Soili Nysten-Haarala
Katri Pynnöniemi
(eds.)

Russia and Europe:
from mental images
to business practices

Papers from the VII International Conference of Finnish
Russian and East European Studies and other writings

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Abbreviations

CAR	Corrective action request
CIS	The Community of Independent States
CISR	The Center for Independent Social Sciences (in St. Petersburg)
CSR	Corporate Social Responsibility
DF	Driving force
ECE/UN	The European Economic Council of the United Nations Organization
EBRC	The Economic Bank of Reconstruction and Development
ENGO	Environmental Non-Governmental Organization
ETC	United Transport System (Edinaya transportnaya sistema)
ETLA	The Research Institute of the Finnish Economy
EU	European Union
FSC	Forest Stewardship Council
FTP	The Federal Target Program
LDK	Lesoderevoabrabativaiushii kombinat (sawmill)
MTK	Mezhdunarodnyi Transportnyi Koridor (international transport corridor)
NGO	Non-governmental Organization
PLO	Proizvodstvenno-lesogotovitelnoe obedinienie (logging association)

PMC	Pskov Model Forest
PPP	Public Private Partnership
RF	The Russian Federation
RSFSR	The Russian Soviet Federative Socialist Republic
SIDA	The Swedish International Development Agency
SME	Small and Medium-sized Enterprises
STP	Strong Prospective Future Trend
TRACECA	Transport Corridor Europe-Caucasus-Asia
TNC	Transnational Corporation
USSR	The Union of Socialist Soviet Republics
WTO	The World Trade Organization
WWF	The World Wildlife Fund

List of Contributors

Dmitri Furman is Russian historian and political scientist, who leads the Center of Cooperation problems between Russia and CIS countries at the Institute of Europe of the Russian Academy of Sciences. He has an immense scientific production. Recently he has written and edited a lot of books on CIS countries and their difficult relations with Russia. His most recent book analyses the development of the Russian political system. He is a famous critic of Russian political system also because of his abundant insightful comments in Russian newspapers on Russian politics and power structure.

Vladimir Kagansky is a well known researcher at the Institute of Geography of the Russian Academy of Sciences. He is the author of "Cultural Landscape and Soviet Territory" (Moscow 2001).

Ivan Kulyasov is a researcher at the Centre for Independent Social Research in St. Petersburg. He graduated in 1991 from St. Petersburg State Medical Academy with a master's degree in Medical Science. In 1997 he started to study ecological problems and social sciences and to work as a researcher at the Centre for Independent Social Research. Since 2002 he has participated in the postgraduate programme of the Department of Sociology at St. Petersburg State University. Mr. Kulyasov has worked as a researcher in numerous international projects dealing with Russia and has more than 60 publications.

Yrjö Myllylä, Doctor of Social Sciences, has been working as a researcher in the Department of Geography at the University of Joensuu (Current University of Eastern Finland). In his doctoral dissertation (2007), Dr Myllylä evaluated the industrial, social and logistic developments in the Murmansk region by using the Delphi Method. His scientific interests also include innovative entrepreneurship, clusters and internationalization of small and medium size enterprises. Dr Myllylä currently works as a research consultant at Oy Aluekehitys RD.

Soili Nysten-Haarala is Professor of Civil Law at the University of Eastern Finland. She has led several research projects since 2003. The current research project on Russian studies "Trust in Finnish-Russian Forest Industry Business Relations" is financed by the Academy of Finland. Her main field of interest is contract law, international trade law and Russian law. The focus of her research is on contracting practice in business and development of Russian law in its social and economic circumstances.

Katri Pynnöniemi is a Doctor of Social Sciences and a researcher at the Finnish Institute of International Affairs, at the Russia in regional and global context program. Her doctoral research was on Russia's policies on international transport corridors. Her current research interests relate to Russia's role in the post-Soviet space.

Svetlana Tulaeva is Master of Sociology (European University at St. Petersburg, Russia). She is also a PhD student at European University in Saint-Petersburg, where her Ph.D. thesis is currently under examination. She wrote a thesis on the study of institutional change in Russian forestry sector under the influence of the spread of new global standards for forestry business. She also participates in project teams on environmental sociology of Center for Independent Social Research (St-Petersburg, Russia). In the scope of her research interests include the theory of institutions, globalization processes and the environment.

Maria Tysiachniouk is Chair of the Environmental Sociology group at the Center for Independent Social Research, St. Petersburg, Russia. She holds a Master of Science in Environmental Studies from Bard College, NY, a PhD in Biology from the Russian Academy of Sciences. She has taught courses related to governance of natural resources in Johns Hopkins University, Dickinson College, PA, Ramapo College of New Jersey, Towson University, and short courses at several universities in Europe. She has written more than a hundred publications on topics related to sustainable development and has had fieldwork experience in many developed and developing countries.

Foreword

Soili Nysten-Haarala and Katri Pynnöniemi

The Seventh symposium for Russian and East European Studies (VIEPÄ) was organized in March 2008 at the University of Applied Studies, Kouvola. The idea of the symposium was to facilitate discussion on "logistics" of cooperation between Russia and Europe. The term logistics has its etymological roots in Ancient Greece and 'Logistikas' of Roman empire that were special war envoys in charge of mobility and services of the army. In the modern times the concept has acquired a new meaning in the context of economics. In the most general level it refers to controlling of time and space – to the process of speeding up and rationalizing the movement of goods and people through the economic system.

The relations between Russia and the EU has its own 'logistics' as well. This is a repertoire of institutions through which Russia and the EU interact. In a more symbolic level, 'logistics' of Russia-EU relations consists of a vocabulary that forms a basis for a dialogue. However, as the developments in the recent years show, the same words used in articulating the relationship do not necessarily turn into common actions. The present collection of articles aspires to facilitate multidisciplinary discussion on prospects of EU-Russia relations and developments taking place in Russia.

The editors would like to thank contributors to this volume for their work and also Soili Lehto-Kylmänen, Senior Lecturer at the Kymenlaakso University of Applied Sciences for the original idea and taking the main responsibility for organizing the conference back in 2008. We are also grateful for the Kymenlaakso regional fond of the Finnish Cultural Foundation for their financial support for the conference, including this volume.

Dmitri Furman's article is based on his keynote presentation in the conference. Furman analyses how the Russian state changed from the Russian Empire to a new Soviet empire and further to a smaller Russian empire again. Furman claims that this empire at the same time tries to be both an empire and a Russian nation-state. A true nation state would lead to disintegration of the empire, which Russia tries to keep even if it leads to authoritarian rule and imitation democracy. He sees that the price, which Russian people pay for the empire in the form of absence of democracy and democratic rights, is too high. Furman suggests that the way out of this undemocratic, nationalist imperialism would be letting the empire disintegrate and become a democratic nation state. The next stage could then be "Europeanization" of Russia – becoming an ordinary democratic country within the European House. The article is a rare and brilliant

analysis of Russian nationalism, which seems to be even more incomprehensible for the Western World than Russian imperialism.

Vladimir Kagansky provides a brief overview on the spatial dynamics of change in the post-Soviet space during the Yeltsin period and in Mr. Putin's presidency. He pays attention to the oscillation between regionalization and centralization, the latter being dominant in the recent years. The political development is divorced from the actual trends of spontaneous territorial transformations, argues Kagansky.

