

The Present Role of Russian Regions in International Cooperation between Russia and Western Countries

International and foreign economic relations of the Russian Federation subjects play an important role in the country's foreign policy, they implement international agreements concluded by Russia and foster the process of Russia's integration into the world economy.

Regionalism becomes an increasingly important factor in modern diplomacy and foreign policy. Closely connected with globalization, this factor influences the organization and functions of international community and ways of approaching global problems. Regional policy, when properly conducted, facilitates the fulfillment of legal obligations taken by the state, and thus enforces the rule of international law¹.

The problem of international cooperation on regional level is particularly important for Russia nowadays. The dynamic development of foreign relations by Russian regions has become a characteristic feature of Russian federalism. At present Russia is gaining its own specific experience of international discourse nowadays.

Russian regions acting in accordance with the Russian legislation and supported by federal authorities are the immediate participants of this discourse. One can single out several stages in the process of Russian regions establishment of foreign relations.

The first stage began with the adoption of Constitution of 1993, according to which both the Federation and its subjects could participate in establishing international and foreign economic relations of the regions. The federal center however reserved exceptional rights in international relations and foreign policy of the state. Shortly after the adoption of the Constitution Russian regions began to actively develop international contacts.

Sometimes the ambitions of Russian regions in the sphere had negative consequences, as they were not coordinated with federal structures. This very system of coordinating international effort as well as its legal foundation was still taking shape.

The activities of some regions declaring themselves as subjects of international law in some cases contradicted the course of international policy of the Russian state.

To improve the concurrence of federal and local international effort the Ministry of Foreign Affairs created a department, which concentrated on cooperation with the federation subjects, parliament, social and political organizations. The department worked out a number of model agreements on cooperation, recommendations on receiving foreign delegations in regions, elaborated on the procedure of concluding agreements, etc. In 1994 the Advisory Council of the Russian Federation Subjects on Foreign Relations was created. It was committed to improving regions' foreign relations.

Legislation concerning the Ministry of Foreign Affairs (1995) provided for its coordinating function in the sphere of regions' international relations. At this stage (the second half of the 1990-s) Russian regions' international activity became more orderly.

The federal Law "On Coordination of International and Foreign Economic Relations of the RF subjects", which came into force in January 1999, brought forward a new phase in the Federal Center and Regions interaction in the sphere of international relations. The law set up a legal basis for central coordination, and confirmed the practice of establishing international relations by the regions (such as the practice of opening regional representations abroad, signing agreements, etc.)²

By 2000 Western partners had revealed growing interest in direct contacts with Russian regions and the involvement of the latter in international integration processes. The interest was determined by a number of objective and subjective factors, including a high level of economic and technological development of some regions, natural resources, established legal basis, stable

political environment, improving investment climate. Other circumstances, such as geographical location of the partners, common language and cultural roots, long-lasting experience of cooperation, as well as our partners' international obligations also contributed to this interest³.

Foreign partners' wish for cooperation with Russian regions was supported by the legal basis, which includes different provisions of Partnership and Cooperation Agreement between the Russian Federation and European Communities, which came into force on December 1, 1997. The objectives set out by the agreement were to be achieved among other ways, through regional cooperation⁴.

Political and legal aspects of Partnership and Cooperation Agreement were further developed in two documents, which can also be considered fundamental. They are: Common Strategy of the European Union on Russia (1999) and the Strategy of Russia and the European Union Relations Development for Middle Term Perspective. (2000-2010)

In order to facilitate cross-border and regional interaction the European Union undertook to prepare the list of instruments and measures aimed at extending EU programs to those Russian regions, which present a particular interest for the EU. This work began with the TACIS (Technical Aid to the Commonwealth of Independent States) program.

By 2000 the area covered by interregional agreements had increased greatly. With Ministry of Foreign Affairs professional guidance Russian regions actively worked at new agreements projects. By the beginning of 2000 1133 such agreements had already come into force, 320 of those were concluded with foreign (mostly European) governments, ministries and departments⁵.

A new stage of Russian regions' international relations started after 2000. 2003 saw the creation of the Council of RF subjects' Leaders within the Ministry of Foreign Affairs. The Council was established on president's initiative and is headed by Foreign Minister. The Council has already become an important institution for the discussion of regions' international relations, Russian citizens protection abroad and Russian business interests on foreign markets⁶.

