? Um diese Fragen beantworten zu können, versucht die Studie die Theorien der Integration, Europäisierung und des Regionalismus zu re-konzeptualisieren. Dann werden die Rolle der Ethnizität, ökonomischen Entwicklung und geopolitische Faktoren in der Einrichtung und Entwicklung transnationaler regionaler Kooperation angesprochen. Es wird auch die Bedeutung nationaler "Politik-Faktoren" (Reformen in den Bundesregierungen) in der Entwicklung der TRK untersucht.
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1. Introduction [↑]

Transnational regional cooperation (TRC) between Europe and the regions of Russia is beneficial for both sides: it helps to regulate and resolve many problematic issues connected with border illegal immigration; smuggling; drug- and human- trafficking. The Council of Europe, the Association of European Border Regions, the EU, various regional and local authorities and local governments in the regions of the neighboring countries have been deeply involved in promoting transnational cooperation in these areas.

However, not all of the regions of Russia are "enthusiastic" about the development of cooperation links with European partners (regional administrations; companies, organizations). There are some regions which are often defined as "deeply integrated" in European politics and there are regions which have demonstrated that they are quite resistant to the development of any kind of transnational cooperation.

We have chosen the notion of “transnational regional cooperation” to avoid using the notion of “*cross-border*” or “*international*” cooperation”. “International” refers rather to the relationship between (nation-)states, than to the relationship between the *regions* of states.

The notion of “cross-border” is often associated with so-called “border regions” – regions located on the borders of the states. Examples of such regions and cooperation between them might be cooperation in West-Pannonia region which is located on the Hungarian-Austrian border or cooperation of Brandenburg-Lubuskie (two regions located on the German-Polish border accordingly). However, this analysis is not limited to study of the cooperation of only “border regions”. In contrast, it includes the cooperation of *all* 89 regions of the RF, thus, including even those that are located in Asian part of Russia. A border with the EU is viewed as only one of the independent geopolitical variables. Thus, we use the term of “*transnational regional cooperation*” for the current analysis. *Transnational regional cooperation* is to mean the cooperation between the regions of a state with foreign partners.

Another reason to use the notion of “*transnational cooperation*” in contrast to “trans-boundary” or “cross-border” cooperation is that we hypothesize that the border location might not be the crucial factor in the development of regional cooperation. Some of the regions located on the border with the EU were quite unwilling to developing cooperation with neighbors and some regions which are located far away from the EU’s borders were quite efficient partners cooperating with different European organizations. Why is that so? What other factors help to develop TRC? Is there certain geopolitical determinism defining the vector of TRC development or does the politics of the central government play the crucial role in the development of regional cooperation across the countries?

Given that any integration process inevitably starts with the transnational cooperation and communication, the analysis of Russia’s regions presents a unique chance to investigate the very outset of a hypothetical integration process. By answering this question, we approach the broader issue of transnational cooperation in Europe and Eurasia in an attempt to discover what factors are the “driving forces” of the European integration in general.

The puzzle motivating this study is: Why have regions of the same country, sharing the same institutional framework, the same historical legacies and political culture, developed different strategies towards their European neighbor-countries? Why have some of the CUs (even those which are located far away from border with the EU) developed strong trade links and became involved in different European projects and programmes over the 1990s? On the other hand, some of the Russia’s CUs (being located in the European part of Russia or right on the border with the EU) have been quite resistant to any kind of cooperation and tend to be “excluded” from European life?

This paper gives the viewpoint on a controversial issue of TRC as it is based on the experience from cooperation between Europe and the regions of Russia. Consequently, this paper is not meant to cover the academic literature on the subject, but rather give some practical insights on the existing issues, such as investigating the factors that are important in the development of TRC.

The article is divided into seven sections. Following this introduction, part two briefly discusses the key concepts of the study: integration, Europeanization, and regionalism. Sections three and four focus on the analysis of the institutions created in the RF and in the EU as a necessary institutional framework for the development of the TRC. Thus, section three presents the analysis of the institutions created over the transition period in the 1990s of the RF central government which had affected the development of foreign policy of the RF regions. And part four focuses on those forms of cooperation and institutions which are created by the European actors (mainly by the EU and regional administrations of member countries). Part five describes the potentially explanatory variables: “contextual” and “domestic-policy” factors across all the regions of Russia. This part includes the analysis of geopolitical location, the level of economic development, the issue of ethnicity across the 89 regions as “contextual” factors. It also analyzes “domestic-policy” factors which are the reforms of federal constructs and disparities among the different degrees of autonomy of the regions established through asymmetrical federal structures. In part six we run quantitative analysis designed to find out the impact of these factors on the development of the TRC. Finally, part seven summarizes the results of the analysis of both the institutional framework and the analysis of explanatory factors from the quantitative analysis to shed light on the main puzzle: what determines the success or the failure of TRC?

2. Integration, Europeanization and regionalization: Investigation of Contradictions and Complementarities [↑]

Some of the concepts which are central to the argument – integration, Europeanization and regionalization – need to be clarified. Their definitions and operationalizations are not necessarily uncontested and they develop along with the phenomena of this research. However, it is not the purpose of this study to investigate in depth these concepts, but rather to highlight those aspects of these concepts which are relevant for the case-study.

2.1. Integration theories [↑]

There are numerous theories analyzing integration processes in Europe and in the world. However, in this study, we will focus only on those which might be applicable for our case-study. Since this analysis focuses on the regions of the RF and European actors, it is apparent that these relationships are, at their outset (they started developing only from 1990s). Therefore, the majority of modern theories of integration focusing on analysing already well-established institutions are hardly applicable for the analysis. Thus, we have chosen those concepts which analyzed the very outset of the integration process in the 1950s & 1960s. Among them are theories of Karl Deutsch, Ernst Haas, and Philippe Schmitter. The study will focus only the aspects of the analysis of the conditions of integration rather than integration itself.

According to Karl Deutsch, any integration starts with the increasing level of social interaction and communication. It leads modern democratic governments to the formation of a security community, in which no state or region poses a threat to any other.⁽¹⁾ The Deutschian model looks into the outset of the integration process which makes it more applicable for the given study. It allows for the application of this approach to or analysis of the regions of a non-member and a non-candidate country. Its basic dynamic results from social interaction, while the precise institutional and political predictions remain secondary. That helps to understand the relationship between the regions of Russia and their European partners. One of the main characteristics of this relationship is the lack of precise institutions despite quite intensive “communication” which involves trade and investment projects, cultural cooperation, cooperation in confronting environmental issues, illegal trafficking, crime, and other common problems.

Deutsch measured the level of integration, first, by extent of geopolitical interdependence which allows us to borrow the geopolitical variable for further analysis. The extent of interdependence is measured by transportation discontinuities. Transportation discontinuities involve the quality and number of roads and also the density of traffic moving over them.⁽²⁾ According to Deutsch, there are no sharp and simple borders anymore but rather bundles of borders, or so-called boundary zones. Such zones may bind a country or a few countries. These “zones” can be described as the cross-country bounding regions of different countries. The same concept can be applied to the constituent units of countries and cross-regional communication zones. Even if the regions are the CUs of one country may be “integrated” by transportation and communication with the regions, or CUs, of a neighboring country. This is the indirect measure of communicatory interdependence. The geopolitical continuities – shared borders, geographical neighborhood – have been seen by Deutsch as the necessary conditions for integration. Thus, in the current analyses foreign border and geographical neighborhood (subdivided further into the location in the European or Asian part of Russia) are independent variables which might provide some explanation for success or failure of regional cooperation with European actors.

The second way to measure cooperation as an initial stage of integration, according to Deutsch, is the economic ties and volume of trade between countries or regions. Deutsch argues that “Markets are bounded by discontinuities in transportation, and more sharply by national currencies, tariffs, quotas, exchange-control measures, and the like.”⁽³⁾ Currency, customs, and related controls are major binding factors between “domestic” and “foreign” trade. Yet several states, with their national currencies may be linked by a markedly larger and steadier volume of trade, or by easier movements of capital, or labor, or an easier transfer of currencies, so as to comprise formal or informal “economic blocs”.⁽⁴⁾ Thus, the theory of Karl Deutsch provides also one of the possible ways to measure regional cooperation – through investigating which regions participate in trade relationships with European partners.

Another concept which may be applicable for this study is neofunctionalism (NF), a concept first advanced by Ernst Haas in the 1950s and deepened by others.⁽⁵⁾ NF arose as an attempt to explain the dynamic processes of integration in Europe. However, Europe was seen as a case study of the sorts of processes that could operate in any regional setting. Regional integration was analyzed as a world-wide trend, examples of which are the formation of free trade areas in the Pacific, Latin America, North America and elsewhere.

Haas argued that a “theory of *regional* integration” is a distinct theory of the formation of international political communities. This theory is based on the assumption that the forces moving integration forward are endogenous and self-reinforcing. The critical explanatory hypothesis focuses on the unexpected feedback of previous integration decisions, termed “spillover”. Once economic integration is launched, spillover tends to create two types of pressure for an expansion in the scope or intensity of integration. In economic spillover, social groups demand further economic integration in order to preserve or extend existing gains. In political spillover, integration creates new transnational and supranational actors. These actors tend to balance the process of integration and to engineer it.

The theory of spillover can be applicable for the analysis of the dynamics of the relationship of Russia’s regions and their European partners. These relationships are often described as chaotic by diplomats and academicians. However, they involve “unexpected feedback” of the previously made decisions and encourage the development of the relationship further on. Most of the regions are involved in European politics through trade and foreign investment in the economy of the regions. However, political spillover is more applicable for a nation-state rather than regions of the state which do not have restricted autonomy in conducting foreign policy directly with foreign partners.

According to spillover theory, expectations and values eventually adapt to integration, creating a transnational political community. The values of the economically and institutionally stronger partner might be “transported” to the “smaller” partner. Therefore, we suggest that the CUs cooperating regularly with the EU countries may be more inclined to adapt and implement democratic values than those which do not develop such cooperation.

Haas identified three background conditions that make integration successful: pluralistic social structures; substantial economic and industrial development; and common ideological patterns among participating units. Rapid integration and maximum spillover potential would occur in situations where mass interests were implicated in the specific tasks selected for the integration scheme.⁽⁶⁾ To apply the Haas’s ideas to the analysis of the integration of the CUs into Europe, may help at later stage of research to identify the “core background condition” of the integration in general. Both pluralistic social structures and economic and industrial development seem to have had an impact on the activity of regional policy towards their European partners.

