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Europeanization of a Russian Region:  
Republic of Karelia on the Way to New  
Regionalism?

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## 1. Introduction. “Traditional” vs. “New” Regionalism

In Europe and Russia, regionalism is a rather old phenomenon. Traces of it can be found as early as the time of industrial and bourgeois revolutions in the late 18<sup>th</sup> century. European regionalism has been widely described since the 1980s (see e.g. Hueglin 1986; Rousseau & Zariski 1987; Woods 1995; Keating 1998a, 1998b). Russian regionalism is less well known and studied, although in many parts of the Russian Empire regionalist movements (known in the Russian tradition as “*oblastnichestvo*”) were rather active during the 19<sup>th</sup> century. This activity was one of the factors that led to the de-jure federal structure of the Soviet Union. (Vishnevsky 1996; Tadevosyan 1991). Both European and Russian regionalisms in their old “traditional” form were the ideological systems of argumentation amongst regional elites supported by a social movement aimed at acquiring more competencies and powers vis-à-vis the central authorities (“bottom-up” regionalism according to M. Keating (Keating 1998b).

In the Russian case regionalists claim not only to be more autonomous but also to have legal instruments to influence policy at the central level (which is the main difference between regionalism and federalism). Later, in the Soviet time, federalist as well as regionalist traditions were discredited and almost disappeared from the political agenda of the totalitarian regime. Nevertheless, regionalist ideas continued to exist in national and ethnic regions, e.g. the autonomous republics of the USSR. This proved to be true during the process of disintegration and collapse of the Soviet Union and during further separatist conflicts and centrifugal tendencies in the Russian Federation. Contemporary Russian regionalism in its traditional “bottom-up” incarnation flourished during the 1990s when central political elites were engaged in a power struggle. This trend has come to an end with Putin’s accession to power in the late 1990s and his reforms of the federal system.

In European states, traditional regionalism developed in waves. The first wave began in the 19<sup>th</sup> century and the second wave started after the Second

World War and lasted until the 1980s when the last wave began. To describe these latest trends in the development of European regionalism, researchers use the notion of “new regionalism”. M. Keating connects this transformation of traditional regionalism into a new type with the objective changes to statehood (and sovereignty) under the influence of processes of integration and the development of market and civil society, i.e. “the changing international market and the emerging continental regime” (Keating 2003: 80). New regionalism, unlike its traditional variation, possesses two important features: it remains beyond the scope of the state (i.e. it is grounded in the transnational context) and brings regions together in competition, both on the domestic and global market, making them seek new mechanisms of positioning, cooperation and survival.

New regionalism is a quite global phenomenon. One can observe indicators of it on various different levels of the world political system: at the micro-regional level it affects sub-national units, at the meso-level it affects cross-border regions and at the macro-level it affects international regions and regimes. Common features of this new regionalism are described by Bjorn Hettne as follows: it takes shape in a multi-polar world order, in a context of globalization and integration; it is a voluntary process where the actors experience the imperative of cooperation in order to tackle new global challenges; it confronts the interdependent world economy; and non-state actors which are operating at different levels of the global system play a particular role in the process (Hettne 2002: 326).

Peter Schmitt-Egner distinguishes five types of regionalism: “old”, “new”, “postmodern”, “transnational” and “international” (Schmitt-Egner 2002: 188). The old and the new types of Schmitt-Egner’s regionalisms are similar to traditional regionalism. Old regionalism can be described principally in terms of ethno-nationalistic movements. New regionalism is about minimizing the centralization of state power and performing regional modernization to offset the legacies of “internal colonialism”. Postmodern regionalism is aimed at strengthening regional competitiveness, and, as opposed to the old and new types, is not based on a “social movement but on a strategy of development”. A concrete model of

postmodern regionalism is, for example, the concept of “learning regions”, which prescribes that regional actors create the image of the region as a dynamically developing and competitive polity which is able to find its place in the global economy. Our point is that the latter is a feature of Keating’s new regionalism, which is developing at the micro-regional level. Transnational regionalism is directed at “enhancing regional competence by processes of transnational exchange and learning”, e.g. by creating a cross-border region of any type. This is also another important feature of Keating’s new regionalism.

Thus, new regionalism could be defined as *a new mode of regional activity aimed at the realization of an internal regional program in terms of economic development and strengthened regional competitiveness on the global market by using the opportunities provided by globalization, European integration and cross-border and inter-regional cooperation.*

New regionalism appears to be a strategy for a region’s survival in a changed and changing environment. Changes in the world-view and the emergence of a strategic vision are needed for regional, national and supranational actors to formulate and realize that strategy. The main result of the new regionalism development, as described by Keating, is to “decouple” a region from a state and deprive the state of a “monopoly over the external relations of the regions” (Keating 2003: 86).

The emergence of new regionalism does not mean that the traditional type of regionalism is totally outdated and that it quits the stage altogether. Both types continue to co-exist in the common space and they can also be important for many European states. Moreover, new regionalism is not necessarily based on or a replacement for its traditional variant. It might develop in newly established regions which were created only during the era of regionalization in Europe, i.e. in the last decades of the 20<sup>th</sup> century.

The aim of this article is to define to what extent the Republic of Karelia could be characterized as a region with features of new regionalism. In order to do that it is necessary to evaluate different factors of new regionalism in Karelia,

such as economic potential, leadership style and the effect of the border with the EU (endogenous) on the one hand, and national politics, globalization and European integration (exogenous) on the other hand.

The article is divided into three parts. The first part deals with globalization and European integration as important conditions for new regionalism in the Russian border regions. This represents a short analysis of the real and potential influence of globalization flows and European Union policies on, for example, the regional economy, the type of leadership in a border region and its external activities such as trans-frontier cooperation. The second part is devoted to the in-depth description of the development of trans-frontier cooperation in the Republic of Karelia which is the case study taken in the article. Since trans-frontier cooperation<sup>1</sup> is one of the main factors of new regionalism, I chronologically analyze its past and existing forms as well as the instruments and institutions supporting this type of regional activity. In the final part I analyze the stages of the “Europeanization” of Karelia (which in my point of view strongly correlates with the development of new regionalism) with the emphasis on such factors of regional “actorness” as the regional economy, the type of leadership and trans-frontier cooperation (Albina & Khasson 2008). This leads to the conclusion that although signs of new regionalism can be found in Karelia, its further development remains in question due to, for example, uneven economic development and the politics of the federal center.

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<sup>1</sup> A more widespread term which is often used for the description of different types of institutionalized relations between two neighboring regions (regional authorities and public actors) is *cross-border* cooperation. Nevertheless in this article the term *trans-frontier* cooperation will be used mainly since the author distinguishes these two types of relations, considering the latter one to be a more broad phenomenon which include cross-border cooperation as one of its specific forms.

## 2. Globalization, the European Union and prospects of Europeanization of Russian border regions.

Since the main feature and the main aim of new regionalism (according to the definition given above) is regional economic development and regional competitiveness, it is important to assess how different factors of new regionalism influence it.

*Scheme 1.* Factors of new regionalism for the border regions of the European part of Russia.



1 – Pressure to build “competitive federalism”, 2 – Economic crisis, global division of labor, prices of raw material, 3 – Vertical of power, 4 – Interreg, Tacis, Neighborhood Programs, ENPI CBC Programs, 5 – Europeanization, learning effect, 6 – Trans-frontier economic (functional) integration (through joint projects, aiming at economic development), 7 – How the peculiarity of leadership style influences economic development .