Katri Pynnöniemi's article goes through the Russian discussion in the late 1990s and early 2000 on the pan-European/international transport corridors. In today, discussion on the transport corridors focuses on the logistic systems and administrative barriers (e.g. customs) in the EU-Russia trade. The latter issue was evident already in the late 1990's discussion. The main emphasis was, however, on creation of common institutional framework to tackle the issues. The article shows how, in what sense, Russian discussion is different or perhaps complementary to the discussion in the EU on this same topic. The chapter ends with the discussion of different types of games that underlie Russian politics and economics. These are the games of competition, games of chance and games of simulation.

In his article Yrjö Myllylä explores important question of the possible futures of the Murmansk region. The article ties up with the general theme of logistics as a practical as well as a symbolic concept, by assessing three different scenarios for the Murmansk region's development. The first scenario depicts positive development trends that bring the region closer to the market economy found in the West. In the second scenario, development will be slower due to the strengthening of the authoritarian forces in the society and business. The third scenario foresees a possibility of the one of the "wild card" materializing and the considerable fall in the energy prices. These factors will contribute to a more authoritarian trend than in the second option. Myllylä concludes the article by policy recommendations for the policy makers.

Soili Nysten-Haarala approaches corporate social responsibility from the point of view of municipalities and the attempts to reform municipal democracy in Russia. On the one hand Russian companies continue old patriarchal methods of social responsibility of the Soviet period and on the other hand they try to orient themselves towards the requirements of the global markets. Forest certification is one method with which companies and the NGOs together introduce western forestry practices combining social (and environmental) responsibility with it. Companies, however, are the only tax payers and thus the engines of change in the countryside. Market driven certification also changes the role of the state from an overwhelming power structure to cooperator with other interest groups. The absence of welfare state and state arranged social security is, however, a burden for the companies, also leaving the local people on the mercy of enterprises.

The state introducing municipal democracy cannot localize it without providing municipalities for financial means for its application.

Maria Tysiachniouk examines in her article the cooperation between the World Wildlife Fund (WWF) and the Stora Enso Corporation during the implementation of the Pskov Model Forest (PMF) project in North West Russia. Pskov model forest was also supported by the Swedish SIDA in order to make it a model of Swedish forestry methods. Stora Enso and WWF successfully managed to localize global practices in a rather small area in Russia. Almost nonexistent dissemination to other areas was, however, disappointing to the SIDA. The whole project, however, ended in the withdrawal of Stora Enso from the district. The author assumes that the main reason for the withdrawal was the higher tariffs of exporting wood from Russia.

Ivan Kulyasov's article focuses on the analysis of the role of NGOs and experts in building trust during the localization of the global process of FSC forest certification. Using concepts of personal and non-personal trust, trust in abstract expert systems, the author analyzes the mechanisms of constructing trust by different groups of NGOs and experts in global and local contexts. In the studied case the NGO experts managed to convince the company to widen the group of local beneficiaries of social responsibility attached to the FSC certification.

Svetlana Tulaeva presents in her case study from Priluzhie district in the Komi Republic how forest certification has been introduced and applied to Russian circumstances. The key players in introducing certification are big Russian holding companies and Russian offices of international environmental organizations. According to this case study the strongest actor was the state controlled forest management units, which with the Russian NGOs put pressure on companies to maintain and develop company social responsibility. Tulaeva describes the project as "democratization from above", but assumes that the market based benefits will support social responsibility and continue its implementation even after the withdrawal of the NGO and finishing of the western financial support.

Soili Nysten-Haarala translated Dmitri Furman's article from Russian and Roy Goldblatt has language checked all the articles of this volume.

Part I: On the backround of Russian policies towards the EU

From Russian Empire to Russian Democratic State

Dmitri Furman

1.   Introduction

The nation-state is a common, especially in Europe, state form of late Modern Times. In the 19th and 20th century it was the entelechy of such processes as the unification of Germany and Italy, the disintegration of the Turkish Empire and Austria-Hungary and independence for many nations and countries. The right of self-determination of peoples was one slogan of Modern Times. The force of this slogan was colossal, since the justification for this right was indisputable, as was its inseparable connection with other self-evident democratic rights.

As all great ideas and slogans, it led to bloodshed since the emergence of nationalism called for the disintegration of empires, the fall of some and creation of other states, and drawing of new borderlines. When the question concerns determining whether a certain ethnic group is a nation and the extent of its national territory, problems immediately arise that cannot be resolved in a scientific discussion. Nations talk of their own right of self-determination with enthusiasm and pathos, but forget this right when the discussion turns to other peoples and minorities living in the same territory. The most shocking example is Hitler's Germany, which could easily turn from demanding self-determination for German minorities suffering discrimination in other states to the enslavement and extermination of other nations. A more recent example is Serbia demanding self-determination for the Serbs in Croatia and Bosnia while rejecting the same right for Kosovians living in Serbia; another is Russia bloodily crushing Chechen separatism, but also resorting to bloodshed in declaring the right of self-determination for Ossetians and Abkhazians in Georgia.

The principle of nation-states in Europe was seemingly recreated by the disintegration of Yugoslavia and the Soviet Union. There are no longer any larger European nations lacking statehood. On the other hand, however, the principle lost its earlier power chiefly because it was for the most part satisfied. A second reason is the war memories which followed its realization and how the German fascists utilized it. Thirdly, in the end democracy triumphed in Europe and integration processes intensively progress. Ethnic minorities have a substantial number of rights in a democratic state, and thus national sovereignty as well as national identity has weakened in the European integration process. Scotland or Catalonia achieving total national independence can no longer generate similar enthusiasm as the struggle to unify Italy or liberate Bulgaria, because in democratic Britain and Spain the Scots and Catalans have real autonomy

and an independent Scotland and Catalonia would in any case enter the EU and surrender decision-making power to Brussels and Strasbourg. The goal of development changed in Europe from the nation-state to supranational European unity.

Russia is a country of extremely rapid development. It had to experience in the 21st century the processes which other nations experienced in the 19th and 20th centuries. Russia not only had to build what other countries had already built, but also what they were rebuilding. For Russia the democratic nation-state continues to be the goal.

The Russian Federation is neither a true democracy nor a national Russian state. It is a remnant of the Russian and Soviet empires connecting imitation democracy with authoritarian power. Russian identity has not yet broken free of the cocoon of imperial and Soviet identities. It is an unhealthy identity positing imperial chauvinism, revenge, Russophobic self-destruction and the fear of the collapse of the nation-state.

The aim of this article is to sketch the reasons for the difficulties and indecisiveness of the process of developing Russian national identity and the Russian nation-state and envisaging its realization.

2.   The origin of the dilemma of Russian nationalism

The Russian Empire was a state which arose on the basis of a Russian ethnic core, but developed into a multiethnic state[1] as the result of wars with other and very different weaker states and peoples on its periphery. The Empire was ruled by an elite consisting of representatives of different peoples for whom relations based on estate and class were incalculably stronger than ethnic ties and whose loyalty was founded on their attachment to the dynasty – not on ethnic connection with the Russians. This is evident in the appellation "Russia - *Rossiia*" itself, which came about during the reign of Peter the Great; it meant the state declared itself an empire. This concept was a latinization of the ethnic name "*Rus*'." "*Russkiĭ* – Russian"[2] refers at the same time to the ethnic basis and origin of the state as well as the fact that the empire is not identical to the Russian ethnic core, but something substantially greater.[3]

The expansion of the Empire and reduction of the weight of the Russian ethnic core increased the fragility of the imperial state. But even more this fragility increased as a result of the processes of modernization.

The modernization of society in the Russian Empire of the 19th century inevitably led to the emergence of a national identity. Becoming literate and creating literature in national languages, people from peasant communities started to identify themselves not only as inhabitants of a certain place, members of certain

estate serving the Russian Emperor and practicing a certain religion, but also representatives of different nations. Nationalism was taking form – an ideology and political tendency targeting the unity of naturally formed ethnic communities identifying themselves as a nation and living in their own nation-states.