Firstly, the CUs with higher economic and industrial development might be active in establishing and deepening the trade ties with Europe. Secondly, pluralistic social structure is the criteria which is difficult to measure across the constituent units of a federal state, since it is rather more applicable to the nation-state. However, the claims for autonomy of the CUs were always associated and justified by the claims that more autonomy may help to establish more pro-democratic pluralistic structures. Therefore, the measurement of the level of autonomy may be identified as a factor effecting the level of cooperation of the Russian and European regions. Thirdly, a common ideological pattern is also a difficult parameter to measure. Most of the 89 CUs used to be part of Soviet Russia for more than 70 years and had the same ideological background. Ideology might rather present the “outcome” of integration - an influence of the European neighborhood, than the condition for this. However, given that spillover has a few stages in its development, it would be logical to assume that “ideology” is the result of the first stages of integration and become the condition for further closer cooperation and integration.

The conclusion of Haas is the following: “European integration will proceed at a much more rapid pace than universal integration. Further, other regions with strongly varying environmental factors are unlikely to imitate successfully the European example”.⁽⁷⁾ Yet, it was also possible that locally- specific conditions (or “functionalist equivalents” to the background conditions in Western Europe) might be sufficient for the generation of integrative potential in other regions. If core background conditions could be identified, it would be relatively easy to read off the integrative potential of any region.

From the end of 1970s and during the 1980s, less attention was paid to integration in general. Theorists focused on narrower aspects of integration, including the role of technocratic and elite networks, domestic politics, national leaders, comparative policy studies, and the economics of monetary integration.⁽⁸⁾ The question of background conditions became a major preoccupation of neofunctionalist attempts to develop an early theoretical framework for the study of what was later called “comparative regionalism”. The question about background conditions was formalized by Haas and Schmitter who, stimulated by the emergence of proposals for a Latin America Free Trade Area (LAFTA), became interested in the generic background conditions necessary for the generation of spillover from economic integration to political unity.

Table 1

Each of these sets of conditions could evaluate and aggregate judgment on the chances of “automatic politicization” in any given regional scheme. Haas and Schmitter performed this evaluation for ten contemporary regional integration schemes and concluded that only in the EEC were the chances of “automatic politicization” good. For example, in Latin America during the mid 1960s, background conditions may have been partially conducive, but a mixture of ambiguous governmental purposes and weak powers for the putative regional institutions were suggestive of minimal advance beyond a simple free trade area.⁽⁹⁾ The Haas-Schmitter theories assumed that integration occurred in all cases through the politicization of technical-economic tasks via mechanisms of spillover.

2.2. Europeanization

One of the key concepts of this study is Europeanization. “Europeanization” is not a common term and there is lots of ambiguity in its interpretations. We distinguish within the concept of Europeanization, its philosophical aspect and its functional aspect.

Philosophically, Europeanization stands for a wider concept of Western European civilization and philosophy, cultural and creative values and achievements compliant with the high standards of quality artistic production, capitalist methods of production, industrial and post-industrial methods of social organization, a strong tradition of knowledge creation and scientific research, an educated population, values like tolerance, solidarity, liberty.⁽¹⁰⁾

Functional interpretation of Europeanization as a concept implies the existence and enlargement of the EU. It also means “meeting the membership criteria of the EU”, which are liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law.⁽¹¹⁾ Article 49 of the TEU says that any European state that respects the principles which are common to the present member states – liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law – may apply to become a member of the Union.

The studies of European integration (EI) can be broadly subdivided into “bottom-up” and “top-down” approaches. The former analyzes the European institution-building process as a dependent variable, looking for its causes and actors, the member-states.⁽¹²⁾ The latter approach analyzes the impact of European integration and Europeanization on domestic political and social processes of the member states and beyond.⁽¹³⁾ As Börzel and Risse underline, “This move studying ‘top down’ processes is desperately needed in order to fully capture how Europe and the European Union (EU) matter.”⁽¹⁴⁾ This study follows the second approach and asks the question: How does Europeanization affect non-EU members and non-candidate states?

The works of Cowles, Caporasso, Risse, define Europeanization as the “emergence and the development at the European level of distinct structures of governance, that is, legal and social institutions associated with political problem solving that formalizes interactions among the actors, and of policy networks specializing in the creation of authoritative rules.”⁽¹⁵⁾ Morlino adds to this definition the “development of networks of interactions among domestic and supranational actors to initiate and unfold the decision making process during the input base” and the “gradual and differentiated diffusion-penetration of values, general norms, and specific decisions from those European institutions into the domestic politics, that is, into the working domestic institutions, decision-making processes and domestic policies at different levels.”⁽¹⁶⁾ Finally, the “top down” approach also describes Europeanization as processes and mechanisms by which European institution-building may cause change at the domestic level.⁽¹⁷⁾

First, it is assumed that there exist a set of “pressures for adaptation” exercised by the EU institutions. Second, Europeanization is also viewed as the stimulation and creation of networks between domestic and supranational factors. The third aspect is termed as “impact” and implies, on the one hand, norms and decisions, and on the other hand, shared values, ideas, discourses. According to this view, Europeanization is a process *within* the EU; the impact of the EU institutions on the EU-members and candidates.

This research approaches Europeanization in a different way, investigating it as both dependent and independent variables. On the one hand, it applies the concept *beyond* the EU, looking for possible impact of the EU on non-members and non-candidates. It narrows down the interpretation of Europeanization to

1. processes and mechanisms by which European institution-building may cause change at the domestic level (the EU mechanism implemented in its regionalized politics in Russia investigated in Section 2);
2. the development of networks of interactions among domestic and supranational actors (in this study, between the regions of a non-EU state and the EU and the regions of the EU-states) (the example of networks and interactions between two regions of the Russian Federation (RF) and Europe investigated in Section 3); and
3. the gradual and differentiated diffusion-penetration of democratic values, general democratic norms from those European institutions into the domestic politics of the regions of Russian Federation (Europeanization as independent variable, as an impact on regime transition in the regions investigated in Section 4).

Therefore, this study extends, geographically, the notion of Europeanization beyond the EU and narrows down its functional interpretation. In other words, Europeanization will mean the democratic impact of the EU (through cooperation), and value expansion on “smaller” partners, the regions of the RF.

Furthermore, it also approaches Europeanization from the “down up” perspective. An important point concerning operationalization of the concept is the absence of “pressures for adaptation” in all of the case-studies. The regions of the RF are not “forced” by the central government to develop cooperation links with European neighbors but, on the contrary, they are sometimes restricted in developing such links. Thus, exactly this major difference between regions of the EU-members and candidates allows us to investigate the Europeanization as a dependent variable as well. It allows us to ask a question: What factors “encourage” certain regions to develop cooperation with actors of the already-integrated Europe?

2.3. Regionalization

Europeanization is often analyzed along with regionalization. The European Union itself is described as a *regional* integration. One can differentiate between supra-national regionalism and sub-nation regionalism. Both concepts, Europeanization and regionalization, not only are interconnected between each other, but also with concept of democratization.

Just like Europeanization is often interpreted in terms of democratization, regionalization may also be a response to pressures for democratization. Regionalism is often seen as “an element of modernization and democratic assertion.”⁽¹⁸⁾ Enhanced autonomy of the regional governments is supposed to make them more responsible to the population of the region rather than to the central government. And it is also easier for the population of a region to control the activities of the regional administration through the process of regional election. Thus, the decentralization that had taken place in Russia in the 1990s, as a form of regionalization, combined with impact of regionalization in Northwest Europe (an external impact of the EU) presents a valuable case study to test the impact of Europeanization and regionalization on democratization.

Theoretically, the concepts of Europeanization and regionalization may seem contradictory. Europeanization brings about the idea of unification along legal, political, economic lines between the members and candidates of the EU. Meanwhile, regionalization brings about the idea of diversification; regions as actors. However, there is great deal of coherence and compatibility between the two processes. Europeanization may increase regionalization. Thus, for example, new member states and prospective member states were encouraged, through the PHARE programme, to regionalize themselves.⁽¹⁹⁾ “European policies penetrate national space, bringing regions into contact with each other and the Commission, so that state territories are simultaneously Europeanized and regionalized.”⁽²⁰⁾

However, the same tendency, although to a lesser degree, can be analyzed in application to non-member and non-candidate countries. The regionalization in northwest Russia is the best example of the impact of regionalized and integrated Europe. The EU regional policy towards the north-west regions of the RF has been developed through the Northern Dimension programme, which includes numerous academic networks, conferences, exchange of experts, consultants, and interregional associations. The model of a policy-learning region makes even more sense once it is applied to a region of a country in regime transition, where new policies are to be adopted.

However, the critical difference between the new members, candidates and the regions of non-candidates proceeds from the role of regionalization within the states. The official policies of the national politics of new members and candidates are directed to achieving maximum compliance with the EU criteria and to implementing recommendations for the mutual benefit of regional development and the central governments (which purpose is the place under the EU’s umbrella).

In contrast, the group of regions of non-candidate states do not have either the approval or encouragement from the central government. The choice to interact or not with the EU actors belongs to the regions only. Another complication is that the central government may control the initiatives of its regions towards “external” partners through institutional mechanisms regulating center-peripheral relations (federal arrangements, the federal constitution, center-peripheral contracts and agreements delimitating powers of the regions). Thus, domestic policy of the federal government towards the regions defines significantly the ability of the regions to be involved in networking with European actors or in models of a policy-learning region.

There are a few important points to be made regarding the notion of regionalization.

- **First**, regionalization may incorporate both unification and diversification. As for example, it may consist of forming a new region out of a few regions, merging the regions into one economic, political, or even environmental zone. Thus, the creation of new regions out of “old” regions is an example regionalization. However, it may contain tendencies of diversification – “individualizing” regions, distinguishing regions as political actors in the domestic or international arena. That is why, on the level of nation-state, regionalization may consist not only in decentralization and/or federalization, but also in a form of centralization (when the process of composing new regions out of old ones takes place). The latter form of regionalization may also take the form of centralization and/or federalization. Federalization can be present in both areas if we think of these processes in terms of symmetry and asymmetry. Decentralization may also be accompanied by institutionalization of asymmetrical federalism, since asymmetry intensifies diversification across the regions. However, the establishment of (symmetrical) federalism may also be present in the centralizing state (if regions are merged for the sake of unification; or if the distinguished autonomy of the regions are is taken away from regional administrations).
- **Second**, there might be more than one process of regionalization on a continental scale and the vectors of “neighboring” regionalization processes might not always coincide. As, for example, the regionalization in the integrated Europe has, as one of its purposes, the increasing of economic self-sufficiency and democratic government on the regional level. This is one of the reasons why European integration and regionalism are sometimes described as movements with “elements of consistency and mutual reinforcement.”⁽²¹⁾ However, the “neighboring” process of regionalization throughout Eurasia, both on the level of nation-states and on the regions of nation-states, develops in the direction of greater authority on the regional level. The more autonomy constituent units of a state acquire, the more institutional space for establishing autocracy they have. That can also be applied not only to the regions as constituent units, but also to the nation states (for example the post-Soviet republics – Turkmenistan, Kyrgyzstan, Azerbaijan; and integration within the Community of Independent State).
- **Third**, the phenomenon of geographic overlap between different process of regionalization can take place. And it becomes an interesting phenomenon to study once the “vectors” of the development of regionalization take different directions and are not compatible – as those regions developing towards democracy and a market economy overlap geographically with those regions developing toward autocracy and a centralized economy.