The presented scheme does not pretend to be fully-fledged or universal. It could be used to analyze the Karelian case since Karelia is both a border and cross-border region of the North-West of Russia. Furthermore, I will only briefly focus on such an exogenous factor of new regionalism as the impacts of globalization on national politics and regional economic development since it is rather complicated to assess and measure this, although it is impossible to disregard it. On the other hand, I pay more attention to the influence of European integration upon the type of regional leadership and the development of trans-frontier cooperation, and, in their turn, to the influence of the latter upon the perspectives of new regionalism in Karelia (first of all, in terms of regional economic development and regional actorship).

During the first 5 years of the 21<sup>st</sup> century Russian researchers willingly wrote about the influence of globalization on Russian political process at national and sub national levels. Globalization can be regarded as one of the factors having an impact of the development of Russian federalism (Suntsov 2005). According to Evstigneeva & Evstigneev (2003) globalization requires the building of a “competitive federalism” model in Russia, which implies the “abolition of the ‘principal-agent model’, the strict enactment of independence of subjects of the federation, the establishment of civilized competition between the authorities at different levels and which results in ‘the integration of sub federal units into the global economy’”. This model should lead to the realization of the idea of “strong center – strong regions” and force regions to compete for creation of the most favorable conditions for business development and to develop close cooperation with big banks and corporations.

Globalization implies regional participation in global processes. But the main problem, according to Makarychev (2000a) is that Russian regional elites are not ready to be involved in these processes. On the one hand, the federal center interferes with regional cooperation with the outer world (i.e. any type of regional para-diplomacy); on the other hand, regional leaders are incapable of using the available regional resources properly. This leads to the impossibility of normal interregional competition, and results in the proper functioning of only a few “entry points” of globalization in Russia (Busygina 2004). Moscow, Saint-Petersburg, Samarskaya *oblast*, Nizhegorodskaya *oblast*, Krasnodarsky *krai* and Tatarstan are those entry points, while the other federal subjects could be called regions of “borrowed globalization”, in which “agents of globalization” are not strong enough to participate actively and successfully in regional decision-making (Makarychev 2000b).

As we can see, leadership style is the one of the main obstacles to regional involvement in the globalization processes, and this causes problems with the development of new regionalism. According to Shinkovsky (2000) different models of regional participation in global processes have been

developed in Russia,<sup>2</sup> and there is a strong correlation between these models and type of leadership, or regional regime in a narrow sense. Regions with the presidential type of rule are highly dependent on the head of the federal subject's behavior and personality.

I also assess European integration and proximity to the border as important factors which directly and indirectly influence the type of regional leadership as part of the new regionalization of a region.

Here European integration is defined not merely as a process of integration between the EU member-states, but rather as a result of this process, i.e. building a system of multi-level governance which is characterized, in addition to other things, by the increasing role of regions in the decision-making process, the application of the subsidiarity principle and the promotion of cross-border cooperation between local and regional authorities and social actors etc. The EU enlargements of 1995 and 2004 bring Russian border regions and regional elites closer to all these issues.

Russian border regions and their regional elites drew the increasing attention of the EU, member-states and regions regarding the need to ensure the EU's own "soft" security. Stability (economic, political, social, environmental etc.) in the border areas would provide tranquility in Europe. Stability could be achieved through exerting influence upon national, regional, local authorities and civil society. The main result of this influence is the learning effect or Europeanization, which appears when direct contacts and dialog are established.

The learning effect for regional authorities could be better achieved via participation in joint cooperation bodies and institutes of cross-border cooperation, such as Euroregions or the recently established European Neighborhood and Partnership Instrument (ENPI) cross-border cooperation (CBC) programs. The other important factor of Europeanization could be the participation of Russian regions in European regional associations like the

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<sup>2</sup> This includes "macroregion", "microregion", "nuclear" region (e.g. Special Economic Zone), "security and defense region", "criminal region", "closed region", "ecological region" and "traditional region" (see Shinkovsky 2000).

Assembly of European Regions (AER), the Association of European Border Regions (AEBR) etc., as well as the establishing of a regional office in Brussels, which was done by almost all EU and many non-EU regions.

The learning effect for civil society organizations (e.g. NGOs) could be achieved through involvement in trans-frontier networking, through the implementation of joint projects, as well as by sharing experience through the organization of and participation in different international workshops and conferences. Taken together, “Europeanized” authorities and the “third sector” create the basis for regional development in the new regionalism style, including a favorable environment for economic and social progress in the era of globalization.

In the following sections I dwell on the issue of the Europeanization of Karelia in the light of such factors of new regionalism as cross-border cooperation and the European instruments for its promotion, e.g. Tacis, Interreg and the European neighborhood and partnership instrument.

### **3. Trans-frontier Cooperation as an Instrument of Europeanization and New Regionalism in Karelia**

Karelia<sup>3</sup> as a historical-geographical region is a large fragment of the historical area of Karelia/Kirjalaland (Korablev et al. 2001: 62), the place of residence and cultural activity of Karelian ethnos during the Middle Ages.

Trade contacts on the territory of the present-day Karelia had been actively developing long before Finland was ceded to the Russian Empire in 1809. Karelian, Finnish and Russian (*Pomor*) people were engaged in trade all over the region from Ostrobotnia to Novgorod, and the peak of commercial relations was reached in the 17<sup>th</sup> – 18<sup>th</sup> centuries (Cronberg 2000: 173). This is the first historical precondition for further co-operation, which led the former executive director of the Regional Council of Northern Karelia, T. Cronberg, to his

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<sup>3</sup> In a broad sense Karelia includes the Republic of Karelia and part of Leningrad *oblast* – Karelian Isthmus – in Russia and neighboring areas in Finland, Pohjois Karjala, or North Karelia, and Etelä-Karjala, or South Karelia.

conclusion regarding the institutionalization of historical space through the creation of the euroregion (Cronberg 2003: 226).



*Pic. 1. Map of Karelias.*<sup>4</sup>

This geographical space has its own political/military history, concerned with the centuries-old rivalry between Sweden and Russia for the possession of the territory of historical Karelia. After 1329 (the peace of Nöteborg) Karelia was divided several times, state affiliation changed frequently and the ethnic composition of the border area population changed twice (in the 17th century orthodox Russians were replaced by Finns, and in 1940, after the repatriation of the Finnish population, Russians and Byelorussians were resettled). After 1809, when Finland was ceded to Russia and became a Grand Duchy, Karelia became a part of the Russian administrative-territorial system,

which resulted in the intensification of cross-border relations between Finnish and Russian provinces. Some researchers claim that trade contacts flourished until the end of the First World War, since the Grand Duchy was forced to increase its trade with the East as all the other land entries and gateways to Finland were closed (Bazegsky 1999).

The Russian market played an important part in the economic development of Finland since Russia was by far Finland's largest trading partner, accounting for as much as 40-50 percent of exports and imports (Liikanen et al. 2007: 40). A joint banking system, transport communications and labor market, connecting Ladoga's Karelia with Saint-Petersburg, promoted the incorporation of the Grand Duchy into the structure of the Russian Empire and encouraged

<sup>4</sup> Source: [http://upload.wikimedia.org/wikipedia/en/b/b4/Many\\_Karelias.png](http://upload.wikimedia.org/wikipedia/en/b/b4/Many_Karelias.png)

economic co-operation and supported peaceful co-existence of social and political systems of the autonomous Duchy and the empire until the 1880s, when the violent autocratic policy of russification caused a deep crisis in Finnish-Russian relations (Sunni 1982). In the 20<sup>th</sup> century this policy resulted in the escalation of mutual territorial claims, wars and interventions and the repatriation of population. The border became a wide zone of alienation of states and nations.