Russian nationalism also started to awaken. However, the problem of the nation-state for Russians was totally different from that of other peoples of the Empire, since Russian nationalism in principle differed from that of the other peoples. The name of the empire was Russian (*Rossisskoĭ*, almost *Russkĭi*) (See translator's comment in footnote 2). It originated from the ancient Russian state (*Rus'*), Orthodox Christianity was the state religion, emperors were Orthodox Christian and if not Russian by blood identifying themselves as Russian. Russians in this empire had less freedom and were poorer than other peoples.[4] Having no ethnic society in the absolutist state, they had no possibilities to wield power or even influence it, but they could compensate for the absence of political rights as well as their proportional poverty with the glow and power of the imperial state. This weakened the development of the non-imperial Russian identity and gave rise to a special reactionary Russian nationalism.

Russian nationalists suffered for the non-Russian character of the imperial elite and the fact that national minorities such as Baltic Germans and Finns could enjoy rights which Russians did not have; they therefore chose the "Idea of Russia" as the idea of the Russian nation-state. However, they did not understand the idea as constructing such a state on ethnic Russian territory, which in the Russian Empire was impossible to clearly define. In any case, excluding the non-Russian territory, which had been taken by war, was psychologically impossible or at least very difficult for the nationalists, as was abstaining from ruling any territory, even land which objectively belonged to peoples who were a burden to them, such as Poland was to the Russian Empire and Chechnya is for the Russian Federation. The idea of Russia as a national Russian state arose as a demand for politics specifically protecting Russians as well as discriminating against minorities and the Russification of all territories "which had been taken with Russian arms" for the Empire. The slogan "Russia for the Russians" did not mean "Poland for the Poles," not to mention "Ukraine for the Ukrainians", because Poland and Ukraine were Russia and also belonged to the Russians. Russian nationalism at the same time desired mutually exclusive things – the national Russian state and the Empire. What they wanted was an impracticable utopia and attempts to realize it required pogroms, exile of entire peoples as well as forced Russification.

The nationalism of other peoples which was formed in the Russian Empire could refer to democratic values, but not Russian nationalism, because in a continental empire with unclear borders between the imperial center and the periphery democratization of the center was impossible and separatism in the fringe-area was not allowed. This diverges from "overseas" colonial empires in which the center can be democratized and yet continue to permit authoritarian rule in the colonies; democratization and liberalization of continental empires immediately

leads to disintegration. Alexander II put this idea very clearly: "If Russia is given a constitution, it will break up. That is why I will not allow it, not because I refuse to give people these rights (Mironov 2000, 152). The Empire remained as absolutist state and Russian nationalism, struggling to maintain and Russify the Empire, adhered to absolutism, thus confirming its inherent "Russianness" and the non-Russian and anti-Russian character of liberation movements. Anti-Semitism became its inseparable characteristic.

Absolutism and the imperial elite saw a danger in Russian nationalism. It was a new ideology of the democratic era, exploding the unquestionable traditional loyalty towards authority, directing its own demands towards the power structure and setting a priority on ethnic relations rather than class and estate. Moreover, Russian nationalism generated a reaction to other kinds of nationalism and in this way made the disintegration of the Empire, which it struggled to avoid, possible.[5] By losing traditionalist legitimacy and the support of the masses and facing new revolutionary challenges, absolutism struggled to find a new justification of power in Russian nationalism, with the support of Russian nationalist Black Sotnians.

The anti-liberal and imperial position of Russian nationalism isolated it from all other national movements in the Empire and from liberal democratic movements in Russian society. For Russian revolutionaries fighting against the absolutistic empire, any nationalism, except the Russian, was a potential ally and Russian support of authoritarianism by the masses was the main enemy. The term "union of the Russian people" became the symbol of pogroms and the word "Russian" could not exist in the title of any revolutionary party. They were "*rossiiskie*" not "*russkie*" (see translator's comment in footnote 2), and the national composition of the movement was as diverse as that of the imperial elite. The only difference was that if there was a proportional overrepresentation of Germans in the imperial elite, in the revolutionary counter-elite Jews were well represented.[6] The revolutionary movement adopted an extremely international and even Russophobic character. If the Black Sotnians were Anti-Semites and described the revolutionary movement as a plot by the Jews, Lenin could say: "A Russian intellectual is almost always a Jew, or at least a person with some Jewish blood in him."

During the civil war the Whites fought for the Empire and the Reds for world revolution and the international socialist state. Practically all the peoples of the Empire except the Russians spoke for self-determination of peoples and tried to establish their own democratic nation-state. In practice, no one proposed a democratic "Russian Russia," which could have been compared to the striving for a "Ukraine for Ukrainians" or a "Georgia for Georgian."

3.   Nationalism in the Bolshevist State

The winners of the civil war were the Bolsheviks, who fought together with nationalists of non-Russian peoples, filled with passionate internationalism and hatred for Russian chauvinism, and prepared to realize all their demands and national projects under conditions whose fundamental nature the nationalists still could not quite understand – the dominance of the Communist Party. It is possible to claim that the Bolsheviks managed to reawaken the dream of empire just because they did not strive for this goal. The losers were the more developed peoples in the western borderlands. For the nationalists among non-Russian peoples the choice between the Bolsheviks and the Whites never even emerged, since the Bolsheviks were unquestionably the lesser evil.

In the beginning the new state did not act as a successor to the earlier empire, but promoted the future international socialist cooperation of peoples. In a way it acted like a caretaker government, which found it necessary to defend the international revolution. In its name there was no mention of either a successor to the empire or nationalism. Not a Russian Union, but the Union of Soviet Socialist Republics – a union of any republic – since they were Soviet and socialist, and in the end the union should have become worldwide. The first national anthem of this state was the "International."

The Bolsheviks indeed in a way put into effect the nationalist programs of different peoples of the Empire by founding national Soviet republics and working hard to build socialist nations, e.g. creating literary languages, collecting folklore, establishing pantheons of great figures and so forth. Among the republics, there was a special Russian republic – the Russian Soviet Federative Socialist Republic. However, the special position of the Russians in the Russian Empire created some significant differences for this new republic.

One difference from other republics, the Russian republic was not established to fulfill a national project or to be a "national home for the Russians." It was formed according to a residual principle. It included territory which could not be given to other republics and territory on which it was difficult to establish new Soviet republics, either because the peoples were too small to be regarded as equal to other republics, or the area they resided in had been absorbed inside the massive Russian territory due to Russian colonialism. Therefore autonomous republics were founded for these peoples inside the RSFSR. It was like the remnants of the earlier empire, where many peoples, with very diverging cultures from the Russians, belonged, but where some regions with Russian majorities were not included, since they were given to other republics for different reasons. In the name itself, the succession of the Empire is evident, but not the ethnic basis of the republic (*rossiiskaia*, not *russkaia*, but in any case a federation). Russians in the Soviet Union had the least visible national republic.

Furthermore, the Russian republic did not have all the national-governmental symbols that other republics had. There were communist parties in the republics with their own central committees, but no Russian Communist Party. Every republic had an own academy of sciences, but not the Russian and so forth.

In addition, it can be noted that Russian nationalism (imperial chauvinism) was overseen in the 1920s and 1930s more repressively than that of other peoples and the enormous work to modernize societies in earlier national borderlands of the Empire required transferring resources from the Russian center to compensate for the oppression which they had experienced in "the prison of peoples" under tsarist rule. This also required discrimination against Russians. In this way we can view the exploitation of the Russians in the Soviet Union, which in the post-Soviet era created Russian nationalism.