Example of such an overlap may be the process of regionalization which is taking place within the EU and goes well beyond the EU, through the Northern Dimension programmes, thus, encompassing, north-western regions of Russia (Karelia, Leningrad oblast, Sank-Petersburg, etc.). Thus, it overlaps with the process of regionalization within the RF (which, in the 1990s could have been characterized as decentralization – the establishment of highly asymmetrical federalism; and centralization since 2000 – as the introduction of symmetrical federalism and the creation of new regions through the merging of “old” regions). Additionally, there is another wider overlap on the continental scale between regionalization in Europe and in Asia – the EU and the CIS.

The question is, what is influencing what? Is there an impact of the enlarging EU on the regionalization and democratization of the northwest regions of Russia? Or, has regionalization within Russia (through decentralization and federalization) led to the development of transnational regional cooperation, sometimes so intensive that it was even, contestably, defined as the “integration” of the north-west regions of Russia, into the EU? The list of questions can be further developed and subdivided into those tackling “contextual” factors (the role of geopolitical location; the length of the border; the size of a region) ([Hypothesis 1](#)) and those investigating domestic policy factors within Russia (the process of regionalization and federalization in the 1990s) ([Hypothesis 2](#)).

Another hypothesis is that regions of a transitional state involved in interaction with regions of established democratic states would follow the policy-learning model, adopting some of the democratic practices and values of their partners ([Hypothesis 3](#)).

The questions to be posed with regard to the analysis of the cooperation and communication between the actors of the integrated Europe and regions of Russia are the following:

- **First**, what interaction is there in *regions* with two actors (one of which is a supranational actor – the EU, and another is a nation-state – the RF)? To answer this question, we will analyze the related institutional mechanisms of the EU and different forms of interaction between the regions of Russia and the EU (analyzed in Section 2).
- **Second**, what factors help to initiate this interaction? These factors may be subdivided into “contextual” factors and “domestic-institutional” factors. This analysis will also help to distinguish the factors of regionalization within a state – factors which make regions unique, different in one or another way from each other. These factors can be conditionally divided into contextual (geopolitical location, ethnic composition, size, external borders) and institutional (the mechanisms which regulate the status of a region within a state) (subsequently analyzed in Sections 3 and 4). There are also other geopolitical conditions: The existence of common border with the EU, the length of the border as an interaction point, the size of a region, the predominance of either an urban or a rural population. Among institutional factors are the degree of autonomy regions have acquired from the central government through the RF Constitution (constitutional asymmetry) and bilateral power-sharing contracts (contractual asymmetry) which were signed by about a half of all the regions of Russia?
- **Third**, what is the impact of regional communication and cooperation with Europe on regime transition in the regions? On the one hand, we have transnational actors, the EU, which is composed of well-entrenched democracies, and on the other hand, its biggest neighbor, the RF, is a “transitional” state. Political regimes that existed in Russia from the mid-1950s until the late 1980s – both at national and regional levels – were commonly regarded as authoritarian. There were some differences in the relative economic development and ethnic composition of Russia’s administrative units; the regional regimes were still similarly configured along the lines of a set of actors and institutions. However, in the late 1990s, the varieties of political regimes in Russia demonstrated large-scale diversity in its regional politics – regimes with some features of democracy in St. Petersburg, authoritarianism in Kalmikiya, and even “warlordism” in the Primorskii *krai* as well as some hybrid regimes in other regions.

Thus, the third, question is whether the regions of Russia involved in cooperation with European regions and organizations would be more pro-democratically developed than the others. This analysis would allow for the assessment of the impact of Europeanization on democratization. To sum up the theoretical section, the following conclusions can be made. All of these concepts – Europeanization, democratization, regionalization – have been analyzed in a double dimension: all of them can be presented as a two-way, “top-down” and “down-up” processes. Europeanization may be studied as a process initiated by member-states, but at the same time, it is also a “top-down” process with the influence of the institutions of the EU on its members and candidates. Similarly, democratization can be described in terms of the influence of central government on the regions (being a “top-down” process at the beginning of transition), democratization is center-peripheral relationship switching from a centralized to a decentralized system. And as a “down-up” process, once the administrations of the regions have undertaken initiatives in regime formation, within the regions. Finally, the same can be said about regionalization, as a “bottom-up” process, when regions undertake the initiative to develop independently from the central government. But this could also be as a “top-down” process. The latter process was presented in two forms – on supranational and national levels. On a supranational level, the EU may encourage the states to regionalized through different mechanisms. On a national level, the central government can introduce the reforms centralizing center-peripheral relationship within the state.

Accordingly, the three phenomena can be studied as both dependent and independent variables. To operationalize them for our particular case-study, the North-west regions of Russia and Northern Europe, we must investigate the time frame of their development: the development of European institutions affecting Russia and its regions; development of democratization and regionalization in Russia and its regions.

3. Institutional framework for transnational regional cooperation: view from Moscow [↑]

There are two models of delimitation of powers between federal and regional levels of governments in the existing constitutional settings of European federal states. The first and most common model is when the federal constitution has supremacy in all domains of national policy including relations with other states. International affairs thus belong exclusively to the jurisdiction of a federal government. The second model is when regions may have their own external relations with foreign partners within limited jurisdictions and with the consent of the federal government, as defined by law. Regions have relative freedom of choice and the right to make final and independent decisions within their constitutional powers.

Unlike the majority of European federal states, where there is a bi-level delimitation of jurisdictions between the centre and the regions including the issue of international cooperation, the Russian Constitution introduced the term “international and foreign economic relations of the subjects of the RF” (Article 72).(22) Therefore, the RF Constitution introduced a tri-level delimitation of jurisdictions (federal, joint, and regional). The existence of an intermediate level – the level of joint jurisdictions - gives great importance to such an institution of jurisdiction delimitation as a treaty between the federal centre and a region.(23)

One of the important laws, which provided regions with the opportunity to develop cooperation with foreign partners, was a law “On state regulation of foreign trade” (13 October, 1995). This law outlined the spheres of joint authority between the regional and central governments:

- coordination of regions’ foreign trade;
- adoption and execution of regional and inter-regional foreign trade programmes;
- receipt of foreign loans under the regions’ guarantees;
- regulations of free economic zones and cross-border trade, and;
- provision of information for regions.

The same law granted the CUs of the RF the rights:

- to trade with foreign partners on the region’s territory;
- to control the trade activities of Russian citizens and foreigners;
- to adopt regional foreign trade programs;
- to provide traders with additional guarantees and privileges;
- to sign trade agreements with foreign partners (only with regional and local authorities);
- to establish trade missions abroad (under the auspices of Russian official trade missions) at the regions’ expense.

This law provided the regions with a proper legal basis and broader powers. Presidential decree N. 370 (March 12, 1996) stipulated that the treaties between Moscow and the CUs must not violate the Federal Constitution and must respect its supremacy. They are neither unable to change the status of CUs, nor to add or to change what is enumerated in articles 71 and 72 of the Constitution, which describe federal and joint powers of the CUs respectively. Another presidential decree N. 375 “On co-ordination of the role of the ministry of foreign affairs in conducting a single foreign-policy course” was signed on the same date (March 12, 1996). According to this law, the CUs should inform the Foreign Ministry of the RF about their foreign-policy activities, including foreign trips and statements by regional leaders.(24)

The federal law “On coordinating international and foreign economic relations of the members of the Russian Federation” (December 2, 1998) elaborated article 72 of the federal Constitution. The law outlines such international activities of the CUs as trade, scientific, ecological, humanitarian, and cultural cooperation with foreign partners. They are allowed to cooperate directly with regional and local governments of foreign states. They can also deal with central authorities of foreign states via Moscow.

According to this law, the foreign partners of Russia’s CUs could be the territorial and administrative units of foreign states and international organizations. The same law gives the CUs of the RF the right to conduct negotiations with foreign partners, to conclude agreements which might not contain provisions contradicting the Russian Constitution, federal legislation, the bilateral treaties on the delimitation of jurisdictions between the federal and regional bodies of state power, the provisions of existing international treaties Russia already has and which might limit legitimate interests of the other regions. The CUs may also conclude agreements with the bodies of state power of foreign states with the consent of the government of the RF or, if the federal government provides such an agreement with its guarantees (Article 8).(25) Such agreements are not international treaties (Article 7), and the norms of the Vienna convention of 1969 and 1986 cannot be applied to them. However, these laws provided the necessary institutional framework that has allowed the RF’s CUs to develop cooperation with European partners.

By 1 April 2001, Russian regions had signed 1186 agreements on cooperation with foreign partners, including 840 “horizontal” agreements (with administrative-territorial units of foreign states) and 335 “diagonal” agreements (with foreign governments and other state agencies of foreign countries).(26) A number of regions use the international regional organizations in order to integrate into the regional cooperation structures of Europe. Some regions have successfully used this law to develop cooperation with Europe. For example, Kaliningrad concluded agreements on cross-border cooperation with the Polish (Gdansk, Elbag, Olshtyn and Suvalky) *voevodships* and Lithuanian (Kaunas, Klaipeda, Panevezhis and Marijampol) districts (or subnational units). The development of the border infrastructures were important priorities for such cooperation.

4. Institutional Framework of Transnational Regional Cooperation: View from Brussels (TRC as a dependent variable) ↑

Russia is affected by integration processes in Europe (EU enlargement, Baltic and Nordic subregional cooperation), in Eurasia (the Commonwealth of Independent States, CIS), and in the Asia-Pacific (Asia-Pacific Economic Council, APEC). The RF has tried to adapt to the new environment: Russia concluded a partnership and cooperation agreement with the EU and welcomed the EU's Northern Dimension Initiative, which aims to integrate Russia's Northwest into the European economic space. The RF participates in the activities of various subregional organizations such as the Council of the Baltic Sea States (CBSS), the Barents Euro-Arctic Council (BEAC), the Arctic Council and the Black Sea Economic Co-operation regime (BSEC), and joined the Association of Southeast Asian Nations (ASEAN), Regional Forum and APEC (1998) as a full fledged member.