The same policy fostered anti-Russian attitudes in the community and the authorities of the independent Finland, which led to the policy of strengthening Finnish identity in the border areas (Cronberg, 2003: 225). Later, the difference in social order (Finland was a capitalist country, the Soviet Union was a communist state) provoked several armed conflicts which resulted in the Winter War and the Continuation War, when Finland participated in the second World War on nationalist Germany's side against the Soviet Union. Nationalistic views on eastern (Russian) Karelians, which dominated in Finnish society, represented the former as a part of the Finnish nation, and induced the government to the military seizure of Russian Karelia (in Soviet historiography this military expedition is known under the title the "Karelian venture" (see Khesin 1949)). On the other hand, the Soviet government intended to attach violently the whole of Finland to the USSR; in 1940 the "puppet government abroad" was set up with this intent kept in mind. Thus, the future Euroregion (the "Karelia" area) was of great geopolitical importance for both countries.

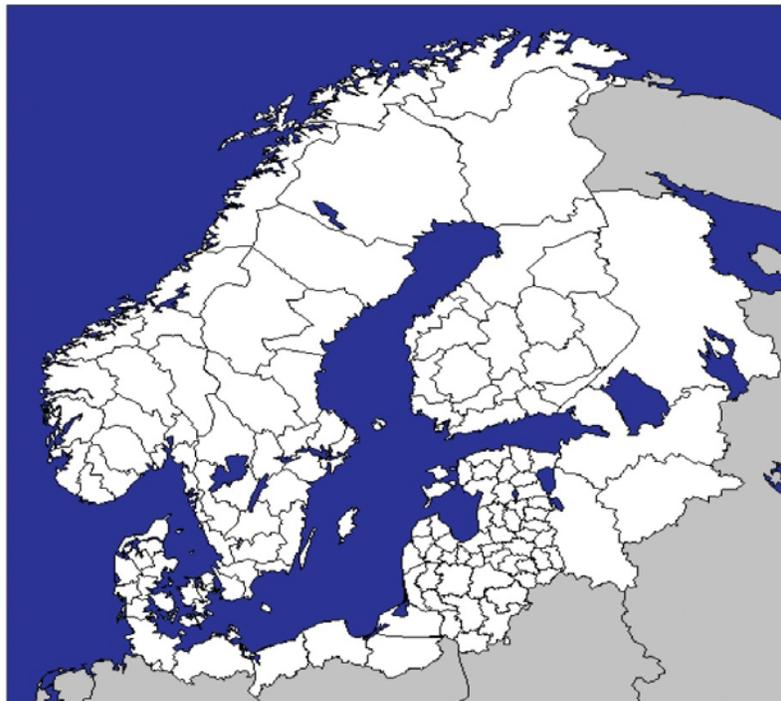
After the second World War and the Paris Treaty of 1947 (the treaty gave to the Soviet Union most of the Karelian Isthmus, the Petsamo region and the right to 50-year exploitation of the Porkkala base; it also reaffirmed the demilitarization of the Åland Islands and the limits on the Finnish military set in the armistice (Allison 1985: 14-15)) the Soviet government forced Finland to sign the Treaty on Friendship, Cooperation and Mutual Assistance. The subsequent Finnish diplomacy ("Paasikivi-Kekkonen tack") towards the Soviet Union during the Cold War era received the title "Finlandization".

The next stage of bilateral relations started after the collapse of the Soviet Union. This had a twofold effect for Finland. On the one hand, the Finnish economy suffered from a deep crisis, caused (although not exclusively) by the drastic reduction in trade relations and turnover with the Soviet Union/Russian Federation (Liikanen et al. 2007: 41). On the other hand, a new style of co-operation was established. An important part of this was the “Agreement between the Government of Russia and the Government of Finland on Co-operation in the Murmansk region, the Republic of Karelia and the Saint-Petersburg and Leningrad Region” signed in Helsinki at the very beginning of 1992. The agreement is aimed at the development of cross-border regional co-operation alongside the Finnish-Russian state border; in its preamble the two sides agreed that “the tradition of a good neighborhood and confidence between the two nations” exists. The *Council for Co-operation and Development in Neighbouring regions* was thereby created.<sup>5</sup>

Since the early 1990s the Republic of Karelia was actively involved in different multilateral projects of interregional and transnational cooperation in the European North, such as the Baltic Sea States Sub-regional Co-operation (BSSSC) in 1993 and the Barents Euro-Arctic Region (BEAR, in the same year). In BEAR, Karelian representatives, together with the 13 other regions from Finland, Norway and Sweden, participate in the main regional bodies – the Barents Regional Council and Barents Regional Committee - as well as chairing and being actively involved in different working groups. Cooperation in these polities is centered on the implementation of bi- and multilateral joint projects.

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<sup>5</sup> It should be noted that as early as in 1990 on the then *Gosplan* initiative, the Consultative commission for cooperation between Eastern Finland and the Republic of Karelia was created (Kurilo et. al. 2007: 56).



*Pic. 2. BSSSC Member Regions*



*Pic. 3. BEAR Member Regions*

But the main emphasis of cooperation was placed on Karelian-Finnish relations. From 1991 to 2000, the Republic of Karelia was the beneficiary of more than 200 joint Finnish-Russian projects of a total value of more than 30 million Euros and 280 million Rubles (Marin 2006: 30). In 1995 Finland joined the

European Union, which meant new possibilities for CBC development with the help of the instruments of the Commission, i.e. the Community Initiative Interreg, the Tacis CBC program etc. For almost 10 years the Finnish-Russian border remained the only land border with the EU, and the longest section of almost 800 kilometers falls on the Karelian-Finnish border. In many respects Finland launched the Northern Dimension (ND) initiative in the late 1990s in order to make the most of these opportunities. One of the main aims was to promote and develop cross-border and inter-regional co-operation in Northern Europe, from Iceland to the North-West of Russia. Since the idea of the ND was rather loose, it was essential to fill it with concrete content. The creation of the Euregio Karelia (EK) in 2000 served as one of the components for the realization of the ND Action Plan. It is essential to note that according to Marin, the Finnish initiative which spawned the ND originally had more philanthropic goals – the sharing of best practices in business culture, democratic governance, social affairs, etc (Marin 2006: 37).

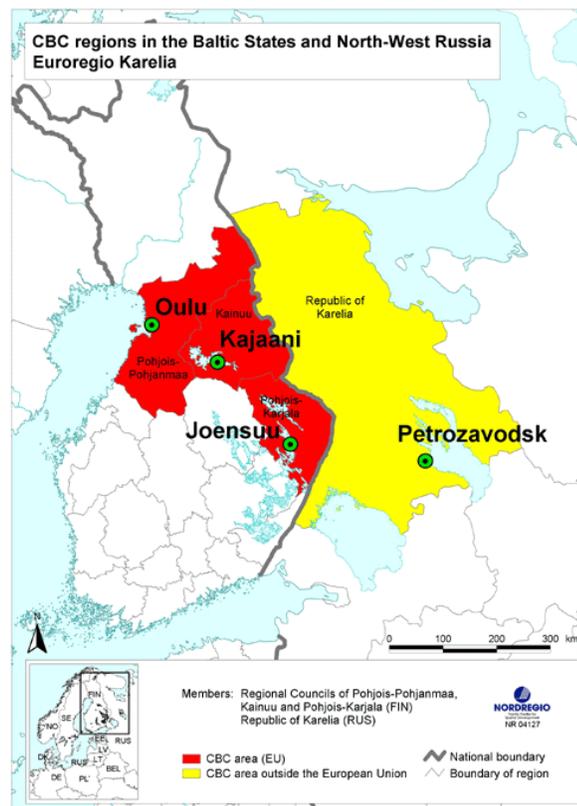
In the Agreement of Euregio Karelia such goals as the resolution of common problems, the elimination of barriers to cooperation and the development of good neighborly relations were set out,<sup>6</sup> while the first Tacis project for the EK approved by the Commission was the “Euregio Karelia as a Tool for Civil Society” (EK 2001a).