This image, however, is only one side of the coin. It has to be complemented by the compensation which the Russians received in the Soviet state and the psychological resonance which was so significant that the Soviet Union still awakens nostalgic feelings among the majority of Russians. In a series of opinion polls which lasted from 1992 to 2009, the number of those expressing sorrow for the disintegration of the Soviet Union was not less than 60 percent (Obshchee mnenie 2009, 191). Stalin was not ranked first in the competition for the most significant Russian only through the help of state power. What from one point of view appears as a sign of discrimination and exploitation can from another be evidence of the special imperial role of the Russian people.

4.   The Soviet Union becomes the successor of the Russian Empire

The state founded by the Bolsheviks was understood to be a federation of equal republics. However, a federation comprised of great Russia and small Armenia and Georgia having equal rights is totally impossible. It never existed in reality, but only on paper in the Constitution and in ideological dogmas. In reality the totalitarian Soviet state, which was founded on a quasi-religious dogmatic ideology, was actually more unitary and centralized than the Russian Empire.

In spite of the dominant ideology, a tightly centralized state on the territory of the Russian Empire, ruled from Moscow and where the official language could only be Russian, where Russians were the largest in number (in 1989 50.8 % of the population), and the rulers were either Russian or Russified representatives of minority peoples, was a new manifestation of the old empire. With the dreams for the worldwide revolution going down the drain and the collapse of the eschatology of Marxism-Leninism, the state was more often seen not as an embryo for the worldwide union of the nations, but as the successor of the Russian Empire, a new manifestation of the same state, which was founded by Russian warlords, whose names were adopted for the new military badges of honor.

While Lenin, the founder of this state, was an enemy of Russian nationalism and a "Russophobe", his successor saw himself as follower of both Lenin and the great despots, the founders of the Empire – Ivan the Terrible and Peter the Great. The revised "Internationale" (first national anthem of the Soviet Union) states: "Unbreakable union of reborn republics, Great Russia has been welded forever to stand." In the Soviet state the Russians were officially called the Big Brother of the Soviet Peoples. Even if the existence of national republics and the development of socialist nations is based on ideological dogmas, ignoring them or even Marxism-Leninism completely was impossible and a policy of Russification and Russian language in the Soviet republics starting in the 1930s replaced national languages. Rapprochement and even assimilation of peoples and creating a new society of unified Soviet peoples was possible to achieve only based on Russian language and culture. This was an ideological construction of the late Soviet period.

After the war, when the circle of vassal communist states was founded, Moscow controlled a larger territory than had ever before been controlled from one center. For the outside world this great empire was simply "the Russians." Never in history had the appellation "Russian" been associated with such power.

This was significant compensation for some losses incurred by the Russians in the Soviet Union and for some elements of discrimination against them as well as the general absence of rights in a totalitarian state. While other peoples of the Soviet Union had their national homes and national republican patriotism, the Russian house was the whole Soviet Union and Russian patriotism was all-Soviet, not Russian. Russia did not have its party or academy, because the Soviet party and academy were Russian. Even if resources were granted by Russia to national republics and representatives of some non-Russian peoples could be privileged to attend universities in Moscow, this was only because the Russians were such a great nation, big brothers who were continuously and ritually praised by other peoples. In his famous toast of victory over Germany Stalin said: "I would like to drink a toast to our healthy Soviet peoples and above all the Russian people, because it is the most developed of all the nations belonging to the Soviet Union… because it served …. as generally recognized, as the leading force of the Soviet Union among all the peoples of the country."[7] In the Soviet Union Russia was a non-national republic and Russians a people with an undefined national identity; it was difficult for them to see themselves living in a national home and not in a magnificent multinational state, where it played the main role.

5. The role of Russian nationalism in the disintegration of the Soviet Union

The founding of the Soviet Union saved the Empire from disintegration by giving birth to a new form of an imperial state on a new ideological foundation. But the forces which led to the destruction of the old empire, continued to function in the new state.

As the Russian Empire preserved traditional loyalty towards the monarch, which in modern times hindered any development of society, the Soviet Union preserved the ideology of Marxism-Leninism, which translated into a series of wasted thoughts and continuously wasted vitality and displaced Western democratic ideologies as well as nationalism.

While the Empire exploded through a natural process of increasing national identity and nationalism, the Soviet Union, which was gnawed by the same processes, accelerated the building of Soviet socialist nations without foreseeing the far-reaching consequences of this enormous work. At the time the Russian Empire collapsed, most of the peoples did not have a clear national identity, a clearly defined national territory, or a modern elite which could have led the new state; this explained the ease with which the Bolsheviks were able to crush these peoples and their nationalism. However, more vital nations existed in the Soviet Union with national features, their own intellectual and bureaucratic elites and a form of nation-state which could easily be filled with a national content and which made it relatively easy to destroy the Soviet state without resistance and bloodshed.

As in the Russian Empire, Russian nationalism also played a different role in the Soviet Union than the nationalism of other peoples. As the communist ideology cracked down (continuously accompanied with anti-Semitism), nationalist movements first wielded power as an element of imaginary and contradictory ideas and in a symbolic synthesis with the Stalinist period and gradually became an independent ideological force and pressure group.[8] But this movement was unprepared for independence or unifying with the other forces which corroded the Soviet Union – and was as impotent as the nationalism of the tsarist period. Therefore it was forced to adopt a sick and unnatural ideology and political position. The ideology of Russian nationalism is anti-Marxist, but as the glue of the empire was the party, the officials and dogmatic ideology that was Marxism-Leninism, it had to be loyal to the party and the ideology. Again it sought the impossible – the transformation of the multinational Soviet Union cemented by the communist ideology and an openly national state for the Russian people. There were some attempts, first of all Solzhenitsyn's, to build some kind of a non-Soviet-imperial form of nationalism, but none led to anything but marginalization and isolation.

Once again history repeated itself for good or bad depending on the approach. The Soviet leadership regarded Russian nationalism as a danger, as the imperial leadership had earlier done. As the ideology holding the state together was deteriorating, everybody turned to support nationalism. People with democratic attitudes were afraid of it. The anti-liberalism and anti-democracy of Russian nationalism again made Russian liberalism and democracy "anti-national." Russophilic anti-democracy again created a Russophobic democracy (see Furman 2010, 37-).

When Gorbachev's perestroika ended with the disintegration of the Soviet Union, both the anti-communist revolution and the liberation movements of all Soviet peoples adopted a nationalist-democratic character. Anti-communism, democracy and nationalism unified them. Only the Russian democratic movement and nationalism diverged. In the fight against the center represented by Gorbachev, democrats could resort to arguments of nationalists on the exploitation of Russians,[9] and nationalists were powerless to oppose slogans for the sovereignty of Russia and blindly advanced with the democrats towards the disintegration of the empire, which they wanted to preserve. New revolutionaries were drawn by national instincts, which they were afraid of. The Russian anti-communist movement was unable to create a synthesis, an organic unity of nationalism and democracy.

The collapse of the Soviet Union and the birth of Russia as an independent state was the only way for the democrats to achieve real power with the leadership of Yeltsin. If for other nations and their leaders independence was a conscious and idealistic goal, "the coming true of century-long dreams," for Russians such a goal did not exist and for their leaders the liquidation of the Soviet Union was only the decisive step in the struggle for power. The Russian people did not fight for independence, nor did they want it. An overwhelming majority of Russians voted to preserve the Soviet Union in Gorbachev's referendum, and Yeltsin therefore decided not to legitimize the Belovezh Treaty (ending the Soviet Union) through a new referendum.[10] The attempt to make the day of Russia gaining sovereignty a celebration of "Russian Independence" only led to mockery and sarcasm, and it was simply renamed "The Day of Russia". The people did not even truly understand that the Union (Imperial) state really disappeared and not only changed its form – but everything remained as before.