Many of these European organizations prefer to deal rather with *Russian regions* than with Moscow. Regionalization of foreign policy is a way to bypass the bureaucracy of the federal centre and could be an efficient tool for the economic development of the Russian regions. Thus, for example the EU established a special INTERREG (EU Inter-regional initiative) programme to promote co-operation between the border regions in Europe. The TACIS (EU Technical assistance to the CIS) programme is another EU initiative to stimulate regional cooperation and development of democratic institutions on a regional level. The EU's Northern Dimension has the same aims. The Euroregion concept is another scenario for the development of transnational regional cooperation.

4.1. TACIS ↑

TACIS is the largest technical assistance programme in Russia. This programme is intended to facilitate the transfer of western "know-how" and expertise to assist in the development of the institutions, legal and administrative systems, management skills essential for a stable democracy and a properly functioning market economy. An "indicative programme", covering four years at a time, provides a policy framework for the operation of TACIS in Russia, and identifies three crucial areas: support for institutional, legal, and administrative reform; support to the private sector and assistance for economic development; and support in addressing the social consequences of transition. Most of the training projects have been targeted at civil servants and local government officials, judicial and law-enforcement personnel, and discharged military officers in some of the regions. Twinning projects facilitated the exchange of experience and the encouragement of networking is increasingly seen as a vital part of many TACIS initiatives. The TACIS Tempus programme has encouraged universities in EU member states to form partnerships with their counterparts in Russia, in order to stimulate reform in higher education, and to facilitate the mobility of staff and students. There has also been a distinct TACIS Democracy Programme to promote democratic values and practices throughout Russian regions.

4.2. The Northern Dimension (ND) ↑

Although the "ND" is not exclusively directed at Russia, it provides opportunities for constructive engagement and integration of separate regions of the Federation into European political and cultural life. It is the result of an initiative in 1997, sponsored by Finland, to encourage closer cooperation among all states and regions in northern Europe, irrespective of whether they are EU members or not. The ND was approved at the European Council in Vienna in December 1998 and formally launched the following year at the Council in Helsinki. In the context of European integration, the overriding objective is to encourage people and institutions in northwestern regions of Russia to feel that their homeland forms an integral part of the region, rather than being isolated and potentially, therefore, alienated.

The ND is a concept rather than an organizational entity and it does not involve either new institutions or financial instruments. One of the most frequently iterated principles is "positive interdependency" between the EU, the Baltic Sea region and Russia, and the objective is to ensure "win-win" outcomes from concrete projects that bring clear benefits both to Russia and to its regional neighbors. An "Action Plan" identifies a large number of areas in which crossborder cooperation on concrete projects would be beneficial. These include transport, energy, nuclear safety, the environment, public health, trade, international crime, etc. All specific actions, especially those that involve finance, have to be undertaken through existing legal and financial instruments (PHARE, TACIS, and Interreg) or with the support of other international organizations, such as the European Bank for Reconstruction and Development of the Nordic Investment Bank.

The initiative focuses on relations between Finland and Northwestern Russia. It started with the restoration of cooperation, especially in economy and trade, but gradually this idea has grown into a proposal for large-scale cooperation, including not only the EU and Russia, but also the Baltic states.

4.3. The Involvement of Russian Regions in Baltic Sea Cooperation ↑

Given the EU membership of all Baltic Sea countries except Russia, its apparent that the Baltic coast regions of Russia – St. Petersburg, Leningrad oblast, Kaliningrad – deserves special attention.

Another issue concerns sub-regional economic cooperation. Urpo Kivikari has suggested a “growth triangle” project. He suggests that this “triangle” should comprise the Leningrad oblast, Southern Finland and Estonia following the example of Singapore-Malaysia-Indonesia model.⁽²⁷⁾ However, the difference between the Baltic sub-regions seems to be somewhat bigger than between those Asian states. This mainly concerns the legal system.⁽²⁸⁾ Another important fact is that most of the Finnish companies prefer to conduct business with Estonia and with St. Petersburg separately.

The Council of Baltic Sea States (CBSS) and the Union of the Baltic Cities (UBC) could become bodies which will be helpful for cooperation and negotiations. All the countries of the Baltic Sea region are members of the Council. The Union of Baltic Cities includes almost 100 cities of the Baltic Sea region. The organization plays a positive role in developing ties on a sub-regional level. Although UBC is not an organization of high political significance, it could help solve practical problems and could increase of cooperation.

The common border between Russia and the EU (Finland, Estonia, Poland, Latvia, and Lithuania) is often viewed not as a “new dividing line” but rather the point of further integration (cultural and economic).

4.4. Operationalization of TRC ↑

“Transnational regional cooperation” is a core-variable of the analysis. TRC with Europe is to mean:

1. all the EU’s non-profit projects launched in the CUs of Russia during the 1990s (all above-mentioned interregional activities: cultural programmes, academic exchanges, regular conferences, and projects aimed at facilitating the transition to a market economy and democracy launched by TACIS, the ND, UBC, CBSS, Euroregion and twin-cities projects);
2. regular trade between the CUs and EU-countries;
3. European investment projects in the regions (data is collected by the European Bank of Reconstruction and Development and is composed of rank of investment risk and rank of investment potential by the end of 1990s)⁽²⁹⁾.

The task is to find out what factors have impacted the development of TRC during the period of regime transition in the 1990s. Do the above-mentioned examples of regional cooperation suggest that only geopolitical location “determines” the success or failure of the development of TRC? Does that mean that only regions located on the Northwest border are “lucky” to develop cooperation enough with European neighbors? To answer these questions, we will run a quantitative analysis, where the role of geopolitical factor is analyzed along with a number of other factors such as economic development, ethnicity, and the domestic policy of the federal government towards the regions (federal design). The analysis and operationalization of these independent, potentially- explanatory variables, is the subject of the next section.

5. “Contextual” and “Domestic-policy” Factors: Regions of Russia or a Russia of regions? ↑

The basic point of departure for cooperation between the EU’s – RF’s regions⁽³⁰⁾ is hardly favorable: “estrangement” due to closed borders, cultural differences, large income and GDP differences, socio-economic disparities, political and administrative discontinuities complicate the development of cooperation. A post-socialist culture of dependence on central government characterizes the attitude of many regional authorities in the Russia’s CUs. This is slowing the development of local initiatives and the intensification of “horizontal” working relationships with European communities.

And yet, despite these common obstacles that face all of Russia's CUs, the regional administrations have demonstrated divergent trajectories of transnational cooperation with European countries: from close cooperation (often described as "inclusion" or even "integration") to complete isolation from the outside world ("exclusion"). Why the CUs of the same country, with the same historical legacies, acting within the same institutional framework have exhibited such different outcome in terms of TRC?

To answer this question, we examine a set of *contextual factors* versus the *domestic policy factors*. The "contextual" factors are those which are not likely to change in the short-run; they are more or less stable and may give the impression of a certain determinism in TRC which seems to be independent of such domestic-policy factors as reforms and institutions(31).

The first set of "contextual" hypotheses is based on a geopolitical argument. The literature on integration often appeals to geopolitics as one of the most basic conditions for the beginning of integration into Europe: location in the same geographical area (Western Europe) and a shared border is considered such an apparent "driving force" of European integration that most of scientist would call it the necessary condition for initiating the process. As geopolitics is considered to be a necessary precondition of the integration, this topic became the issue of discussion back in the 1950s. Karl Deutsch(32) was one of the first offered the most detailed analysis of the role of geopolitics in European integration.

Another geopolitical factor, offered for analysis, is the size of a region or country. This is a more recent argument forwarded by Philippe Schmitter.(33) Schmitter has distinguished a few factors of the integration process. Among them are size and the level of economic development (which should be high and more or less equal between the potential partners of integration). The level of economic development of CUs might encourage the development of TRC by making these economically developed regions more attractive partners in economic ventures.

Thus, a set of geopolitical and economic hypotheses is based on the work of Deutsch, Schmitter, and Haas and it underlines that the geographical factor (size and neighbourhood) makes the cooperation of Russia's regions with Europe more feasible.

Hypothesis 1.1: The CUs which are smaller in size, adapt better to external influence (they are more manageable, and policy learning is followed by fast policy implementation).

Hypothesis 1.2: Those CUs which are located in the European part of Russia are more inclined to cooperate with Europe in trade, common projects and programmes (neighbourhood 1).

Hypothesis 1.3: Those CUs which directly border the EU, are more likely to establish RCE than others (neighbourhood 2).

Hypothesis 2: Those CUs which have a higher level of economic development, are more likely to cooperate with European actors.

Finally, another important "contextual" factor is *ethnicity*. The rise of ethnic groups is a world-wide phenomenon. The development of regional cooperation in Europe has led to the rise of new opportunities for ethnic, stateless groups. It provides them with the means to reaffirm their position on the transnational level. The phenomenon of "exclusion" of ethnic regions from the national context and a desire to be "included" in the international context can be noticed. Probably one of the best examples of it is provided by the Basque Country. Basque nationalists are trying to gain more power in running the regional politics and to expand their influence beyond the territory assigned to them so that ascover the broader territory of their nation.(34) The same situation can be found in such ethnic regions of Russia as, for example, Tatarstan and Bashkortostan. The ethnic elites of the regions are trying to gain more autonomy from the central government, to reestablish their languages (Tatar and Bashkir languages), Muslim culture, and the religion of Islam. However, whether this process of "exclusion" from the "parent-country" is accompanied by the extensive development of transnational cooperation as a tool of "inclusion", is to be tested by quantitative analysis. Thus, the hypothesis is that "ethnic" constituent units – regions with significant ethnic minorities living within the borders of a region - are more active in establishing cooperation with "external" actors (*Hypothesis 3*).

To sum up, in the "contextual" analysis we hypothesize that such issues as *geopolitical location*, *the level of economic development* and *ethnicity* may have had a significant impact on the development of transnational cooperation of the regions with Europe (*Hypothesis 1*). Within this group, we further distinguish such factors as the size of a region; the location of the CU in the European or Asian parts of Russia; a direct border with the EU (*Hypothesis 1.1.1; 1.1.2; 1.1.3*);

the level of economic development of the CU (*Hypothesis 1.2*); and ethnicity (*Hypothesis 1.3*).

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Contextual analysis also helps to demonstrate the differences between the regions of the RF as they are marked by significant disparities across ethnic, economic, and geopolitical variables. In addition, the federal government has adopted a different policy towards its various regions and established different institutions regulating the centre-regional relationship which can be described as asymmetrical federalism. Asymmetry was two-fold – “constitutional” and “contractual”. Both the “contextual” variables and “domestic-policy” variables may provide explanations for the different strategies of the regions towards development cooperation with European partners.