Thus, my argument is that the EK was created in order to build, according to Karl Deutsch, a security community (SC), which is characterized by the absence of the expectations of warfare or any serious tension (Deutsch et al. 1957); indeed, on the contrary, it is characterized by growing societal transactions. Deutsch’s theory of transactionalism referred to the restoration of confidence between the two nations as the main requirement for further

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<sup>6</sup> According to the agreement, the executive committee is the main EK political body, which unites representatives of the member regions from Finland and Russia. The Committee includes 6 representatives from Karelia and 6 representatives from the Finnish regions (two people from every three regions), one representative of the Russian Ministry of Foreign affairs and one from the Finnish Ministry of Internal affairs. A representative of the European Commission could also participate in the meetings of the committee, which take place at least twice per year (Euregio Karelia 2000).

successful co-operation in the economic and political spheres (Deutsch 1979). Similar aims are clearly set out not only in the official agreement on the Euroregion, but also in speeches by regional politicians<sup>7</sup> and academic articles (Cronberg 2003). Yet, a security community can only be the first step towards the further development of co-operation into a functional dimension and even towards “integration without joining” (Marin 2006). Within the framework of the EK the unique (Mezhevich 2009: 119) “Our common border 2001-2006” (EK 2001b) program was developed on the basis of the Karelian “Program of Cross-border Cooperation” (RK 2001) and the EU Interreg IIIA “Karelia” 2000-2006 program. As is written in the introduction to the program, “the central objective is to coordinate the Karelia Interreg and Tacis CBC projects in order to get an optimal joint effect with regard to the border regions’ development”.



Pic. 4. Map of Euregio “Karelia”<sup>8</sup>

<sup>7</sup> H. Kemppainen, Chairman of the Regional Council of Kainuu, Co-chairman of the Administrative Committee of EK: “The removal of barriers preventing cooperation between territories is also one of our objectives. First of all, the development of communication between people from border areas seems to be significant” (Euregio Karelia 2001a).

<sup>8</sup> Source: [http://nordregio.shotcode.no/filer/Eligible\\_areas/04127.doc](http://nordregio.shotcode.no/filer/Eligible_areas/04127.doc)

During the period 2000-2005 more than 20 joint projects within the framework of the Tacis CBC program were implemented. The total amount of financial resources from the EU budget accounts for more than 20 million Euros (Berdino 2005); the main projects concerned civil society development, environmental protection, tourism, border infrastructure, SMEs development etc.<sup>9</sup>

A new era of cross-border cooperation has come with the development of the European Neighborhood Policy (ENP), or to put it more accurately, the European Neighborhood and Partnership Instrument (ENPI) which is the financial mechanism of supporting cross-border cooperation on the external borders of the EU.

The first step towards the ENPI was made in the framework of the so called Neighborhood programs which were introduced after the EC Communication “Paving the way for a new Neighborhood Instrument” issued on 1 June 2003. The newly established Neighborhood Programme, Euregio Karelia, operated in the same territorial area *per se* as the EK does. However a new outline of the application process for projects, as well as of selection and financing procedures has been introduced: Tacis and Interreg funds have not been pooled yet, while joint application (Tacis + Interreg), selection and the implementation of projects have already become possible. Furthermore “the number of Russian [i.e. Karelian] members in the joint implementation

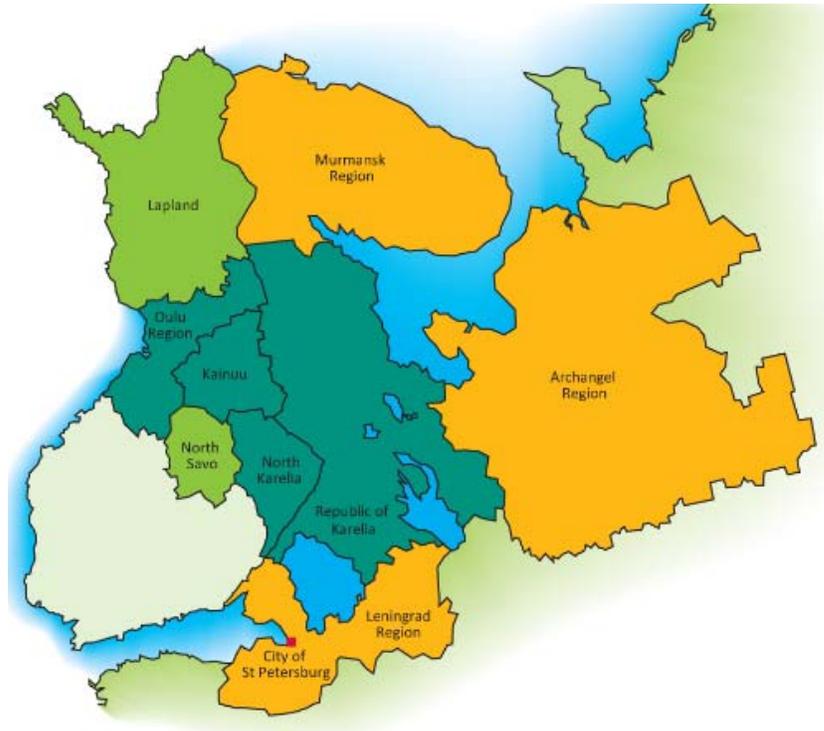
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<sup>9</sup> The main “large-scale” (more than 1 million Euros) projects were “Development of Special Natural Territories in the Border Area of the Republic of Karelia” (3.5 million Euros), “Development of Cross-border Tourism in the Russian part of BEAR” (1.1 million Euros), “Construction of a Sewage Treatment Plant in Sortavala”, (4 million Euros), “Development of the Cross-border Point Korttesalmi-Suopera” (6 million Euros) and “eKarelia” (2 million Euros). Among small-scale projects (200 to 250 thousand Euros on average) the following projects could be mentioned: “Euregio ‘Karelia’ as a Tool for Civil Society”, “Active Trade Union Member – Active Citizen”, “Digital Network of Karelian Youth (<http://youthnet.karelia.ru/en>)”, “Development of Family Business with the Emphasis on Women ‘DAME’”, “Border Trade and Electricity Production in the Adjacent Areas of the Republic of Karelia”, “Establishing and Marketing of Border-Proximity Industrial Estate (PIK) in Kostomuksha - Euregio Karelia Enterprise Action Model in Border-Proximity Cooperation”, “KOSSTONE – Model of Cooperation in Stone Mining in the Framework of the Euregio ‘Karelia’”, “Development of Koitajoki-Tolvojarvi National Park and the Development of Local Entrepreneurship in the Field of Nature Management”, “Development of Fishing and Natural Tourism in the Basin of the Hiitola River”, “Nature Tourism as tool for Developing Muezersky District and Enhancing Nature Protection (<http://muetacis.krc.karelia.ru>)”, “Development of Paanajarvi National Park and Preservation of Panozero village”, “From Ladoga lake to the Northern Sea through the Fenno-scandia Green Belt” etc.

committees (Project Selection Committee and Monitoring Committee) was increased in order to reach a level of balanced participation from both sides of the border” (EK 2004: 2). All in all, a total of 200 Interreg and 20 Tacis funding decisions were made in the program. The projects implemented with Interreg (ERDF) funding were completed by the end of the year 2007. Some TACIS-funded projects will continue into the year 2009. The total framework of funding for the projects was approximately 57.7 MEUR in total. In addition, the indicative share of private funding was estimated at a total of 13 MEUR (EK 2008: 10).