The Leadership under Yeltsin did not clearly understand what it had done. The idea of the big brother, the natural leadership of the Russians within the territory of the Empire, was so strong that the domination of Russia seemed natural and not dependent on any governmental form. The attitude of the Russian leadership towards the new states can be defined in the concept: "It will not work out."

The RSFSR and the Soviet Union were never results of a national project such as were the other republics. The new state was not a result of a national project but of a fight for independence. No one dreamed about it and it was not welcome. It just happened.

6. Low legitimacy of the new state leads to the old path

The legitimacy of independent Russia, the reception of the state by the people living in it, was –as is natural to them – less than the legitimacy of other new states. Russians cannot understand the state as their "national home" and its borders as historical and natural. Outside Russia there were territories where the majority of the population was Russian, but which for various reasons these areas were given to other republics in the Soviet Union. Some of these areas, such as Sevastopol, represent significant historical value for Russians. A significant amount of Russians were left outside Russia, and those who moved to Latvia or Estonia after the Second World War turned out to be non-citizens. On the other hand, there were numerous peoples on Russian soil whose culture differed significantly from the Russians and formed autonomous republics in the RSFSR. For them the legitimacy of the new state and their own inclusion in that state is even more doubtful than it is for Russians. For such peoples, for example the Chechens, whose history is practically one of fighting back the Russians, it is difficult to understand that they have no right to independence only because in Stalin's totalitarian Soviet Union they did not receive the status of a union republic but only an autonomous republic.

A state which does not enjoy legitimacy either from the majority population or national minorities, combined with weak central power and the ordinary transformation crisis, starts to disintegrate. Autonomies demanded independence. Furthermore, separatism appeared in areas of Russia unmotivated by idealistic nationalism, the appearance of which was directly connected with the doubtful legitimacy of the state. The illusions of different Far-Eastern, Uralian, Siberian and other similar republics might not have seemed less natural and legitimate than Russia itself with its strange borders.

For those groups which came into power with Yeltsin, this self-destruction of the state was at the same time a threat and a means to grasp power, to strengthen and change it into something without alternatives. For those who gained power in 1991, transforming it into an authoritarian and non-alternative form cannot be explained solely by the threat of the collapse of the "mini-empire," but also as a common cultural and psychological unpreparedness for democracy. However, the threat of the collapse of the state played a significant role in the defense of authoritarian evolution. The next step after the initial disintegration indicated that without personified central power and an authority figure, society descends into chaos and the Russians can lose the state and even disappear as a unitary people. The unity of the Russian Empire was maintained by autocracy. The unity of the Soviet Union was maintained by totalitarian power. The unity of the Russian Federation – the remnant of the Empire, could also be maintained only by the power of a non-alternative president for whom it is easy to grasp the traditional Russian authoritarian and personified power of the tsars and Communist Party secretaries. As in the great Russian and Soviet empires, maintaining and strengthening the unity of the Russian mini-empire could not be realized through bureaucratic "power verticality."

During the struggle for power of the Russian democrats the slogan of the right of self-determination of peoples was expressed. Their leader Yeltsin said, turning to the non-Russian population of Russia: "Take as much sovereignty as you can swallow!" But when the power in Russia was already won, the right for self-determination of peoples was forgotten. It was only remembered in connection with separatism in the countries neighboring Russia.

In spite of the dogmatically strengthened internationalism, the state created by the Bolsheviks assumed the identity of the successor to the empire in a new manifestation. The new state, in spite of the declarations of its democratic values in connection with its foundation, achieved the same identity even more quickly. The Yeltsin regime followed a path which was even more dangerous and psychologically closer to the understanding of Russian masses – a path which was more comfortable for those in power in its conservation and attempts to widen the mini-empire. This again demanded for a rebellion against the ethnically ambiguous morality which had existed in the Russian Empire and the Soviet Union. The new Russia is significantly more Russian than the Soviet Union. Compared to the Soviet Union Russians represent a clear majority (79.8% in 2002, but the power of Russians is gradually weakening and that of other, indigenous, peoples is growing). The official role of Orthodox Christianity is growing. However, in connection with this development the concepts "*Russkiĭ*" and "*Russkiĭ* State" are carefully avoided. Instead, the non-ethnic concept "*Rossiiane*" is applied (See footnote 2). Russian identity again turns to the imperial form, which is typical of them – the form in which an authoritarian nature and non-national character is compensated by the Russians being the leading people of the empire.

Yeltsin stated a war against a people who actually decided to "swallow" what they wanted and become completely sovereign – the Chechens. The first Chechen War did not lead to "pacifying" Chechnya and annexing it to the Russian "power vertical". Even if the war was very unpopular and Russian identity was humbled for losing Chechnya, the actual defeat of the Russian army by a militia of a people amounting to less than one percent of the Russian population and confirming this loss through the Khazaviurt peace agreement was taken as a national humiliation. The war was later renewed for the consolidation of society in connection with the transfer of power from Yeltsin to the successor he had chosen. Putin finally managed to crush the Chechen resistance and formally regain Chechnya for Russia. In reality Chechnya became an authoritarian vassal state.

Preserving the unity of Russia was Putin's main mission. He says in an interview for the book *Ot pervogo litsa* (From the First Figure): "Caucasia would have shifted the weight, it is clear … then upwards along the Volga River – Bashkortostan, Tatarstan. You see, when I imagined the real results – I got embarrassed. I thought… how many refugees could Europe and America take? … Or should we have agreed on disintegration of the country."[11] These opinions are not Putin's personally, they are images of the contemporary Russian mass identity. But for the second president of Russia they are the main ideological justification for an authoritarian

regime masked behind a democratic façade. In strengthening his power, he protects the country from breaking down and even protects Europe and America from millions of imaginary refugees.

In the system which Yeltsin founded and Putin developed into a "classical" form of imitation democracy, just like that of the totalitarian Soviet Union, federalism can only be a façade, a fiction. The national republics, which declared their sovereignty, do in fact under Putin possess similar rights (or lack of power) as Russian regions and are annexed to large areas, where the leaders are eparches nominated by the president. Putin actually abolished federalism, moving to name governors and make the Council of the Federation (the second chamber of parliament) a meeting-place for these governors and representatives of regional parliaments.

As in the Russian Empire and the Soviet Union, the integration of the collapsing state resorts to the post-Soviet verticality of power and crushes spontaneous national movements. However, as in the Soviet Union, such integration through vertical power is to a large extent only formal. Withdrawing from federalism and national republics is not realistic and the possibilities of controlling these republics from Moscow are limited. In reality the bureaucratic "verticality of power" tends to become a vertical of quasi-feudalism. The republican leaders, who are loyal to Moscow, provide different kinds of services, for example, in the form of votes, but Moscow, which is striving for stability and peace, does not intervene in the administration of national republics. The republics have an "isomorphic" all-Russian system of power of the non-alternative Shaimevs, Iliumzhinovs and Kadyrovs (regional leaders), analogical to the system of power of the Razydovyhs and Kunaevs of the late Soviet period and objectively lay the foundation for its later disintegration. The verticality of power does not abolish chaos, it only locks it inside. It lurks under the peaceful and monolithic surface and waits for its time to take arms.