Russian regions are now more actively involved in European discourse. The Russian Federation joined several of the European Council's conventions (e.g. the European Charter of Local Self-Government), concluded several intergovernmental agreements on regional cooperation (e.g. with Finland, Poland, Kazakhstan, Ukraine and other countries)⁷.

Russian regions' cooperation with foreign partners is carried out on two levels: bilateral (with individual foreign countries or their regions), and multilateral (with groups of countries or regions, e.g. the Council of Baltic States, Euro-Arctic Region's Council, etc.) The most common forms of cooperation are interregional relations encompassing economic, cultural and customs supervision contacts.

The growth of regional economic independence characteristic of the modern period of Russian economy implies the development of their foreign relations, especially foreign trade. Foreign economic activity has become an essential factor of economic processes in all Russian regions, regardless of their export resources, social and political situation⁸.

Attracting foreign capital investment into Russian economy has become an important component of foreign economic activity and the criterion of its efficiency. Another important thing is the creation of a favorable investment image of Russia, its regions and Russian business community.

Nowadays Russia is showing considerable investment growth. Direct investment activity is rather high.

In 2004 the amount of foreign investment reached 40.5bln USD, which was 36.4 % higher than in 2003.

Major investors (81% of all 2004 investment, 78% of direct investment) are Great Britain, USA, France, the Netherlands, Cyprus, and Luxemburg.

The distribution of direct investment among Russian regions is rather asymmetric; most regions don't get much capital investment from abroad.

In 2005 75% of direct investment went to five regions: Sahalin, Lipetsk, Moscow region and Moscow city, Yamal-Nenets Autonomous District. Each of the remaining 84 regions received an average of 21.4mln USD (17.2mln EU), 17 regions didn't receive any foreign investment⁹.

Evaluating the objective conditions of capital investment in a particular region foreign investors consider the combination of two major factors: investment risk and the region's potential, investment risk being a crucial factor. Presentations of regions' investment potentials held both in Russia and abroad offer opportunities for new international contacts. There were presentations of Central Federal District in London and Brussels; of the Urals District in London, Frankfurt-on-the-Main, Vienna, Paris, Lyon, Tokyo and Kyoto; North-Western District in Berlin and Sophia; Southern District in Madrid; Siberian District in Rome.

The countries, where such presentations were held, increased their investment into Russian economy. Thus, the volume of foreign investment in the Urals Federal District increased by 5,8 times over 2000-2003. German investment increased by 11,2 times, Austrian – by 5,8 times, French – by 22 times. In 2004 these countries and Great Britain made 67% of all foreign investment into the region's economy.

Another successful presentation was called “The Days of Krasnodar Region in Germany”. It was held during the Hanover Fair in April 2005. The presentation was organized by the Ministry of Foreign Affairs of the RF, the office of President's plenipotentiary representative and the German Embassy in Moscow. Prospective investors were offered 135 investment projects for consideration; 60 agreements and contracts worth of more than 600mln EU were signed at the fair.

Russian regions also organize economic forums. For example on June 9-10, 2005 Pyatigorsk held an international investment forum of the South of Russia, Mahachkala held its forum “Dagestan: New Opportunities of the Region” on May 25-26; the forum “Kuban” turned out quite popular and was held in Sochi four times¹⁰.

International and foreign economic relations of the Oryol Region can be analyzed as a good example of interregional cooperation.

The Oryol Region is situated in the South-West of the European part of Russia, in the central part of Mid-Russian Highlands, in the South of the central economic area. Its territory is 24,7 thousand square km. It has a population of 826,5 thousand inhabitants (2006). The center of the Oryol Region is Oryol (323 thousand inhabitants), which lies 382 km to the South of Moscow. The region belongs to the Central Federal District. It borders on 5 regions of the Russian Federation.

There are 220 large and middle-size and 574 small enterprises on the territory of the region.

According to the Charter of the Oryol Region, coordination of international and foreign economic relations and implementation of the Russian Federation's international agreements should be conducted by both the Federation and the region. In the region this function is carried out by the Office of Foreign Economic and Interregional Relations and Investment Activity of the Foreign Economic Relations Department.