In the successive Karelia ENPI CBC Program 2007-2013 only two priorities remained on the list, i.e. economic development and quality of life (ENPI 2008: 5), instead of the former four priorities, i.e. business activity, education and regional cooperation, transport and communication and technical assistance. This shows the intention to move towards more functional cooperation. In this respect, in the program document it is mentioned that cross-border cooperation is seen as a complementary instrument for regional development (Ibid: 20).

The *joint* cross-border strategy supposes a bottom-up approach to the project initiatives and practical solutions devised by regional and local stakeholders. The *Joint* Monitoring Committee (JMC, consists of 2 national and 3 regional representatives from Finland and Russia plus an EU official with a consultative role) will consensually decide about calls for proposals on an annual basis. To ensure all relevant regional and cross-border aspects are evaluated, the JMC will take into consideration the opinions expressed by the Euregio Karelia Board, which pursues political and strategic cross-border dialogue (Ibid: 5).



*Pic. 5. Karelia ENPI CBC Program Area<sup>10</sup>*

All in all we can observe a constant shift from the modest cross-border initiatives of the early 1990's towards more and more active participation from the Karelian authorities and civic organizations in the processes of trans-frontier cooperation and joint, cross-border decision-making structures. Cooperation in the area of the EK, which began as a security community is advancing to functional cooperation in the terms of regional development. The European Union played a significant role by involving Karelian regional actors in the processes of trans-frontier cooperation, promoting para-diplomacy, regional actorness and the Europeanization of regional policies, which are all features of new regionalism. The following part describes the different stages of the “Europeanization” of Karelia and draws some conclusions about the potential for the development of new regionalism in EU-Russia border areas.

<sup>10</sup> The programme area will cover Kainuu, North Karelia, Northern Ostrobothnia and the Republic of Karelia. The adjacent regions are Lappi and Pohjois-Savo in Finland and the city of St Petersburg and the areas of Leningrad, Murmansk and Archangel in Russia (<http://kareliaenpi.eu/index.php/en/programme/programme-area>).

## 4. Stages of the Europeanization of Karelia

In general, one can observe three stages in the Europeanization of Karelia. The first one could be described as a stage of “civil servant tourism” and humanitarian aid from Finland. It lasted from the beginning of the 1990’s until the 1995 enlargement of the EU and launch of the Northern Dimension (ND) initiative in 1997, and included the creation of a general framework of cooperation. It could be characterized by the development of regional actorness in the national arena due to the indifference of the federal authorities; and the rise of “passive” (or “reactive”) competencies in cross-border cooperation, including the BEAR and BSSSC initiatives (Liikanen et al. 2007).

The second period could be described as the creation of a “security community” at a regional (cross-border) level. It lasted from 1997’s ND initiative until 2004, when the new framework of CBC financial support was introduced by the EU, and included the creation of the Euregio Karelia. This was a time of the gradual institutionalization of CBC, the involvement of regional and local actors in the joint projects that resulted in increasing “active” competencies and the acquisition of regional actorness in a trans-frontier framework against the background of the trend towards progressive centralization in Russia after 2000.

The latter period of “functional” cooperation started with the official launch of the Neighborhood programs after 2004 and should be continued after the ENPI CBC Programs are started.<sup>11</sup> A threat to further development of regional actorness is the continuing trend towards centralization and the building of a “vertical of power” in Russia.

### ***1<sup>st</sup> stage: “Finlandization” of Karelia***

Since the beginning of the 1990’s Russian regions have been under the complete control of “old” elites, leftovers of the soviet nomenclature system, and they enjoyed a considerable degree of regional autonomy (Chirikova 2008: 99).

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<sup>11</sup> Due to different obstacles stemming from the contradictory nature of EU-Russian relations, Neighborhood programs were launched much later than 2004, while ENPI CBC programs 2007-2013 with Russian regions will start only in 2010 since the EU-Russian financial agreements were signed only in November 2009.

This degree rose during Yeltsin's era until the end of the 20<sup>th</sup> century (Petrov 2000). In its updated Constitution of 1993 Karelia declared herself to be an independent actor of international relations (RK 1999: 4). The difference relative to other republics is that less than 12% of the people living in the republic of Karelia declared themselves to be of Finno-Ugric origin (Karelian, Finn, Saami, Vepse) at the end of the 1980s (Marin 2006: 20). Thus, there was "hardly any ethno-nationalist ferment for Karelian secessionism" (Marin 2002). This could be a good explanation as to why Moscow never seriously impeded cross-border cooperation between Karelia and Finland (Joenniemi 1998).

Different dimensions of regional development in the early 1990's included the specification of the region's republican status as a subject of the Russian Federation, the reformation of regional institutional design and the system of local self-government, the intensification of civil society building and the creation of market economy in a regional context. As Kurilo et al. notes, the process of new statehood building in Karelia took place in rather calm and stable internal political and social conditions (Kurilo et al 2007: 50). On the other hand the region suffered a deep economic crisis from the beginning of *Perestroika* throughout 1990s. Industrial production was dropping permanently, the utilization of the forest, mineral and other resources and raw materials was reducing (forest cuttings declined almost by 40% during 1990-1998 (Autio 2002: 216)), unemployment grew the average yearly inflation rate for the first half of the 1990s was about 3000 per cent, and wages decreased dramatically (Kurilo et al. 2007: 57). In this situation the region's geographical location on the border with Finland was regarded as an advantageous resource for regional development, and even at the beginning of the 1990s the Karelian government performed several infrastructural projects aimed at the development of cross-border cooperation through the rise of cross-border flows of people, goods, services and capital. In 1994 the reconstruction of the Sortavala-Vyartsilya road was completed and the border crossing point "Vyartsilya" was opened. This was a year before a protocol on trade and economic cooperation with Finland was adopted. This shows clearly that the Karelian government realized all the benefits of cooperation with Finland.

Gelman et al. state that as opposed to the Pskov region, where the proximity of the border was a factor leading to a deepening of the economic crisis in the 1990s, in Karelia a “trans-frontier territorial shift” influenced the improvement of regional development (Gelman et al. 2008: 231).

At the same time, students of Russian regionalism note that the first steps of regionalism in new Russia were accompanied by a rather high level of interest from in Russian regions from foreign governments. This is especially true for the border regions along the whole length of the border from Norway to Japan. The Republic of Karelia, as well as many regions of North-Western Russia, were no exclusion. The Finnish government was interested in cooperation with Karelia for the reasons described above, such as soft security threats and the existence of raw material resources.

According to Marin, among regular border-crossers at the Finnish-Russian border from the very beginning of the 1990’s “one finds commuting workers, civil servants, truck and bus drivers, tourists, students, smugglers and shoppers. These individuals are two-way conveyers of cultural change because they bring into one country some of the consumer items and cognitive patterns that form part of the cultural landscape of another country” (Marin 2006: 41). A rather large amount of activists from civil society organizations (NGOs etc.) should be added to the list.

Thus one can observe a bilateral interest from both the Karelian and Finnish governments and civil society actors on the both sides of the border, in developing mutually beneficial cooperation. This fact is supported by the statement (Yargomskaya et al. 2004: 74) that the “Finland friendship society” is among the most powerful and active NGOs in Karelia. According to Marin, support for democratization, economic reforms, the training of civil servants and activities of interest for civil society in North-West Russia were major concerns for the Finnish government even before the EU started to develop a regional strategy on Russia (Marin 2006: 30). Other research also confirmed that “the Republic of Karelia since the very beginning of 1990s was deeply involved in

international cooperation, first of all with Finland. Initially it took the form of humanitarian aid, and later played a significant role in culture and solving social problems. Different Karelian NGOs received and still receive financial and technical assistance from their Finnish partners, which support their non-commercial activities” (Yargomskaya et al. 2004: 75-76).