7.   The politics of the authoritarian mini-empire

The main non-legitimacy of the borders of the Russian Federation as understood by the Russians is that the old Soviet viewpoint borders remained (and were greatly identical with those of the Russian Empire) the natural historical borders of "Great Russia". Thus, nowadays only 14% of the Russians (*Rossiiane*) support total independence of the earlier Soviet republics and 53% answer "no" to the question of whether they see Ukraine as a foreign country (Obshchee mnenie 2009, 149, 152). Therefore the Russian Federation, identifying itself as the successor to tsarist Russia and the Soviet Union, should not strive for a special dominating role in the post-Soviet space. The struggle to annexing the earlier autonomies into the Russian "verticality of power" is orchestrated with the struggle for oppression of the earlier Soviet republics. These are two aspects of the same policy, originating from the nature of the new Russian state – the mini-empire connected with authoritarian "power verticality."

The collapse of the Soviet Union was masked by Yeltsin (and not only from the people but to a great extent to himself) by founding of the CIS, which was understood to be the new form of russo-centric entity of the imperial space. A great deal of the domination of this space belongs to Russia.

Russia, which has not yet survived its own separatism movements inside the country, started to support separatists of other republics who turned to Russia with a stream of psychologically necessary flattery. Russian peace-keepers entered the separatist regions making it impossible for the new states to crush separatism with force in the same way as Russia did in Chechnya. This brings back the feeling of Russia as big brother – the decision-maker over the fates of the younger siblings. Support for separatists is connected with the officially recognized territorial integrity of the post-Soviet state, and works as the tool for driving the disobedient state to the CIS and tying it to Russia. For the governments, on the territory where separatist entities are supported, Russia maintains a feeling that in case they behave well, Russia will show them mercy and return their territorial integrity. The Russian-Georgian War in 2008 and the recognition of the independence of Abkhazia and South Ossetia is an acceptance of the impossibility to continue such politics eternally and to the destruction of Georgia.

It is typical that by actively supporting national separatists in other post-Soviet states Russia, with great care, turns to Russian "irredentism" (Russians living outside Russia) and generally in supporting the strivings of Russians in new states to organize themselves. Supporting Russian irredentism pulls the rug from under the character of the Russian state as a multinational mini-empire, and not a Russian nation-state, not to mention domination in the post-Soviet space. Choosing between this support and even a symbolic recognition by the post-Soviet states of the leading role of Russia, she would undoubtedly choose the latter.

In keeping the new states bordering it, Russia applies all possible methods – economic temptation in connection with economic threats, support for pro-Russian politicians and applies the threat posed by the Russian irridentia: "we make no demands for the Crimea as long as Ukraine stays outside NATO."

As securing the mini-empire cannot be divorced from strengthening the Russian authoritarian imitation democratic power system, the isomorphic system in earlier autonomies, and seeking to reinforce and widen the circle of vassals, enhancing post-Soviet space as the sphere of Russian interests cannot be divorced from Russia's struggle to ensure regimes similar to Russia in the new states. As post-Soviet space is a true extension of the Russian mini-empire, the regimes of Lukashenko, Nazarbaev and others are similar extensions of those isomorphic All-Russian personalized regimes of Iliumshinov, Shaimiev and others, which were formed inside the mini-empire. The authoritarian governments of the CIS assess their independence highly and do not strive to continue under Russian rule. Perspectives of integration with Western unions, however, are closed to them as to Russia as well, because these regimes are incompatible with Western

political systems, and therefore they comprehend that in a difficult moment (like the Flower Revolution, or some crisis connected with transferring power to a successor) the West will not help them, but Russia in any case would try. As long as such regimes remain weak and imperfect in post-Soviet space, they will be dominated by the largest and strongest one, big brother Russia.

The Soviet post-war structure of empire with its different circles has continued to exist in a reduced size and a much weakened form. The core is Russian Russia itself. There are national republics belonging to the Russian Federation that have a level of real independence, but this has very little to do with their formal constitutional position. Formally they are only parts of Russia, but in reality power is applied with a significant amount of inner freedom and Russian "vertical power" cannot infiltrate them. Finally, the outer circle is formed by those post-Soviet states which are formally completely independent, but are part of the post-imperial space with Russia as the center; they are to some extent tied to Russia, which tries to control them through softer and less restrictive methods that are still analogical to the "Soviet camp" of the Cold War.

8. How can the third attempt for democratization be successful?

As mentioned at the beginning of the article, a democratic nation-state was the entelechy of development for Europe in the 19th and 20th centuries, and such a state continues to be the same for Russia. The year 1991 was a milestone and in the process a similar milestone for post-Soviet Russia as for the Soviet Union. The imitation democratic system does not have an ideological foundation. It is in internal conflict, not founded on a solid basis, and will naturally collapse from the inside. Russia will face an inevitable crisis connected with a new attempt to move toward real democracy. Such crises always arise more or less unexpectedly and it is impossible to completely prepare for them. However, some of the features of a crisis can be anticipated.

The unsuccessful attempts to move toward democracy (in 1917 and 1991) show that when a new democratic movement (a third attempt) starts separatist movements among non-Russian peoples will again rise to the surface. Indeed, democratic elections held in those national republics of the Russian Federation which did not have demands for independence, were completely incomprehensible. Furthermore, with their separatist ideas and slogans, numerous simultaneous nationalist demands inevitably arise against one another, for example, Ingush against Ossetians and Kabardinians against Balkarians. The extremely difficult problems of "liberating" one people from another will again surface; they had been forced to join together within the same autonomy and define their national territories. It is possible that some kind of separatist movements or movements for autonomy in Russian regions will also develop. Naturally they will be weaker and less motivated but find their spark in the general instability. The chaos which appeared between the

1980s and 1990s, and was crushed by the authoritarian vertical power, will certainly try to reappear. The countries will again be beset by an immense amount of difficult problems, which theoretically will need years if not decades to resolve, but will have to be resolved immediately and simultaneously.

This will mean that we will again face a dilemma – the disintegration of the mini-empire and a new diminished Russia or a new rejection of democracy; this in turn will crush separatism and build a new power verticality in order to eliminate the chaos.

To ensure that society does not, however, reject democracy, that the third attempt succeeds and does not lead to a third round of disintegration and chaos, which would then lead to a new form of authoritarianism, massive changes in the identity of society are required.[12] Above all, it is necessary to understand the immensity of the scale, the difficulties of the problems and the need to solve them. It is necessary to overcome archaic nation-state greediness, the instinctive need not to give away what is your own because it is not possible to solve the problems based on the presumption of the unity and integrity of Russia. Of course no people should ever be pushed away and forced to become independent. Building a new independent state is a very difficult task and it is self-evident that if the different non-Russian peoples are really guaranteed autonomy and a real possibility to separate from Russia, all of them are not going to use it. It is, however, necessary to understand that holding back Chechnya and other republics is not worth the strait-jacket of the power vertical, and the independence of these republics would not be a loss but an achievement.

A new diminishing of Russia will, however, be painful. Seen objectively, it can be extremely difficult and painful for many reasons, but definitely no more painful than the collapse of the Soviet Union. The compensation for the pain can only be recognizing the fact that the disintegration of the mini-empire will lead to achieving a normal democratic Russian nation-state.

Russia has to think about itself as a Russian nation-state. Assuming this new identity could be a difficult process, not only because of instinctive imperial Russian nationalism and in general Russian national feeling, but also because of the instinctive Russophobia of the liberals and democrats, the fear of the concept of "Russian" itself. The saying "Russia for Russians" is nowadays a wild xenophobic slogan. It should, however, not be this, but a declaration of a balanced truth. Russia for the Russians, Poland for the Poles, Ukraine for the Ukrainians and Chechnya for the Chechens does not mean denying of rights of others for their own national home, but requiring them.