The combination of “contextual” variables and “domestic-institutions” as potential explanatory variables can be schematically presented in a diagram.

Figure 1

We process, with a brief analysis, the geopolitical factors, ethnic and economic factors in the contextual part of the analysis. Then, we will focus on the regionalization within Russia during the 1990s – the process of state building. The institutional factors can be further subdivided into the analysis of the Constitution of the RF (1993), and can be described as the first wave of establishment of asymmetrical federalism, and bilateral treaties with the central government, which were signed by half of the regions (the second wave of the establishment of asymmetrical federalism).

5.1. Contextual Factors: Geopolitics, Economics, and Ethnicity ↑

5.1.1. Geopolitical Conditions

Regions (or constituent units, CUs) of the RF differ in their size, their population, and location. Eleven ethnically-defined CUs border another state. These are the Karelian, Altaian, Tyvinian, and Buriatian republics, the republics of the northern Caucasus (with the exception of Adygeya), and the Jewish autonomous *oblast*. The republic of Sakha and five autonomous *oblasts* (Nenets, Yamalo—Nenets, Taimyr, Chukchi, and Koryak) are situated along the shores of the Arctic Ocean and the Bering Sea. Although they are situated along the coastline, climatic conditions deny ship access for most of the year and reduce the significance of these locations.

The ethnically-defined units that border foreign states are, generally, quite small (both in terms of area and population). Even though these ten units account for only 10% of the area under ethnic-territorial administration, their share of the population is about 30%. The most populous of therepublics - Tatarstan and Bashkortostan –have no external borders and are cut off from other states by stretches of other regions, possessing overwhelming Russian populations.

5.1.2. Ethnicity ↑

The position of the titular nation (titular ethnic group) in many CUs is quite weak, compared with the other national groups in these areas. The ethnic groups are highly dispersed across the territory of the RF because of the immigration policies of the tsarist period (especially under the rule of Catherine II) and the Soviet era (most notably during Stalin’s rule). It is surprising that only 2% of all the Jews in the RF live in a territorially defined CU called the “Jewish autonomous *oblast*”. The highest percentage of any ethnic group living within their own CU is that of the Tatars. But even here only 48.9% of the population of Tatarstan are Tatars, while the rest is composed of Russians, Ukrainians, Moldovans, and a mosaic of Caucasian ethnic groups.

According to the 1989 census,⁽³⁵⁾ the titular nation made up less than half of the population in fourteen of the administrative units that are RF republics today. In Kabardin-Balkaria and Dagestan, a majority exists only if two or more titular groups are added together. It leaves only five republics in which a singular titular nation forms the majority of the population – Chuvashia, Tyva, North Ossetia and Chechnya, and Ingushetia.

In autonomous *oblasts* and autonomous *okrugs* (which have a lesser degree of autonomy than the republics) the presence of members of the titular nation is even less. Thus, for example, in the autonomous *okrug* of Khanti-Mansi, the two titular groups together account for no more than 1.4% of the total population of this CU. In general, the proportion of the titular nations in these units is quite low.⁽³⁶⁾

As a result of Russian and Soviet migration policies, ethnic Russians form a majority in 9 of today's 21 republics, as well as in 9 of the 11 units with less autonomy. This predominance of Russians is the main constraint on potential ethnic separatism. The ethnically defined units clearly possess heterogeneous populations.

Most of the nationalities that have been granted autonomy are quite small in size. Within the borders of the republics, the size of the titular nation ranges from 1.8 million Tatars to less than 63,000 Khakassians. On average, the titular nation accounts for approximately 450,000 inhabitants in the republics, and 25,000 in the other ethnically defined units.⁽³⁷⁾

Another factor that prevents most of the CUs from demanding self-determination, is the lack of consistency between the borders of the territory actually inhabited by the minority, and their autonomous units. In many cases, the ethnically-defined units include only a small part of the minority in question. Of the largest minority groups with their own territorial units, more than one-third of the group live outside of the autonomous area (e.g., of all Tatars who live in the RF, 68% live outside Tatarstan, among Chuvashs - 49%, Bashkirs - 36%, and Moldovians - 71%). The most striking example is that of the Jews: 98% of whom live outside their autonomous *oblast*. It would be illogical to claim the independence of a federal unit in which the titular ethnic group constitutes only a small percentage and where it is actually predominantly inhabited by other ethnic groups. Thus, the numerically-weak position of the titular nations, combined with the large number of Russians living in the ethnically-defined areas, make separatist movements based on ethnic exclusivity an unviable option.

5.1.3. Economic factors ↑

This factor can be viewed in terms of economic dependence, rather than interdependence. Many of the ethnically defined units had developed a dependence on the center during the Soviet period. The local economies functioned as integrated parts of the Soviet economy. Planning and investment were always carried out within the confines of a region, for a particular industry; without developing a balanced, self-sufficient economy within the republic or *okrug*.

The areas where there is the greatest potential, for the development of a more or less independent, economy are the Volga-Ural area and northern Siberia - with their rich deposits of oil, gas and other natural resources. But these territories are surrounded by other regions of the RF.

On the other hand, those republics situated along borders are dependent on subsidies from the federal budget. The republics of the northern Caucasus are among the poorest and the least developed CUs. The republics of southern Siberia are also highly dependent on transfers of federal funds.⁽³⁸⁾ Most of the republics can be defined as "mono-economies", in the sense that they rely on imports from other parts of the Federation. For example, 80% of these goods sold in the republics were imported from former union republics.

To sum up, given great disparities in the level of economic development, ethnical composition, and geopolitical location, federalism seems to be the only feasible option to accommodate such differencing regions. Above all, it is the asymmetrical federal arrangement which offers "individual" approach to managing center-peripheral relationship in a multi-ethnic state. Thus, given numerous ethnic groups, geopolitical and economic disparities, it seems that the establishment of certain institutional mechanisms in the form of federal asymmetry is almost unavoidable. Above all, the time of regime transition started in the 1990s, offering the regions the chance to "bargain" with the central government to attain more autonomy. To sum up, the democratization in Russia was accompanied by both regionalization, as an attempt of regions to act independently and decentralization, as concessions of enhanced autonomy to regions made by the central government.

5.2. Asymmetrical Federal Design ↑

After the collapse of the USSR, new decentralization tendencies appeared not only in the post-Soviet area, but also within ex-Soviet Russia, then known as the RSFSR (Russian Soviet Federal Socialist Republic). By the end of "Perestroika" (end of the 1980s), it was composed of 89 equal constituent units (CUs), regions, - all with the same powers, all equally subordinated and responsible to the central government in Moscow. Soviet Russia was a highly centralized state. However, the beginning of 1990s was the start of critical changes not only on the national level (in the framework of regime transition) but also on the regional level (through decentralization reforms which took the form of asymmetrical federalism). In 1991, the RSFSR's administrative-territorial structure was modified and this change was later codified in the Federation Treaty of March of 1992 and the Constitution of 1993. The 16 autonomous republics, and 4 of the 5 autonomous *oblasts*, were given the status of "republics". The other 68 CUs (including 49 *oblasts*, 7 *krais*, 2 federal cities, 1 autonomous *oblast*, and 10 autonomous *okrugs*) became known as "regions" of the RF.

In addition to the Federal Treaty, President Yeltsin signed three other treaties in March of 1992: one with the autonomous republics and the autonomous *oblasts* that elevated them to the status of a republic (these are Adygeia, Gorno-Altai, Karachay-Cherkessia, and Khakassia); one treaty with autonomous *okrugs*; and another treaty with non-ethnic *oblasts*, *krais*, and the two cities of Moscow and St. Petersburg (which received the status of federal cities which made them equal to an *oblast*). The Federation Treaty described “republics” as “sovereign states” implying extended rights for this group of CUs in the areas of natural resources, external trade, and internal budgets. Tatarstan and Chechnya refused to sign the Federal Treaty, seeking the more clearly defined status of independent states. All other CUs, apart from the republics, secured enhanced rights

The Federal Treaty completed the construction of “constitutional asymmetry” (as it became a part of the new RF Constitution). It described republics as “sovereign”, which suggested that the republics not only had a right to refuse to join the federation, but also could secede of their own initiative. While the Treaty did not mention the option of secession *per se*, it did stipulate that the constitutions of the republics should at least be compatible with the federal constitution.

The 1993 Constitution took precedence over the Federal Treaty. In drafting Russia’s constitution, Yeltsin insisted on three principles: human rights were to be guaranteed throughout Russia (including the republics); the unity of the RF must be maintained; the constitutions of the republics should not contradict the Russian constitution. The definition of the republics as “sovereign states” was dropped, while the federation structure still included different approaches to CUs. The Constitution established the notion of “hybrid federalism” based partly on the example of national areas (such as Belgium and India) and partly on areas lacking in any national significance (like in Brazil, Germany and the U.S.). This structure was accompanied by declarations (Art. 5) on the equality of all subjects of the Federation, when in reality they were entitled not only to a different status but also to different rights. One of the most striking differences was that the republics were granted all the attributes of a sovereign state (constitutions, presidents, legislature, etc.) while all other CUs were granted the right to have charters, governors, and more stringent tax payments.

The result of these new approaches to centre-peripheral disputes led to the establishment of an asymmetrical federal arrangement. As such, “asymmetry” is inseparable from all modern theories of federalism. To start with, there is not a single federation in the world that is considered absolutely symmetrical in terms of the rights and the status of its CUs. The factors that usually influence asymmetrical federalism are strong disparity in size of the regions, population density, the presence or absence of ethnic minorities, and socio-economic inequality.

The 89 CUs of the RF each have a different status and, consequently, enjoy different rights and powers. It is quite challenging to establish a firm demarcation between them, and to divide them into categories. The Constitution is ambiguous in terms of the differing status of CUs. On one hand, it states that all CUs are to be equal, while on the other, it includes articles that favour some CUs (republics) over others. The CUs are divided into “ethnic regions” (republics, autonomous oblast, autonomous krais) and “territorial regions” (oblasts and krais). There are 32 CUs defined as “ethnic regions”. This group includes 21 republics, 10 autonomous okrugs and 1 autonomous oblast.

The 1993 Constitution provides for a confusing distribution of powers to CUs and overlapping jurisdictions. The RF is divided into 21 ethnic republics, 55 *oblasts* and *krais*, 1 autonomous *oblast*, and 10 autonomous *okrugs*.