Aside from the Finnish governmental and non-governmental assistance with political, social and economic reforms, other factors of “Europeanization” could be named. Amongst them, the Barents Euro-Arctic Region, in which Karelian representatives participated from 1993 and which provided representatives with the chance to communicate with colleagues from the Nordic countries as well as to share and adopt experience etc. Another example is the activities of the Nordic Council of Ministers, which were always aimed at either the training of civil servants or NGO activists and exchange programs.

All in all, during the first stage of Europeanization in Karelia, good relations and interaction with Finland and other Nordic countries influenced both the economic profile of the region (through, for example, technical assistance and the realization of important investment projects (Valuev 2000) and the social development of the region, as well as its public sphere. The regular participation of regional elites in different workshops, training sessions and study programs carried out by Nordic partners influenced the rhetoric and activities of the regional political actors, especially in their use of progressive methods of planning and governance (Gelman et al. 2008: 232).

During the period described the development of Karelian regional actorness was influenced by several factors, such as the socio-economic crisis, the rise of regional autonomy, the development of civil society and the proximity to the border etc. Neighboring Finland was interested in the stable and progressive development of Karelia because of historical relations with the Russian region and with regards to its own soft security. The main aim of Finland within the framework of bilateral relations with adjacent regions of Russia was the political and economic support of modernization processes (Kurilla 2007: 84).

This explains the wide presence and participation of Finnish authorities and non-governmental actors in promoting the regional development of Karelia in different realms of life, and makes it possible to name this period of Karelian regional development after Finland, i.e. the “Finlandization” of Karelia.<sup>12</sup>

This situation changed considerably with Finland’s joining the European Union, when EU regional policy programs and initiatives became available to Finland, and at the same time to Karelia. Step by step, Finnish resources have been substituted by European resources, and “Finlandization” has been turning into “Europeanization”.

### ***2<sup>nd</sup> stage: Europeanization of Karelia***

Marin defines Europeanization “as a dynamic and ongoing process of both material and immaterial trans-frontier influence by means of which European formal rules (legal standards defined by the EU and the Council of Europe) and common cultural values (agreed upon identity-related norms of behavior that were socially constructed by the community of people thinking of themselves as Europeans) penetrate a polity located beyond the external borders of the EU” (Marin 2006: 42). This definition can be regarded as an appropriate description of the situation in Karelia, which started after Finland’s joining the EU and lasted until the mid-2000s, when the centralization tendencies in Russia made cross-border cooperation the (only) rudiment of Russian federalism (and regionalism).

The analysis of the Europeanization period should begin with the Northern Dimension (ND) initiative of the Finnish government. To recount briefly, in 1997 the then Finnish Prime-minister, Lipponen, called upon the EU countries to intensify cooperation in Northern Europe, from Iceland to the Russian European North. According to Lipponen, the ND should unify all the programs and agreements which existed in order to deeply engage the Russian North-Western

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<sup>12</sup> The term “Finlandization” is used with respect to Karelia on the analogy of “Finlandization” with respect to Finland itself after the Treaty of friendship, cooperation and mutual assistance of 1948 with USSR. During the 1990s Karelia has been in a way “dependent” of Finland: export orientation of the economy, orientation to the more well-being neighbor in the field of societal and even political development. Political elite of Karelia in a certain way imitate Finnish style (on voluntary lines), and it could be regarded as a condition of receiving the financial support for the projects.

regions in the processes of European cooperation. He also noted that the ND should be a strategy for the promotion of European long-term political and economic interests, as well as a means to deal with “soft” security issues in the region (Shlyamin 2002).

Development of the ND conception was completed at the beginning of 2000. The main tasks of the first action plan were cooperation in environmental protection and nuclear security in the region, the “Kaliningrad problem” and the intensification of trans-frontier cooperation along the external borders of the EU etc. (EC 2000). All this was expected to lead to the realization of the main aim of ensuring security and stability in the North of Europe. Thus, although the Northern Dimension was of Finnish origin, it obviously reflected the EU’s position, interests and list of priorities. Thus, it should be regarded as a component of Europeanization rather than as the further Finlandization of Karelia.

The internal development of regional actorness in Karelia during the period 1997/8 – 2004/5 was rather contradictory. On the one hand the year 1997/8 was a peak point of political and economic decentralization in Russia, and the process of forming new elites in Russia was almost finished (Makarkin 1998, Turovsky 1998). In Karelia, 1998 was the year of the first change of governor; the more liberally minded Katanandov was elected instead of the communist, Stepanov. This change entailed a gradual shift in attitudes favoring the policies of the Kremlin, although there had never been any open confrontation of the regional elites with the latter.

On the other hand, since the end of the 1990s the gradual process of centralization began, starting with the change of *modus operandi* of the federal center towards regional elites – from the “consideration of the legitimate interests of all subjects of the regional political realm” to an “individualized ‘bargain’ with the most well-known and politically active structures in the regions” (Chirikova 2008: 99). The politics of centralization under the Putin regime gradually increased the federal influence on the regional political process, although the period of fully-fledged political dominance came into reality only after 2004.

The further institutionalization of regional elites was connected with their increasing distancing from both federal and local authorities (Duka 2001: 29). Among the main problems of center-region relations in 2000-2003, representatives of regional elites emphasized the following (Chirikova 2008: 101): a) rising distance between federal and regional authorities; b) dramatic reducing of horizontal connections between regions initiated by the Kremlin; c) rising of chaotic trends in the system of state government which result in difficulties for regional actors to reach the appropriate person in federal bodies; d) concentration of power and resources in Moscow and declining possibilities of regional elites to solve regional problems. This process, which is opposite to the “devolution of power”, was named Russian “hard” regionalism by Makarychev (Makarychev 2002).

According to Duca’s research, the regional elites in the Russian North-West considered cooperation with the EU to be one of the main facilitating factors for the development of border regions. They recognized the economic and political instability in Russia, the imperfections of Russian legislation and the unequal position of Russian partners as the main problems impeding this cooperation (Duka 2001: 270). From its side, the Commission influenced the process of trans-frontier cooperation because it turned Euroregions into “legitimate partners for the implementation of EU regional policy measures targeted at border areas” (Perkmann 2003: 11-12). This enhanced the para-diplomatic actorness of Russian border regions, gives regional leaders the opportunity to establish para-diplomatic networks and even to influence central decision-makers (Marin 2002). This also allowed Russian researchers to define Karelia as a “European-like civilized republic” (Kurilla 2007: 76).

One of the arguments for such an approach is the system of interaction between the regional authorities and civil society organizations, primarily NGOs. Although until the end of the 1990s any unified system of cooperation and integration between these two types of regional actors didn’t exist, the next few years showed good dynamics in creating such a system. In 2002 the first department for cooperation with NGOs was created within the regional Ministry of

Press. In 2003 the Council of nongovernmental organizations under the auspices of the Speaker of the Legislative Assembly began its work. Yargomskaya et al. argue that creation of the Council meant a transformation of the normative model of interaction between regional authorities and NGOs into a legitimization model (Yargomskaya et al. 2004: 78). This transition indicates that regional public authorities have realized the significance of NGOs for the creation of working civil society (normative model) firstly and then for the legitimacy of power at the regional and local level (legitimization model).