Nowadays the Oryol Region is actively developing foreign economic relations.

Foreign trade turnover of the region in 2006 reached 499,6 mln USD: exporting – 218mln USD, importing – 281,6 mln USD. The region has foreign-trade partner companies from 77 countries¹¹.

Foreign trade in the Oryol Region develops similarly to that of other Russian regions. Last year 353 legal entities were engaged in it.

The European Union countries are the main economic partners of the region. They accounted for 41,4 % of the Oryol Region turnover in 2006. The Oryol Region has economic contacts with France, Italy, Germany, Greece, Poland, Ireland and other EU countries. It also cooperates with the USA, Japan, Iraq and CIS countries, primarily with Ukraine, Kazakhstan, and Uzbekistan¹².

Total value of Oryol export has increased by 15,8% in comparison with the previous year. Imports totaled 281,6mln USD.

The main partners of the Oryol Region in international and foreign economic cooperation are Italy, Germany, France, USA, India, China, Turkey, Hungary, Bulgaria, Spain, Great Britain, Switzerland, Denmark, Austria, the Czech Republic, Korea, Ukraine, Latvia¹³.

The Oryol Region administration is constantly on the lookout for foreign investors. The most common form of attracting capital investment into the region's economy nowadays is the creation of foreign capital enterprises.

In 2006 investment came from 15 countries and amounted to 43,5mln USD. The sum is considerably higher than that of the previous year – 19,7mln USD.

In the last four years the number of acting joint ventures and foreign companies in the Oryol Region doubled, the number of registered joint ventures and foreign companies increased by a third.

There are joint ventures created with foreign investment from more than 30 states, including the USA, Great Britain, Germany, Italy, Greece, Cyprus, Ukraine, Uzbekistan and others.

Nowadays the most important foreign investment projects in the Oryol Region are:

- JSC «Welor». The plant producing decorative tiles has been built jointly with the Italian company «Welko Industriale s.p.a.». It is planned to spend about 50mln USD on the plant expansion in order to increase the output of facing and floor tiles to 20 million square meters a year and to expand distributing facilities to a considerable degree.
- LLC «Frigoglass–Eurasia» was established by the Company “Frigorex Cyprus Ltd.”. It produces refrigerator display cases and freezers. This is a factory of a complete production cycle. In March 2000 the whole complex of the factory buildings was put into operation. 12 million USD have been invested into this project. From the beginning of 2002 the factory has been up and now it runs at full capacity (30 thousand pieces a year). By 2010 it is planned to invest 30mln USD in the development of production capacities, to increase the annual production volume of the refrigeration equipment to 125 thousand units, to create 150 highly paid jobs and to increase the quantity of the factory personnel up to 800 persons.
- “Bioton-Vostok” Company (Russia–Poland). The factory producing healthcare products is being built now.
- The investment project sponsored by the German company «OWA» is in the process of realization. The project purpose is to organize ceiling panels production. The total project cost is 37 million euros.
- Jointly with the company «Jace Enterprises Ltd.», an investment project is realized, within which the factory of soft beverages “Coca-Cola Bottlers Oryol” has been built and works successfully. 23,5 million USD have been invested into this project¹⁴.

In order to realize the region's potential most fully and promote regional companies on Russian and foreign markets local authorities organize economic and specialized exhibitions and presentations of the Oryol region in Moscow. Oryol companies concluded over 1500 contracts and business agreements at various exhibition-fairs in 2006.

The Oryol Region itself has become a site of annual exhibition-fairs due to active investment attraction policy and the developed system of regulations in this sphere.

The first investment fair, held in 1997 resulted in 49 credit agreements for the sum total of 466mln rubles; at the latest fair “Oryol-2006” the volume of investment exceeded 30bln rubles¹⁵.

Investment policy of Oryol regional administration is conducted in several directions. The most important of them are: creation of favorable investment climate, which will increase

the attractiveness of the region for all categories of investors; and development of priorities and strategic zones of investment activity.

To achieve these tasks a complex of economic and administrative measures is being worked out. They are to stimulate the investment process. In particular the local law "On investment activity in the Oryol Region" regulates the relations resulting from the investment process on the territory of the region. The conditions stipulated by the Law are equally profitable for Russian and foreign investors.