Republics: Republics enjoy several advantages over all other CU in terms of their relationship with the federal centre. The 21 republics provide territorial homes to the most significant ethnic minorities. In most of the cases the “titular nation” does not make a majority of the population of the CU and is overwhelmed by Russians. Not all members of ethnic groups, with their own republics, live on their own territories. In fact the titular nation comprises an absolute majority in only in 6 of the republics: Chuvashiya, Kabardino-Balkaria, North Ossetia, Checheno-Ingushetia (which was one CU and is now two CUs), Tuva, and Dagestan (there are a few ethnic groups which comprise an absolute majority only if they are taken together: Avars, Dargins, Kumyks, Lezgins, and Laks). As the most privileged CUs of the Federation, republics have the power to elect their own presidents (only later on, *krais* and *oblasts* were allowed to follow their example). According to the Constitution of the RF, the republics may have their own constitution, while *oblasts* and *krais* have only charters. Republican authorities signed agreements with the federal government giving them extensive control over natural resources, their own special tax advantages, and the possibility of conducting their own foreign policy.

Federal cities: The capital city Moscow, and the former Tsarist capital St. Petersburg, are designated as federal cities.

Oblasts and Krais: 46 oblasts and 6 krais are “territorially” divided CUs and there is no difference between them in terms of constitutional rights. The term “*krai*” was used to describe the territories that once stood on the furthest boundaries of the country.

Autonomous *oblast* and autonomous *okrugs*: There was only one autonomous oblast on the territory of the RF – called the Jewish AO. It gained independence from the Khabarovsk *Krai* on 25 March of 1991. Therefore, it is defined as being equal to any of the other *oblasts* and the *krais*. The region was established by Stalin in the Far East as a homeland for the Soviet Union's Jews, most of whom lived in the western part of country and few of whom chose to resettle in the new region. Today's population of the Jewish AO is just 4% Jewish.

Not all autonomous *okrugs* are similar with regard to their status and rights. As a result, the resource rich autonomous okrugs (Khanti-Mansii and Yamalo-Nenets) have long sought independence from the region that they are a part of and this was taken into account in developing the system of indexes.

There are also ten autonomous *okrugs* and one autonomous *oblast*. The Federal Constitution is very ambiguous about the status of these CUs. Article 5 says that they are equal to the other 89 units. However, Article 66 subordinates them to the *oblasts* or *krais*, on whose territory they are located. The Russian Constitutional Court refused to clarify this ambiguity on 14 July of 1997. All okrugs are designated for specific ethnic groups. However, the titular nation constitutes a majority only in Komi-Permyak AOK and in Agin-Buryat AOK.

The “constitutional asymmetry” was followed by “contractual asymmetry”. In February 1994, President Yeltsin signed the bilateral treaty with Tatarstan. In the signing of this treaty, Yeltsin encouraged other CUs to follow suit. By 1996, similar treaties were signed with Kabardino-Balkaria, Bashkortostan, North-Ossetia, Sakha, Buryatiya, Udmurtia. In 1996, similar treatment was accorded to Sverdlovsk, Orenburg, Kaliningrad, Khabarovsk, and Komi. These bilateral treaties (also called “power-sharing agreements”) helped to resolve some of the tensions between the federal centre and the regions. In addition, they gave sufficient autonomy to the administrations of the regions to rule their domestic policy and often some gave certain concessions for the conduct their own foreign policy. By the end of the 1990s, about 50% of all regions had signed power-sharing agreements with the central government in Moscow. These treaties (or contract) normally outlined the “extra-autonomy” the regions have received in domestic and foreign policy areas. On the other hand, it has created an extremely asymmetrical federal arrangement by “privileging” some regions over the others through the signing of bilateral power-sharing agreements. This phenomenon is conditionally labelled as “contractual asymmetry”.

The puzzle is why only some of the regions have profited from increased autonomy that was granted to most of the CUs during the time of transition in the 1990s, to establish regular cooperation with European partners? Not all of the regions were active in establishing their own foreign relations. Why did some of the regions opt to act on the international level while some of the other regions were reluctant to undertake such an initiative? What factors, apart from geopolitical, have encouraged the participation of the regions in the international, particularly European, affairs?

6. Empirical Evidence of Transnational Regional Cooperation: Quantitative Analysis [↑]

6.1. Puzzle and Questions

The puzzle is why only some of the regions have really profited from the increased autonomy that was granted to most of the CUs during the time of transition in the 1990s, to establish regular cooperation with European partners. Not all the regions were active in establishing their own foreign economic activity. Why did some of the regions opt to act on the international level which other regions were reluctant (or unable) to undertake such an initiative? What factors encourage the participation of the regions in the international, particularly European, affairs? What factors encourage interregional cooperation?

On the one hand, a number of “contextual” factors might have had some impact on the development of the RCE: (1) geopolitical factors, e.g. common borders, may play a significant role; (2) the level of economic development (includes possession of industries, plants, and natural resources) makes some regions more attractive for investment than others.

On the other hand, RCE was initiated after the major reform of centre-peripheral relations was over (after both the Constitution and Federation Treaty institutionalized the autonomy of the regions). In this connection, we may presume that the regions with higher autonomy (constitutional or/and contractual) would be more active in the interregional cooperation.

The “contextual” factors include the geopolitical factors (location in the European part of Russia with a Northwest external border, size), the level of economic development and natural resources, and the region’s ethnicity. The domestic factor is the status of the CU in the Federation (as the result of ‘the establishment of constitutional and contractual federal asymmetry).

6.2. Hypotheses

The set of the hypotheses is the following:

Hypothesis 1: The geographical factor (size and neighbourhood) makes the cooperation of Russia’s regions with Europe more feasible.

Hypothesis 1.1: The CUs, which are smaller in size, better adapt to external influence (they are more manageable, and policy learning is followed by fast policy implementation).

Hypothesis 1.2: Those CUs which are located in the European part of Russia are more inclined to cooperate with Europe in trade, common projects and programmes (neighbourhood 1).

Hypothesis 1.3: Those CUs, which directly border the EU, are more likely to establish RCE than other CUs (neighbourhood 2).

Hypothesis 2: Other factors, such as the level of economic development of CUs encourage the RCE by making these resource-rich regions more attractive partners in economic ventures.

Hypothesis 3: The CUs that have received greater autonomy within the Federation as the result of the establishment of the asymmetrical federal arrangement; and, therefore, are more independent in determining their domestic and even foreign politics, will tend to be more “integrated” into European affairs than the others. This asymmetry has been twofold: constitutional (measured by federal status of the regions as it is stated in the RF Constitution) and contractual (measured by bilateral treaties which some of the CUs have signed with the federal government specifying additional powers and rights).

Hypothesis 3.1: The CUs with the status of republics have more opportunity to conduct foreign policy and, therefore have been more active in developing RCE (as they have more autonomy in both their domestic and foreign politics). The CUs that have received higher federal status in the RF Constitution have developed RCE (the impact of constitutional asymmetry).

Hypothesis 3.2: The CUs that have signed bilateral treaties are more “integrated” into European affairs than the others (the impact of contractual asymmetry).

6.3. Calculations and Analysis

The index measuring the degree of RCE is

- regular trade relations of some of the CUs with European countries and companies (trade);
- common projects and programmes (projects);
- investment (investment risk and investment potential).

Accordingly, we run 4 regressions to test these aspects of the dependent variable: two logistic regressions for “trade” and “projects” models and two linear regressions for “investment risk” and “investment potential”. The factor of size was omitted because, initially it had shown no significant impact at all. In contrast, ethnicity showed slight impact. Therefore, it was kept in the calculations.

Having identified and analyzed both the dependent variable (TRC between the regions of Russia and European partners, Part 4) and independent explanatory variables (contextual and domestic policy factors, Part 5), we pass to quantitative analysis. According to the number of aspects of TRC, we ran four regressions to find out what factors were crucial and favourable in the development of

- cooperation in trade (trade);
- in the development of cooperation in joint projects and programmes (projects); and in the development of cooperation in investment:
- investment risk and
- investment potential.

Accordingly, we ran four regressions to test these aspects of the dependent variable: two logistic regressions for “trade” and “projects” models and two linear regressions for “investment risk” and “investment potential”.

Table 2(39)

These calculations help the drawing of conclusions about what factors might encourage regions of a federal non-member state to develop cooperation with European regions, companies, and organizations. It also helps to answer a more theoretical question on what the moving factors of the RCE are.

Model 1 of the table shows that such “contextual” factors as geopolitical location in Europe geographically of the RF, or a direct border with EU-countries had no impact at all on the formation of the trade links between the Russian regions and Europe. Neither did the factor of economic development provide an explanation. Therefore, we can reject the hypothesis that only economically developed regions are proper trade partners. Another factor, ethnicity, did not demonstrate to be of any importance. Thus, the so-called “ethnic regions”, mini-states within the RF, were not particularly active in establishing trade connection with Europe.

Among the “domestic-policy” variables, “constitutional asymmetry” seems to be insignificant in forming the trade policy of the regions. The republics, as the regions with the highest autonomy institutionalized by the Constitution, have not established any regular trade links with Europe. Although the Constitution gives them a wider range of rights in conducting both domestic and foreign policies, it seems it did not encourage the CU to develop trade links with foreign states.

The second parameter of the “domestic policy” factor, “contractual asymmetry”, seems to be the only one which “encouraged” the CUs to develop regular trade relations with European states. The variable of “bilateral treaty” demonstrated the highest significance in the logistic regression with Beta = 1.26 and Standard Error = .57 and the overall significance at the 0.05 level. Finally, for the whole model, the Nagelkerke R Square was equal .25.

In other words, those regions that have received higher autonomy, more enhanced rights in the area of conducting their own foreign and trade policy in the form of bilateral treaties, or power-sharing agreements, became the most active trade-partners of European counterparts compared to those Russian regions which did not have such agreements. One may hypothesize that the explanation for this is not the bilateral treaty itself but rather the level of economic development which initially had encouraged these regions to ask for bilateral treaties. However, this suggestion can be rejected on the ground that the level of economic development demonstrated no significance at all in *Model 1*. Therefore, economic development is not a sufficient circumstance for the development of trade with Europe.

Model 2 analyses which factors influenced the activity of some of the regions to conclude joint projects and programmes on a regular basis over the 1990s (for example on implementation of democratic norms; cultural projects; academic exchange etc.). As it may have been expected, only the geographic location was a significant factor for involvement in such projects. However, location in the European part of Russia was not a sufficient factor for developing closer ties with European neighbours through such projects. The regions bordering the EU countries, located in Northwest Russia (with an EU-border), were the most active ones in participation in the EU’s projects and programmes launched in the regions. Logistic regression has demonstrated that about 90 % of the regions involved in these projects and programmes were located in the Northwest part of Russia and had a direct border with the EU.