However, by the middle 2000s it became clear that the dominating model of interaction is the instrumental one. This model supposes the participation of NGOs at the “exit” of the political system to solve particular social and other societal problems. “When NGOs reach a certain level of development they become successful enough in attracting additional non-budgetary resources, a workforce of volunteers and new ideas. Owing to a high innovative potential they can solve social problems more effectively” (Yargomskaya et al. 2004: 122). Youth, women, handicapped and other social NGOs were and are engaged in functional cooperation with different regional and local ministries and other bodies. This type of cooperation is rather close to the European model - a fact which can be explained by the process of Europeanization and the learning effect of the trans-frontier cooperation carried out by regional collective, social and individual actors (Shmitt-Egner 2002: 184).

The regional economy of Karelia at the end of the 1990s – beginning of 2000s was characterized by a poorly modernized industry and an export-oriented forestry sector. After the economic crisis of 1998 the latter became a core tax-contributor to the regional budget and the high exchange rate of the US dollar was a kind of “insurance” for regional development. In 1999 the new government of Karelia put an emphasis on the introduction of clear rules for external economic activity and the creation of the proper border and customs infrastructure to facilitate cross-border cooperation. That year was the first since 1991 when GDP grew, investment increased, industrial production and agriculture rose and export and import volumes went up (Kurilo et al. 2007: 190-

191). However, the economic situation was rather difficult, because the previous economic decline was really deep, and even deeper than in the neighboring Russian regions. Among the objective reasons for this recession one can find the following ideas in the works of authors: the depressed condition and economic structure of the republic before the reforms had been started; the northern location and remoteness from the highly populated central and southern regions; a lack of market knowledge, skills and experience of the authorities, civil servants, managers and population; poor customs infrastructure; and the lack of experience in external economic activities. Finland, followed by the Nordic Council of Ministers and the European Union, made noticeable efforts to fill the gap in knowledge of regional actors, supporting the Europeanization of the region.

In the first strategy of regional development, the “Revival of Karelia”, issued in 1999 an emphasis was put on the specific *geopolitical* location and the existence of unused natural resources. The main aim for external relations was formulated as follows: “to strengthen the region’s position in Northern Europe through participation in the Council of the Barents Euro-Arctic Region, Council of the Baltic Sea States, Assembly of European Regions and in programs of the Nordic Council of Ministers” (Kurilla 2007: 78; RK 2000: 42). Here the role of Finnish partners should be also taken into consideration, because in private conversations Karelian officials in charge of external affairs underline that Karelia was always advertised in Europe and pushed to join different networks such as the Assembly of European Regions or the Association of European Border Regions. This was also a part of the Europeanization strategy, which resulted in the region receiving the status of “European region of the year” in 2003. The main problem here is that Karelia never became a real member in those bodies simply because it could not the pay membership fees due to the permanent budgetary deficit.

All these efforts lead to the institutionalization of cross-border cooperation through the creation of the aforementioned Euregio “Karelia” in 2000. According to Perkmann, this cross-border region could be classified as an “emerging

euroregion” (Perkmann 2003: 8). The institutional structure of this body of cross-border cooperation has remained unchanged for the last 10 years, which shows both stability of relations and the absence of real dynamics and internal development. Although this structure allowed Karelia to harmonize regional cooperation strategies and to implement joint projects, its evolution towards more integrated institution is crucial. In order to maintain these developments and to provide new dynamics for cooperation and the Europeanization process on the external border of the EU, the New Neighborhood strategy and the European Neighborhood and Partnership Instrument were created in the middle of the 2000s. The next part of the article addresses these changes and answers the question of why cross-border cooperation remains the last rudiment of Russian federalism and the last chance for the Europeanization of Karelia.

### ***3<sup>rd</sup> stage: “Russianization” of Karelia***

The new stage in the development of Karelian regional actorhood is the period of time from 2004/5 until today. It is characterized by controversial trends and influences from inside and outside of the region. Here I distinguish the development of the “civil society – regional authorities” dialogue which is still dominated by functional cooperation in the framework of the instrumental model, as it used to be before. Cooperation between public actors is also a “part of the Commission’s people to people objective and an important element in strengthening cross-border interaction” within the framework of the ENPI. The Commission will support further cooperation between civic organizations since it already has fairly well established traditions in the field of Karelian-Finnish cross-border cooperation (ENPI 2008: 26).

Thus, Europeanization process continues in the field of trans-frontier cooperation due to the launch of Neighborhood programs after 2005, and the prospective ENPI CBC programs which start in 2010. Virtanen believes that Euregio Karelia’s “regional role will probably be promoted by the adaptation of ENPI, and the new policy framework is likely to further emphasize its role as a European model” (Virtanen 2004: 133). ENPI will bring together regional actors

from Europe and Russia and make them find common solutions for common problems and cross-border issues, thus promoting the transnational learning process and regional actorness.

The main hindering factor for regional actorness and the development of new regionalism is the nation-wide process of increasing control by the federal center over regions in the framework of a “vertical of power” and “sovereign democracy” in Russia (Sourkov 2006). The process of federalism reform in Russia which started in 2000 gained momentum after the 2004 Beslan tragedy. Governors’ elections were replaced by “soft” appointment. As a result, “in the majority of Russian subjects of the federation an *administrative regime* was established. This meant that the struggle of interests in the field of public policy was disappearing, and was being replaced by ‘policies run by orders and decrees’ and the imitation of political activities” (Kovalev 2007: 187).

The sovereign democracy doesn’t reject cross-border cooperation and the external activities of the regions,<sup>13</sup> but places them under the control of the center in order to control incomes from international projects. In order to limit the autonomy of the border regions and their participation in trans-frontier initiatives and bodies of cross-border cooperation, Moscow has taken an exceptional step by adopting the ENPI CBC programs and co-financing them.

Therefore the coming launch of the aforementioned ENPI CBC “Kolarctic” and “Karelia” programs will have a two-fold effect. On the one hand, it will promote regional actorness by engaging regional representatives in the joint bodies of selection, facilitation and monitoring of common projects. On the other hand, stricter control over those projects will be organized since this is now a matter of spending *national*, not only European financing. This situation is a continuation of the internal system of control, whereby the Kremlin takes the political influence back from regional authorities, and “in return for this offers

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<sup>13</sup> One of the facts is the ratification by Russia in 2009 of Additional Protocol and Protocol Nr. 2 to the European Outline Convention of Trans-frontier Cooperation of Territorial Communities and Authorities. See the Complete list of the Council of Europe's treaties at <http://www.conventions.coe.int/Treaty/Commun/ListeTraites.asp?CM=8&CL=ENG>

different kinds of tranches to cover urgent regional needs. Governors turn into coordinators in charge of instructions relayed from the top down” (Chirikova 2008: 111).

Economic development went through two different stages, i.e. economic growth before the world economic crisis of the late 2000s and a gradual decline in its course. The Republic of Karelia, as well as all other regions in Russia, has been affected by the crisis. The forest sector still has a significant role in Karelia’s economy. More and more unprocessed timber was exported during the 1990s and 2000s until the world economic crisis affected the wood processing industry in Finland and the export of timber from Karelia declined. This resulted in an even deeper crisis in Karelia since no investments promoted the area’s own processing. Karelia “itself has no financing to invest in processing and the R[ussian] F[ederation] has so far shown no interest in assisting its subject” (Autio 2002: 216). That’s why the first companies which felt the pressure of the crisis even in 2008 were forest cutting and wood processing enterprises, as well as those who are export-oriented (Nemkovich & Kurilo 2009: 21). 2008 was the first year of the decline in industrial (above all, woodworking, pulp, paper and iron ore production) production after the start of the period of economic growth in the early 2000s. The result was a 10% budgetary deficit (Ibid: 22) in 2009. The period 2006-2012, which has been declared a stage of innovative development in the regional economy is now turning into another period of struggle against the crisis. Now all the mistakes of the period of extensive development and of a non-competitive raw material, export-oriented economy should be taken into consideration in order to come out of the crisis with a stronger and more stable economic system. This can be reached achieved only by orientation towards modernization and the use of new technologies in the fields of production, services, administration, research and development etc.