Agreements on cooperation between the Oryol Region Administration and foreign partners are rather important in developing international relations. So are direct contacts with local authorities abroad.

The Oryol Region Administration has agreements with the Ministry of Economy and Reforms of the Republic of Moldova, local administrations of the Odessa Region (Ukraine), Marche Region (Italy), the Province of Champagne-Ardenne (France) and others.

In order to expand international connections and to further develop foreign economic activity of the Oryol Region in 2001 Advisory Council for Work with Participants of Foreign Economic Activity was created. This Council was organized on the initiative of the regional administration and the Oryol Customs Department. Its members are representatives of the administration, industrial and agricultural enterprises, educational and research institutions, commercial organizations, joint ventures, etc.

Another important direction of international contacts is humanitarian and cultural cooperation on regional level, which is essential for interaction between peoples.

National Research Institute of Grain Crops has long cooperated with colleagues from the USA, Switzerland, Germany, Ukraine, China, Kazakhstan, Mexico, and Canada in the sphere of grain crops research and cultivation. The researchers of the Institute received numerous awards for new sorts of agricultural products at various international exhibitions.

National Institute of Fruit Crops Selection has long-term agreements with foreign partners from Mexico, France, Belarus', and Canada on fruit crops selection and growing.

Oryol State University has established contacts with universities of France, Germany, Spain, Bulgaria, and China. There are several study-abroad programs with these countries' universities for both students and teachers.

Oryol Regional Academy of State Service signed an agreement on scientific and creative cooperation with Norwegian Institute of Industrial Economics, Planning and Risk Management.

In 2006 Oryol State Technical University and their French partners began to realize the European international project TEMPUS-TACIS on training customs' specialists. They prepared new academic courses, created three specialized Internet-centers and a web page, conducted seminars and conferences.

One of the most interesting and fruitful directions of the Oryol Region's cooperation with Western partners is its relationship with sister-cities. One of the sister cities is Offenbach-on-the-Main. Oryol established partnership relation with Offenbach in 1988. In 1997 the club "Oryol – Offenbach-on-the-Main" was organized. The club arranges foreign exchanges, formal and informal meetings, art exhibitions, etc¹⁶. Another aspect of this partnership is tourism. There is a tradition of mutual visits between Oryol and Offenbach citizens. Such visits serve to develop contacts between common people.

Oryol has cultural and scientific cooperation with other German cities too. Oryol universities and institutes take part in a number of youth programs together with their German partners. In May 2005 Germany launched the international project "Barbarossa – 41", and in 2006 Oryol State University hosted the second stage of the project called "Migration and Integration Processes in Russia and Germany in Present and in the Past". This project is sponsored by the German Fund of Robert Bosch and is part of the European program "Ways of the Young in Europe"¹⁷.

Oryol State Agrarian University has contacts with German universities as well. The University concluded direct agreements with Anhalt and Hohenhem Universities. The contacts imply academic exchange and the access to German financial and information resources¹⁸.

One of the main directions of Russian regions' international relations is cross-border cooperation. It involves cooperation on a number of political, economic, social, humanitarian, etc. questions. Cross-border cooperation concerns the interests of the countries and peoples involved, and is aimed at finding common solutions of their problems. This kind of cooperation allows to resolve certain acute interstate questions, including those which can't be solved on a higher level; it strengthens and develops historical bonds. In 2003 Ye. F. Guzeev, Associate Director of the Department of Relations with the RF Subjects, Parliament, Social and Political Organizations within the Ministry of Foreign Affairs, said: "Cross-border cooperation can be regarded as a "school" of integration. The processes it involves contribute to the interstate effort in this sphere"¹⁹.

Regional multilateral cooperation with neighbor countries contributes to Russia's full-scale integration into the world economic system, creates favorable conditions for the country's national and economic safety, and forms good neighborhood relations around Russia.

Russian foreign policy priority is the development of cooperation with the CIS. That's where the chief economic and safety interests of Russia are realized. Further development of CIS relations, including cross-border cooperation will lead to effective reforms, making the CIS an acting mechanism of member-states' economic integration into the world economy.