The level of economic development and ethnicity did not play any role at all. “Constitutional asymmetry” was not significant either. However, bilateral treaties exhibited slight importance in the calculations of the second regression. In other words, the regions involved in common projects with European countries tend to have power-sharing agreements with the federal authorities and having these agreements had encouraged the development of TRCE.

Model 3 demonstrates the importance of cooperation in investment. Among the “contextual” variables, location in the European part of the RF seemed to be the crucial one. The regions located in the European part of Russia exhibited much lower risk of investment than those located in the Asian part of the country. This geopolitical variable of location in the European part of the RF was the most significant factor (significant at .000 level), with Beta = - .38. A direct border with the EU played no role at all (though it might be under-valuated in calculations because there are very few regions out of 89 which have a direct border with the EU).

Another “contextually” significant variable was the level of economic development (significant at .01 level). The more economically developed the region was, the less investment risk was involved. The variable demonstrated a Beta = - .30.

“Domestic-policy” variables did not seem to have had any impact on the investment risk – apparently the constitutional arrangement and bilateral treaties of the regions with the federal government did not affect the level of the investment risk in the regions.

The whole model has a quite high R Square (R Square = .41). Therefore, the “European” regions of Russia (those CUs which are located in the European part of the continent) are more attractive investment destinations and, seem to be more compatible with European legal and political norms (as the rank of investment risk incorporated the evaluation of the regions across legal, political, criminal, ecological parameters).

Model 4 demonstrated what factors influenced actual, successful investment in the regions. Such “contextual” factors as geopolitical location and ethnicity had no impact at all at the investment experience (called also “investment potential” as it is also a guide for future investments in the regions). Neither did “domestic-policy” factors affect the investment potential. The only significant factor was the level of economic development of the regions (this variable is significant at .000 level in this particular *model*). This model has an even higher R Square (R Square = .55) than the R Square of the previous models.

7. Conclusion

What is needed for the successful development of transnational regional cooperation? The statistical calculations help to draw some theoretical conclusions concerning the role of federal reforms and “context” in the development of transnational regional cooperation.

7.1. Effect of “context” on the development of RCE

The paper has posed the question on the role of “contextual” factor in the development of cross-border regional cooperation by Russia’s regions, with European counterparts. Given the geographic disparities across Russia’s regions (about a half of the CUs are located in the European part and another half in the Asian part of the country), the size of the country, the ethnic mosaic, one might suggest that this “context” might have had a certain impact on differences in both the formation of foreign policy of the regions towards Europe and the success of democratization. We have hypothesized that the regions located in the European part of Russia are more open to development of democratic institutions and adoption of democratic values than those located in the Asian part.

However, the statistical analysis has demonstrated that such geopolitical factors as size, population, and even location in the European part of Russia has had no influence at all on the development of trade, involvement in the joint projects, and potential investment. This indicates at critical change in international relations – at predominance of the political dimension over the geographical and geopolitical dimensions.

However, the regions located in the “European” part of Russia seem to have a lower investment risk than those located in the Asian part. Another geopolitical factor, closeness to the Northwest border, allowed CUs to participate more actively and regularly in a number of joint projects and to be involved in a number of cross-border regional organizations.

Another important conclusion is concerned with the role of ethnic minorities in the RCE. The hypothesis has stated that ethnically defined regions (republics) tend to be more active on the international arena as they have higher autonomy than the other CUs. The statistical calculations have demonstrated that the ethnic CUs are rather unwilling to establish cultural, academic, political, and economic relations with Europe. It is an even more surprising discovery if one takes into account that most of the ethnic units (republics) not only have more autonomy in conducting their own policy, but also are quite rich in natural resources and could be potential trade partners of European companies. However, the variable of ethnicity exhibited a slightly negative effect on potential cooperation with European partners.

The third analyzed contextual factor was the level of economic development of a region. That factor proved to be significant for the development of investment projects. The regions with a developed economy seemed to be the preferable choice of European investors. This variable was significant in choosing the right investment regions in the RF. However, it has had no impact at all in the establishment of cultural links, or in regional participation in different non-profit joint EU-RF projects. The regions of Northwest Russia were the most active CUs in establishing RCE. However, these CUs were not among the most economically developed CUs.

The second set of calculations has examined the role of domestic policy on the forming of RCE.

7.2. The Effect of central government reform: the impact of “constitutional” and “contractual” federal asymmetry on the development of RCE ↑

The paper has examined the impact of federal design on the development of cross-border regional cooperation with Europe (RCE). The differences in status of CUs established by the RF Constitution have had no effect on the development of regional cooperation between Russia's CUs and those of Europe. Although the CUs with the status of republics were given much more autonomy, they did not profit from it to establish cultural, academic, or economic links with the European regions or trading partners. The republics were not particularly active in the establishment any kind of cooperation with Europe. Therefore, the conclusion is that the “constitutional” federal asymmetry has had no impact on RCE.

More interesting findings were made about the role of “contractual” federal asymmetry. The regions that have signed bilateral power-sharing agreements with the federal government seemed to have developed strong trade links with Europe. Geopolitical location of these CUs and the level of their economic development were not important factors in the development of cross-border cooperation in trade. *In other words, federal politics towards the regions (establishment of contractual asymmetry) was the only significant factor influencing the development of regional trade with Europe.*

European and subregional organizations create a favorable environment for the development of democratic institutions. Thus, RCE has provided initiative for the adoption of democratic legislation not only nationally but at the regional level as well. Therefore, cross-border regional cooperation is not to be viewed as the segmentation of the country.

The external factor influencing the process of regime transition – the rise of international regions, trans-border economic co-operation - is rather of long-term than of short-term nature. While the domestic policy factor should be taken into account, the role of the external environment, particularly of the process of European integration, also plays an important role in the process of democratization. It provides Russian regions with positive external inputs, regional participation in different international and cross-regional organizations.

Although, the external impact was quite a significant factor during the 1990s, the domestic policy factor was demonstrated to have critical influence on the regional cross-border cooperation with Europe. The institution of bilateral power-sharing centre-regional agreements seems to have stimulated intensive development of such cooperation.

Cross-regional integration seems to be an alternative to nationalism and secession. The regional integration could contribute to reform in the state building process and might have a rather positive impact on centre-peripheral relations. It encourages economic development in the regions. Integration of border-region provides an incentive for the adoption of legislation for the country as a whole. The size of the whole country seems to be a crucial factor – some regions claim to feel closer to the foreign countries they border, than to Moscow.

Therefore, regional integration in Europe, and cross-border regional cooperation are not to be viewed as leading to a segmentation of Russia. Through cooperation of its regions, Russia's European policy has become more inclusive. In future, it might even help to achieve a more successful involvement of Russia in the process of European construction.

The statistics have confirmed the first hypothesis which states that a certain set of geographical factors encourage the development of TRC. Both geopolitical factors - location in the European part of the RF and location on the border with the EU - proved to be important. The regions located in the European part of the country were preferred in development of investment schemes over the Asian regions. Location on the border has helped the regional administrations to cooperate in numerous joint projects with the EU and its regions.

The next hypothesis has stated that the level of economic development of CUs should encourage TRC because economically developed regions are more attractive as partners in economic ventures. This hypothesis has proved to be valid but only to a degree. The level of economic development was not important in developing trade ties and common projects; however, it was significant in the development of investment projects.

The third contextual factor, "ethnicity", seems to be insignificant. Being an "ethnic-region" does not make the region more active in foreign policy (even if its additional autonomy was institutionalized by the Federal Constitution). The issue of "inclusion" and "exclusion" of the regions is often associated with the position of the ethnic elite of the regions. From this perspective, the nationalistic tendencies of ethnic groups that had been suppressed during the totalitarian regime, are often accompanied by the desire to reestablish the position of ethnic group/territory in transnational cooperation.

In other words, the desire to be "included" in the outside world as an independent actor is, at the same time, accompanied by the desire to be "excluded" from the national context of the "parent country". Transnational cooperation is often perceived by ethnic stateless groups as a possibility for self-affirmation.⁽⁴⁰⁾ Examples of such phenomena can be found in Spain (Basque Country), in France (Corsica), etc. Thus, for example, the Basque Country tries to pursue new political and economic relations beyond traditional regional and state boundaries.⁽⁴¹⁾

However, the transition, as a context, does change the attitude of ethnic elites towards this issue. As it was demonstrated by quantitative analysis, the ethnic regions (regions with significant percentage of non-Russian ethnic groups) tend to be more "isolated" from the "outside world" than the regions with a high predominance of Russians.

The second set of hypotheses was focused on the role of the reforms of the federal organisation of the country. The main idea was that the more autonomy the regions received within the Federation as the result of the establishment of an asymmetrical federal arrangement, the more independent in determining their domestic and even foreign policy they become, the more they tend to develop cooperation with foreign (European) regions.

The asymmetry was two-fold: constitutional and contractual. The former type of asymmetry has had no impact, while the contractual one has had a positive effect encouraging the regions to be more active in developing transnational cooperation. In contrast, the "constitutional asymmetry" seems to have had no impact on the activity of these regions in establishing cooperation with Europe. However, those regions which have signed bilateral treaties and, thus, enhanced their autonomy, seem to have developed stronger trade, cultural and academic ties with Europe.

The federal policy towards the regions within Russia has had contradictory effects. While "constitutional asymmetry" has indeed granted increased autonomy to the republics as "ethnic" regions, that has not helped in the developing of transnational cooperation links. It has rather led to more "exclusion" of the regions from both the national federal context and from relationships with the "outside world". The ambiguity inherent in the RF Constitution, which on the one hand, stated that all CUs are "equal subjects of the Federation", and, on the other hand, outlined the differences between the CUs, has caused a negative effect on the development of transnational cooperation. In contrast, "contractual asymmetry", the bilateral treaties, has proved to be an efficient tool for promoting transnational cooperation of the regions through granting the regions more autonomy and independence on the issues outlined in the contracts.

This quantitative study indicates that in order to develop effective forms of transnational regional cooperation, or Europe-Asian regionalization, working relationships between the RF's regions and European partners must be supported by institutional efforts of the central (federal) government.

Transnational regional cooperation does not exist for its own sake. It requires a rationale which takes into consideration economic, environmental and political. In the RF, it needs to be supported by both political regional and federal leaders. In Europe, the initiatives of the northwest countries and their regions (Finland, Norway, and Sweden) should be supported at the upper-institutional level (by INTERREG and other EU programmes) and on the level of organizations (e.g., Council of Europe, EU, EBRD, etc.).

This is important since both Russia and Europe are composed of regions.