Karelia has only two alternatives – to remain a raw-material supplier for Europe, or to maintain its own innovative economy. During the second half of the 2000s, the Karelian economy remained export-oriented. More than half of internal production is being exported (70 per cent of external trade is trade with

the EU). However, the structure of exports is made up of 40-60% raw materials, with very low diversification, since the main export volumes consist of seven trade items, such as pulp-and-paper products and timber and iron ore (Kurilo et al. 2007: 284). In this respect in the newly adopted regional strategy of social and economic development until 2020 the negative scenario of regional economic development is associated with the region's integration into the global economy as a "raw-material adjunct" (wood, stone, nature), dependent on the state of market prices. The negative *technological* scenario is related to the use of traditional technologies of wood and stone processing (nowadays 45% of enterprises in the region are unprofitable, while employment in the R&D sphere has declined 3,5 times during the last 15 years). The negative scenario of social development entails the decrease and outflow of population and a transition to an arrangement of territorial development based on temporary, migratory flows of workers from outside with a perspective loss of government control (Republic of Karelia 2008: 17-19). Being aware of these possibilities, the regional government nevertheless connects Karelia's future development with the "European choice of Russia" and any further movement of the region into the global space with the perspective of turning into a European periphery by ensuring significant economic growth and a decrease in economic disparities with adjacent regions (Ibid: 29). In this respect, the cross-border cooperation and participation of Karelia in different inter-regional initiatives, as well as the ENPI programs should encourage regional economic development and the realization of the positive innovative (postindustrial) scenario. The long border with Finland is labeled the strategic factor for Russia's intensive convergence with the European community (Ibid: 71). According to the strategy, the regional identity of Karelia should be expressed by the following idea: "In the context of Russia's European choice Karelia is the territory of efficient and effective integration of the best Russian and world practices in the areas of economic and social development; environmental protection on the basis of mutually beneficial partnership; and is a territory of interplay for the (business, labor, technology, national etc.) cultures of Russia and Northern Europe on the basis of equal opportunities". It is also mentioned,

that “[i]n the documents of the EU, among the main factors of the competitiveness of human capital, infrastructure and innovation are mentioned (this is important in the framework of a ‘learning economy’). Thus the need for integration into the European space, objectively conditioned by the border location, requires the arrangement of those three components” (Ibid: 72).

This shows the awareness of the regional government of the issues of new regionalism and explains the rational choice of regional elites which realize the instrumental significance of the EU border and allows us to suppose that such regional “ideology” and strategy has at least a hypothetical chances of success.

## Conclusion

Taking into account all the evidence presented above, it is possible to assess the potential development of new regionalism in Karelia in connection with three main factors. The first is Karelia’s *regional economy*, which was and remains the main factor hampering regional actorness and the possible development of new regionalism. The raw material export oriented economy is very likely to hurt regional development in the future perspective. The on-going global financial and economic crisis, which has resulted in reducing demand and falling prices for wood, stone and iron ore raw material, has compelled the Karelian government to revise the Strategy of Regional Economic and Social Development Until 2020. The latest version of the strategy announces the new coming stages of regional development: *2009-2012* is the period of “overcoming the economic and financial crisis”; *2013-2016* is the period of “improving the competitiveness and increasing the capitalization of the regional economy”; *2017-2020* is the period of “ensuring balanced economic and social development” (RK 2009). This aspiration to move towards an innovative economy (e.g. R&D share in regional GDP should be increased from 0.14% in 2007 to 1.5-2% in 2020) seems to be rather ambitious, and the potential of real improvements in economic development is considered to be rather uncertain.

In this respect the economic “Finlandization” factor of regional economic development should be mentioned among the negative factors, because it preserves the raw materials export orientation of Karelia’s economy. If in the 1990s this was the only way to support the regional economy, then in the 2000s it became a hampering factor. Here the second factor of regional actorness and the development of new regionalism is coming onto the stage. The type of *regional leadership* in Karelia could be described as rather liberal in political and social issues, while it is very conservative in the field of the economy. Thus the coalescence of political and economic elites has negatively influenced the regional economy since the main foreign investments in the fields of deep timber-processing passed Karelia by (Kurilla 2007: 85-86), while the region didn’t receive any special status (Karelia has got the status of neither a special touristic zone nor a special entertainment zone) or serious state investment project.

On the other hand, Karelia is described as a rather liberally-minded and “European-like civilized” region. This is partly a result of exogenous political development. Karelia, as well as the majority of the North-Western regions of Russia, never related to the so called “red belt”, where the Communist party always got the majority of votes at the presidential and parliamentary elections during the 1990s (even though the head of the Karelian government until 1998 was the communist, Stepanov).<sup>14</sup> This created a rather friendly atmosphere for the Europeanization of the regional governance style in the 1990s and early 2000s. Combined with the social-“Finlandization” of the 1990s (i.e. training and exchange programs for civil servants and NGO activists) this has led to the creation of a rather unique system of collaboration between the regional authorities and the third sector, which is described as the instrumental model, with NGOs actively participating at the “exit” to the political system in the process of implementing political decisions (Yargomskaya et al. 2004). Even the process of centralization in Russia hasn’t yet led to the destruction of this mode of cooperation and its transformation into the one created on the federal level in the

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<sup>14</sup> For example, in 1996 Karelia was among 15 of 89 Russian regions where Boris Yeltsin got the majority of votes in all the territorial electoral districts in both first and second rounds of elections (Kryshtanovskaya 2005: 125).

form of the Civic Chamber.<sup>15</sup> According to the latest studies, NGOs feel quite comfortable in the region, and Karelia has achieved high standings in different ratings. Thus, the Institute for Information Freedom Development has noticed the high informational transparency of the republican government's website ([www.gov.karelia.ru](http://www.gov.karelia.ru)), which occupies the 5<sup>th</sup> place among 83 regions (IIFD 2009). The Institute of Contemporary Development has marked Karelia among the three most liberal regions in Russia (ICD 2009). The Institute of Information Society has underlined the experience of the republic in applying ICT for the development of civil society (IIS 2006). The Civic chamber of Russia in its last report on civil society development in Russia has placed Karelia among 15 regions with public activities above the average.<sup>16</sup>

The latter could be explained by the influence of the border and the development of cross-border cooperation with Finland, the Nordic Council of Ministers and later the EU, i.e. the Europeanization effect. Regional authorities, NGOs and SMEs received and still receive financial and technical assistance from both their counterparts in Finland, NCM and EU-funded projects. "The processes of the internationalization of the regional economic, social and in some cases political agenda makes trans-frontier integration processes the most important ... factor for the evolution of the Russian federal system" (Kurilla 2007: 9). Thus, cross-border cooperation, a rudiment of Russian federalism, results in the learning effect for all regional actors and preserves optimism about the future development of regional actorness and Karelia's shift towards new regionalism.

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<sup>15</sup> Although it was a trend in the middle 2000s to create such civic chambers at the regional level (Tarasenko 2009). Currently the regional law on civic chambers is under consideration in the Legislative Assembly of Karelia, while the Council for the Development of Civil Society under the head of the republic, where NGOs are actively participating in different working groups, has been functioning over the last few years.

<sup>16</sup> There are only 3 regions with higher levels of public activities – Moscow, Saint-Petersburg and Khanty-Mansiysky autonomous district (Civic Chamber of the Russian federation 2008)

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