One of the basic factors of normal development of cross-border cooperation is efficient legislative and normative basis underlying this cooperation.

The Russian Federation signed and ratified the European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities. In Russia this convention came into force in January 2003. Russia's ratification of the convention allows the RF subjects to work within a single legal framework, being guided by common principles and aims; and to join the process of European interregional integration.

In February 2001 the RF Government adopted "Cross-Border Cooperation Concept of the RF". This document sets out the objectives, principles, and priorities of cross-border cooperation on different levels of authority, as well as the tasks and main directions of realizing state policy in this area.

The most effective mechanism of cross-border cooperation nowadays is the Euroregions model, which is characterized by the presence of permanent acting bodies.

The main spheres of Euroregions' activity are: local trade contacts, employment, transportation and communications, culture and education, tourism, welfare and healthcare, infrastructure and environmental protection. They deal with the questions of borders and adjacent territories amelioration, emergency relief, etc. Sometimes the parties involved in cross-border cooperation are occupied with local problems' solutions: water supply, local population migrations, area planning, etc.

In spite of existing problems and difficulties, the activity of cross-border communities generally yields positive results as regards economic development of the territories and improving contacts between people. Russian regions and municipal bodies participate in the activity of such Euroregions as "Karelia", "The Baltic", "Saule", "Neman", "Lyna-Lava", "Shashupe".

The Council of bordering regions of Belarus', Russia and Ukraine is a cross-border community of a similar kind. The Euroregions "The Dneper" (with participation of Russian, Ukrainian and Belarussian regions) and "Slobozhanshina" (Belgorod (Russia) and Kharkov (Ukraine) regions) were created in 2003. Another Euroregion "Pleskava" is being formed now²⁰.

Russia supports the development of intergovernmental cooperation in democracy and efficient local and regional administration. The mechanism of regular ministerial forums on local and regional administration including 46 members of the Council of Europe is in fact a good starting point for moving on in this direction. V.I. Kuzhin is convinced that the main step on this

way would be the adoption of European Charter of Regional Self-Government, which is supported by the Russian Federation²¹.

The Ministry of Foreign Affairs approves of the idea of Russian regions' establishing contacts with the Committee of the Regions and the Council of Europe. There already exists an agreement on cooperation between the Committee and the Congress of Local and Regional Authorities of over 200 000 regional units. The first meeting of the Committee of the Regions and representatives of North-Western Federal District took place in Saint Petersburg, December 19, 2006. Such kinds of agreement contribute to the creation of common area of cooperation between European cities and regions.

Russia is ready to collaborate with the Council of Europe in search for effective ways, forms and methods of cooperation in different regions and subregions of Europe, which would meet the interests of the interaction subjects of all levels. What matters here is the positive results and strengthening local and regional democracy.

The next step in developing international and cross-border cooperation is to harmonize its legislative and normative basis with international standards. In this area Russia really needs the experience and specialists of the Council of Europe. In October 2006 Russia signed two protocols to the European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities. Representatives of the Ministry of Foreign Affairs actively participated in preparing the draft of the new legal instrument of the Council of Europe, which regulates the process of Euroregions' creation.

As a result of this work the Euroregion "Yaroslavna" will soon be created. The project of the Euroregion "Donbass" including the Rostov Region (Russia) and the Lugansk Region (Ukraine) is being developed.

Russian Ministry of Foreign Affairs proposed the Council of Europe to establish a center of interregional and cross-border cooperation in Saint Petersburg. It would serve to promote cooperation in this area²².

Cross-border cooperation between Karelia, Saint Petersburg, the Leningrad and Murmansk Regions with neighboring Finnish regions lasting for 13 years has yielded good results. There has been created an efficient mechanism engaging Russian northwestern regions in international economic cooperation, strengthening stability on the North of Europe²³.

Thus, international and foreign economic activity of Russian regions is developing in different directions. Federal authorities help regions to expand their interregional and cross-border contacts. The development of interregional relations helps to solve both economic and political questions as it activates the interaction between states. It also contributes to Russia's integration into the world economy. Interregional and cross-border cooperation of the Russian Federation subjects supplements the state foreign policy activity aimed at developing relations with other states. At the same time it strengthens Russian federalism, and improves federative relations.

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