There are signs of such a new understanding and a liberation of Russian identity from imperial imprisonment. Such signs can be discovered in the not always clear ideas of Solzhenitsyn, who bravely searched for a non-imperial foundation of Russian national pride. Elements of this existed in the unclear and contradictory

ideas of Russian nationalists, who supported Russian sovereignty[13] and in the idealistic projects of radical democrats between in the 1980s and 1990s (the Constitution of Saharov), which demanded the right of autonomous regions to independence and transferring the rest of Russia into a Russian nation-state. In the unanimity of the democrats and nationalists in the struggle for the union center there was a great deal of deception and self-deception, but it is possible to discover the seeds of a future synthesis there. The relative easiness of the Russians to accept the disintegration of the Soviet Union to some extent describes their tiredness with the empire and a hope for their own state. The Chechen War was not popular and the option of giving Chechnya to the Chechens did not very much frighten the Russians, nor does it frighten them today.[14] But all this, however, without any synthesis of Russianness and democracy, which would certainly be difficult, the third attempt to build democracy in Russia would prove be as unsuccessful as the earlier two.

Russia for the Russians is the antithesis of Russians for Russia, a state in which Russians pay with their freedom, welfare and blood for the fact that other peoples are oppressed. Neither Russians as a people nor the Russians in it have organs which could express their will or establish governments of Russian nationality. Russia for the Russians is a democratic Russia, a state which is an instrument for the people. It is the goal of what was once the unimaginable entelechy of our development of Modern Times.

However, as previously mentioned, Russia is galloping. It reaches stages which others have undergone long ago. The nation-state is for European peoples already a past stage. A new entelechy is developing – supranational society above governments.

Bypassing the nation-state phase, taking the step from mini-empire to supranational society, seems impossible. But this nation-state cannot last long. Galloping Russia should change the vectors of its development. The democratic nation-state is a state which can and should enter the supranational community of Europe. Even if the idea of entering the EU is supported by the majority of the population,[15] it now seems quite unrealistic. However, if at the end of the 1980s someone would have predicted the collapse of the Soviet Union and the accession of some of its republics to the EU and NATO, it would have seemed as unrealistic fantasy.

Entering Europe would also be immense compensation for a people who can never build European forms of political life for itself, but is culturally oriented to Europe and generally retains the European and Western model of society structure.[16] This would mean the end of the Russian fear for isolation and marginalization and the suffering about its identity (European or not?) Since the entry of Russia into a Europe which would not include Ukraine, Byelorussia, and Moldavia is unimaginable, it would mean the end of the very painful process transferring Russian and other peoples of these republics "abroad".

It would be the end of a Russian history of building, disintegrating and rebuilding an empire in which Russians are compensated for their lost rights (not having rights) in order to have Russians in power oppressing other peoples. It would mean a beginning of a new history of Russians living in the all-European home in their own national flat, as the French in a French flat, the Swedes in a Swedish and the Ukrainians in a Ukrainian flat.

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The text of the speech of Stalin in the reception at the Kremlin in honor of the commanders of the Soviet troops. At the website of the Foundation of N. Iakovlev http://alexanderyakovlev.org/fond/issues-doc/69226.

Endnotes

1. In 1717 Russians formed 70.7% of the population of the empire, in 1762 62.3%, 1795 48.9%, 1857 45.9% and in 1914 44.6%.

2. The word Russian has an ethnic connotation. The name of the country – Rossiia, on the other hand, describes the multiethnic character of the country. Therefore Russians can in today's Russian language be called either *russkie*, referring to ethnic Russians, or *rossiiane*, referring to all ethnic groups living in the territory of Russia. This difference cannot be translated into English. *Rus'* is the name applied to the ancient Russian state (the Kiev *Rus'* and the Moscow *Rus'*; translator's comment).

3. E. Kankrin, the Minister of Finance under Nikolai I, later suggested abandoning the ethnic appellation "*Rossiia*" and adopting Romanovia, according to the imperial family, or Petrovia, according to Peter the Great.

4. The following figures show the position of Russians in the empire they founded. It shows child mortality before the age of 10 years. If the mortality rate before the age of ten is 100 for Estonians, for Latvians it is 102, Lithuanians 107.8, Moldavians 113.8, Jews 123.8, Ukrainians 129.1, Bashkirians 133.1, Byelorussians 149, Tatars 143.1, Chuvash 145.6, Russians 169.3 (Mironov 2000, 20). The life-expectancy for Russians was 28.7 years, lower than for Germans (45), Latvians (45) Finns (44.3), Estonians (43.1), Lithuanians (41.8), Poles (41), Jews (39), Ukrainians (38.1), Moldavians (40.5), Byelorussians (36.2), Bashkirians (37.3), Tatars (34.9), Chuvashians (31), and lower than the median mortality level for the Empire (32.4). Until the end of the 19th century the amount of literate Russians was 29.3%. The same figure for Finns was 98.3%, Estonians 94.1% Latvians 85%, Germans 78.5%,

Jews 50.1%, Lithuanians 48.4%, Poles 41.8%, Greeks 36.7% (http:www.apn.ru/publications/article21603.htm). Other similar figures can also be shown.

5. When one of the fathers of Russian nationalism, Iu. Samarin, spoke in public against German dominance in Ostzeijsk kraĭ, Nikolai I put him in prison.

6. 43.5% of the revolutionaries repressed by the tsarist government between 1905 and 1917 were Russians (Mironov 2000, 439).

7. http://alexanderyakovlev.org/fond/issues-doc/69226.

8. On Russian nationalists as a pressure group, see Mitrohin 2001.

9. In a meeting in Ufa in August 1990 B. Yeltsin said: "Russia feeds everybody. Russia makes sacrifices all the time. Russia all the time gives things away. We cannot assume that we could pay for other governments, which send aid here, yes, and to other republics." Soiuz mozhno ... 2007, 165.

10. About Yeltsin's role in ending the Soviet Union see Furman 2010. 45-.

12. More about how Russia could get rid of imitation democracy see Furman 2010, 143.

13. The idea of Russia leaving the Soviet Union was expressed for the first time in May 1989 at a meeting of the Congress of People's Deputies, not by a democratic admirer of the West, but by the Russian nationalist author V. Rasputin, who applied it as an example in a polemic discussion with Baltic representatives: "In this meeting the activity of the Baltic representatives is clearly seen in trying to present amendments to the Constitutions in order to make it possible for them to break away from this country. Do not give me advice in these issues. You should decide over your own fate according to the law and your own conscience. But it may be that Russia itself will leave the Union if you blame her for all your miseries and if her weak development stage and clumsiness hinders your progressive strivings. It would help us solve a lot of problems." http://www.slavic-europe.eu/index.php/comments/1. Let us assume that this was demagogy, but not completely demagogic. That such an idea came to Rasputin's mind and was astonishing in its paradoxicality made it possible to apply it as a demagogic and polemic method. On the role of Russian nationalism in the disintegration of the Soviet Union, see Tatiana Solovei, Valerii Solovei 2009 and Furman 1992.

14. The question "How would you relate to the possibility of Chechnya separating from Russia?" in an opinion poll in 2009 had the following options: " My opinion is that the separation has already happened" – 10%; " I would only be happy for that kind of development" – 14%; "It would not make any difference to me" – 21%; " I am against such a development, but ready to live with it"
– 19%; "It would cause a counter reaction in all possible ways including a war" – 22%. 16% thought that the republics of North Caucasia would finally separate from Russia and 30% that they will be sources of unrest in future decades (obshchee

mnenie , 2009, 115).