By promoting the favorable regime of transnational *regional* cooperation, they will be more effective in managing such common problems as mutual security, political, economic and environmental challenges; illegal immigration; drug/human-trafficking; etc.

Appendix 1 [↑]

“*European*” vs. “*Asian regions*”: This is a dummy variable: those regions which are located in European part = 1, and those in Asian part = 0.

Size: The geographic size of the CUs measured in sq. km. The variable proved to be insignificant in the preliminary calculations and was omitted from further regression analysis.

Regions with EU-border are the regions located in the Northwest part of the country. This is a dummy variable: EU border = 1, no EU border = 0. The EU-border was analyzed as it was by the 1999 (i.e., before the EU Enlargement of 2004). Since, the 2nd dependent variable (regime transition) was measured in 2000, we can use only the data of 1990s (for both contextual and domestic-policy variables) to make objective conclusions.

Economic factor is the level of economic development given as rank estimated by the EBRD expert group. According to the number of the CUs, the most economically developed CU was assigned the highest number “89” and the least developed was ranked “1”).

Ethnicity is measured by the percentage of ethnic titular group living within the borders of its region (e.g. the percentage of Tatars living in Tatarstan, or Bashkirs in Bashkortostan). Although the factor of ethnicity is a “contextual” one, it was “institutionalized” in the Russian Constitution which gives greater autonomy and the status of republic to the “ethnic” regions (see the section on domestic-policy factor below). Therefore, the ethnic factor could have been omitted from the calculations at all since it is included in domestic-policy factor as constitutional asymmetry which was based on ethnic criteria. However, we prefer to keep ethnicity as a “cross-test” variable for the federal status.

Appendix 2 [↑]

The system of indexes is based on the three Federal Treaties that were incorporated in the Constitution:

Treaty on Delimiting Subjects of Jurisdiction and Powers Between Federal Agencies of State Power of the RF and Agencies of Power of the **Sovereign Republics** within the RF; the other Treaty was signed with the **Territories (*krais*), Regions (*oblasts*), and Cities** of Moscow and St. Petersburg of the RF; and one treaty with the **Autonomous region (*oblast*) and Autonomous National Areas (*okrugs*)** within the RF (these CUs are located within the other CUs, and, therefore, assigned index “1”). These treaties have outlined the formal – or “legal” – hierarchy of the CUs. However, the Federal Treaties were the main but not the only criteria taken into account (See Appendix).

The system of indexes elaborated for estimating the degree of autonomy exercised by CUs of different statuses as it is outlined by the RF Constitution of 1993:

1. The republics are the most privileged CUs of the Federation, republics are empowered to elect their own presidents (only later on *krais* and *oblasts* were allowed to follow their example). According to the Federal Constitution, the republics may have their constitution, while *oblasts* and *krais* only charters. Republican authorities signed agreements with federal governments giving them extensive control over natural resources, special tax advantages, and the right to conduct foreign policy. In the calculations the CUs with the status of “republic” has received index “3”.
2. The second group with index “2” includes all those CUs who, roughly speaking, are not republics and are not

geographically placed within the other CUs, and those which are placed within the other CUs but have got independence from the “parent” CU or were given some privileges. To this group belong the CUs with the peculiar status of “federal cities” (the capital city Moscow and the former Tsarist capital St. Petersburg are designated as federal cities). This group includes also forty-six *oblasts* and six *krais* - and there is no difference among them in terms of constitutional rights. The name “*krai*” was given to the territories that once stood on the furthest boundary of the country.

3. There is only one autonomous *oblast* on the territory of the RF – Jewish AO. It received its independence from Khabarovsk *Krai* on 25 March 1991. Therefore, it is to be classified as equal to any of the *oblasts* and *krais*.
4. The other exceptions are the resource rich autonomous *okrugs* (Khanty-Mansiisk and Yamalo-Nenets) which have long sought independence from the region they are a part and was taken into account in elaborating system of indexes. Therefore, Khanty-Mansiisk and Yamalo-Nenets, along with Jewish *oblast*, are assigned the index “2”.
5. The third group under index “1” includes ten autonomous *okrugs*. The Federal Constitution is very ambiguous about the status of these CUs. Article 5 says that they are equal to the other 89 units. However, Article 66 subordinates them to *oblast* or *krai* on whose territory they are located. The Russian Constitutional Court refused to clarify this ambiguity on 14 July 1997. All *okrugs* are designated for specific ethnic groups. However, the titular nation constitutes a majority only in the Komi-Permyak AOK and in the Agin-Buryat AOK.

Measuring the “contractual asymmetry” was a relatively easy task. “Bilateral Treaty” is a dummy variable: the CUs with the treaties were assigned index of “1” and the CUs without treaties, “0”. The data on bilateral power-sharing agreements (also called “treaties”) was collected from two handbooks on Russian regions. In this research, I rely on the citation of the data in two handbooks on Russian regions (*The Republics and Regions of the Russian Federation. A Guide to Politics, Policies, and Leaders*. 2000. Edited by W. Orttung, East-West Institute; *The Territories of the Russian Federation*. 2002. 3rd Edition, Europa Publications, Taylor & Francis Group).

Appendix 3

The TRCE was subdivided into four categories:

Trade: The regular trade relations of the Russia’s CUs with the European countries and organizations. This is a dummy variable: those regions which have regular European trade partners = 1 and those which do not have = 0.

Projects: The common projects of the country-members of the EU, or the EU, and the regions This is a dummy variable: the regions with projects = 1, and without projects = 0.

Rank of Investment risk: The higher the number, the higher the risk. The rank goes from “1” for a region with the least risk and ends with “89” for a region with the highest risk of investment. This rank is built on the evaluation of the local laws (regional charters and constitution); the level of crime, the environmental situation.

Rank of Investment Potential: It was initially evaluated by the EBRD group of experts: the CU with the highest potential = 1 and the one with the lowest potential = 89. I have used the reverse measurement: the CU with the highest potential was ranked “89” and with the lowest investment potential “1”.

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- (29) The parameter of investment potential incorporates data on previous investment experience in the CUs and reflects the compatibility of the regions with the European market-economy norm. This index was the results of a complex evaluation by EBRD analysts of the current political and economic situations in each of the 89 regions. This index has incorporated such parameters as investment risk across legal, political, social, economic, financial, criminal, and ecological sectors.
- (30) Since the study focuses mainly on the analysis of the CUs of the federal state and these CUs are legitimately defined as “regions” in the Constitution and laws, then we use “CUs” and “regions” interchangeably to avoid theoretical .
- (31) For measurement of the contextual variables, see Appendix 1.

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- (35) Census 1989 of the Russian Federation (Moscow, Russia).
- (36) The Komi-Permiak autonomous *okrug* and the two Buryat-inhabited *okrugs* where the share of the titular nation did not surpass 17% might be considered exceptions.
- (37) Even these numbers can be considered, to certain degree to be an exaggeration because it accounts for the total share of a titular group in each unit, which sometimes include **two or more nationalities**. The smallest of the ethnic groups with its own administrative-territorial unit is the *Evenks* (it has 3,500 persons within the borders of this entity).
- (38) The best example of it is the fact that 90% (!) of expenditures in the Tyvanian budget have been covered by federal subsidies.
- (39) The factor of size was omitted because initially it had shown no significant impact at all. Ethnicity and federal status have shown the slightest impact but were kept in the calculations. See Appendices 1,2 and 3 for details of the analysis.
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Table I

The conceptualization of conditions necessary for the integration process outlined by Haas and Schmitter (1964)

Background conditions	Conditions at the time of economic union	Process Conditions
1. size of unit 2. rate of transactions 3. pluralism 4. elite complementarity	1 .possible governmental purposes 2. powers and functions of new region-level institutions	1. decision-making style 2. rate of growth of transactions 3. adaptability of governmental/private actors

Source: Derived from Haas and Schmitter (1964)

Table II

The impact of contextual variables and domestic-policy factors on four aspects of the integration of Russia's regions in Europe: Analysis of 89 Regions

	Integration through trade and projects		Integration through investment	
	Logistic Regression	Logistic Regression	Linear Regression	Linear Regression
	Trade with Europe Model 1	Projects Model 2	Invest. Risk Model 3	Invest. Potential Model 4
Contextual variables				
European Regions	-	-	-.38 (-3.99) ***	-
European Border	-	3.5 (1.2)**	-	-
Economic develop.	-	-	-.299 (-2.76)**	.597 (6.33) ***
Ethnicity	-	-	-	-
Domestic policy variables				
Federal Status	-	-	-	-
Bilateral Treaties	1.26 (.57) *	-	-	-
Nagelkerke R Sq.	.25	.49		
R Square			.41	.55

*** significant at the 0.00 level

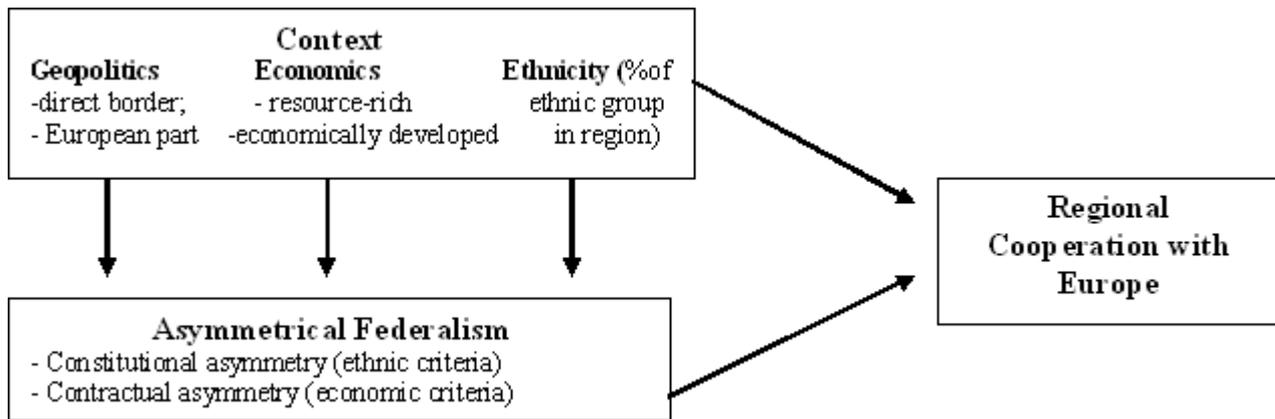
** significant at the 0.01 level

*significant at the 0.05 level

Note: Entries for Logistic Regressions are Beta (B) and Standard Error (SE) given in parentheses Entries for Linear Regressions are Standardized Coefficients (Beta), with t-test given in parentheses.

Figure 1

The factors influencing the European Integration of Russia's CUs



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