15. Support and partial support for Russia entering the EU were in 2009 53% with 21% against or partly against. Obshchee mnenie 2009, 179. NATO, however, continues to be considered an enemy force.

16. V. Putin, for whom the Russian regime represents quite "non-European" forms, however, says with undoubted sincerely: "We are a part of Western European culture. And there is our value in fact. Wherever our people live – in the Far-East or in the South, we are Europeans (Putin. *Ot pervogo litsa* 2009, 156).

Russia's territory in the 21st century

Vladimir Kagansky[1]

1. Introduction

At the beginning of the new century and millennium, Russia found herself in a very interesting and fast-changing situation. The Yeltsin era, the last decade of the 20th century in Russia, witnessed an extraordinarily swift and considerable transformation of all spatial patterns in society and the state.

In the USSR, Soviet territory was vast and uniform (Kagansky, 1991; in detail - Kagansky, 2001A). Its main features were as follows: coalescence between all structures of society and the state, and a uniform system of regions for all vital activities including society, economics, and ethnicity. It was a hierarchical and monocentric system, and the primary line of communication was between the centre and the periphery.

In the last decade of the 20th century, the entire territory of the former USSR experienced a vigorous regional revolution. What had previously been components of the uniform Soviet territory assumed superior jurisdiction (first stated - Kagansky, 1991). The first phase of this revolution was the disintegration of the USSR. This involved a complicated and long redistribution and delegation of authority, the dismantling and transformation of the Soviet structures, establishment of region-states, redeployment of the armed forces and, finally, redesigning the entire system of relationships and ties between the former components.

When the USSR disintegrated, the authorities of the union's republics made an outstanding decision, in terms of its simplicity, aptness and historical implications: they transformed their republics into sovereign states with inviolable borders and an outright renunciation of all territorial claims. Without this successful geographical engineering (different from geopolitics, see Kagansky, 2002) wars would still be raging across the entire area of the former USSR (cf. situation in the former Yugoslavia, which failed to secure such a consensus). This decision, on the part of Russia in particular, was far from self-evident, easy and simple, at least because the settlement of several ethnic communities – the Russians in first place – did not correspond to the boundaries between the republics. This decision was reached in spite of the fact that there were at the time numerous authoritative and popular demands for integrating all the areas populated by Russians into the

new Russia: this which would have implied annexation of substantial chunks of Estonia, Latvia and Belarus, and a complete disintegration of Ukraine and Kazakhstan.

The second phase of the revolution of regions – regionalisation – which was under way throughout the Yeltsin decade, involved the transformation of Russian regions into autonomous subjects of the Federation, both *de jure and de facto*. There was a real decentralisation and federalisation of Russia. During Yeltsin's time, the centre was weak and the regions strong, independent and even self-willed; the limits of joint jurisdiction between the centre and regions were fixed through conflicts and haggling. In some cases, it came to war: for instance, the war in Ossetia and Ingushetia in 1992. The regions became semi-independent actors, with regional elites sharply gaining strength. Signs of a deeper regionalisation began to be seen in the second half of the 1990s, but the pendulum had by then already swung in the opposite direction, something which manifested itself in the first Chechen war.

In the modern Russian Federation, the administrative-regional structure of the territory is still pronounced. The structure of the state determines the structure of society. The much stronger regions constitute a basis of the federative structure of the state; even if there is some separation of powers, it is separation of powers between Moscow and the subjects of the Federation. The overwhelming majority of regions themselves remain monocentric. This indicates that the old Soviet structures have, in fact, been preserved: there is a wealth of centres and even the poorest regions now have the status of a federated subject. By the same token, the outlying areas of even the most prosperous regions are in a dire state (e.g. the remote areas of the Moscow and Leningrad oblasts).

2. Spontaneous processes

The main transformations of the territory in recent years were natural and spontaneous, not arranged by the authorities. The former components of the Soviet territory are not only becoming autonomous, as in the past, they are now also rapidly changing their roles and functions. One can speak of an inversion of the Soviet model (Kagansky, 2005). Previously closed state borders are being opened, and borders become an area of contact rather than an area of closure. People in the old Soviet borders of the Russian Federation learn of business and cultural developments not from the remote centre but from their foreign neighbours: the former USSR frontier is turning into a development axis, a linear international node of growth. By contrast, the new Russian Federation borders with former Soviet republics have become more closed and the ties are weakening (Tarkhov, 1997). Neighbouring countries are acting as financial and cultural centres, sources of investments and innovations, models for imitation, guarantors of environmental stability for the ever-many Russian areas (Finland for Karelia and the Karelian Isthmus, Germany for the Kaliningrad oblast, Japan and in part Korea for the southern regions of Russian Far East, etc.). Also increasingly noticeable on Russia's fringes is the increasing presence of foreign populations.

There is therefore a "centre-border inversion" with respect to the previous Soviet model; this corresponds to the contrast between the large, closed Soviet economy and the small, open Russian one (Pappe, 1998).

Even more important is the inversion between the centre and the periphery. Russia's economic development is increasingly affected by outlying resource-rich regions, poorly developed, thinly populated areas in Siberia and in the northern areas of the European part of Russia. This contrasts with the earlier Soviet model, where it was in the European provinces of Russia and the USSR that the main military-industrial enterprises were located.

The functional core of the Russian Federation is not so much the old, densely populated Central Russia as the young but undeveloped Northern Siberia. The economic centre of gravity in Russia is rapidly shifting to the northeast. Rising world energy and metal prices have increased the importance of these resource-rich outlying regions of the country.

By the same token, while the old elite was the military-industrial complex, the new elite is in found the fuel and energy sectors, as well as in energy-intensive operations like non-ferrous metallurgy. Previously closed cities are opening up and integrating into the economic and social fabric of their respective regions, whereas in the past they were isolated bunches of technologies.

This all has serious implications. First, it is not clear whether this framework can sustain the integrity of the state. The infrastructure axes of the fuel and energy complex are not cultural axes in the way that the railways of the military-industrial complex were. It is also unclear whether the fuel and energy complex is capable of generating the scales of complexity needed for the nation and especially for its cultural landscape. The old Soviet military-industrial complex did generate, as a by-product, a great deal of complexities, including social patterns and settlement structures.

Although there has been an inversion from the old military-industrial complex of yesterday to the fuel and energy complex of today, this is by no means an inversion of inward-oriented to outward-oriented entities: the Soviet military-industrial complex was oriented towards external objectives, as is the new fuel and energy complex. The old export of threats, destabilisation and fear has been replaced by the export of energy and metals.

There has also been an inversion between regional centres and second cities. The regional centres (capitals) and the second cities, in terms of population, generally the biggest taxpayers in regions, are changing places, roles and forces. In citing examples, we shall highlight the phenomenon straight away: Cherepovets – Vologda, Bratsk – Irkutsk, Togliatti – Samara, Magnitogorsk – Chelyabinsk, Norilsk – Krasnoiarsk, Surgut – Tiumen, etc.

These second cities, comparable in terms of numerous parameters to the regional centres, do not have to bear the burden of regions. The need not finance their regions and hence their economies are more efficient and more effectively privatised. They show all the signs of an economic boom based on rising production, whereas some improvements in regional capitals are based primarily on the large-scale redistribution of resources. Second cities are increasingly experiencing a general population growth, making the ever-larger number of regions really polycentric.

There is also the phenomenon of small-scale trade which, alongside other phenomena, is encouraging the formation of new localities outside the framework of administrative division, and the emergence of areas which do not fit into the system of regions and which even conflict with it (Kagansky, 2002B). For instance, there has been a "dacha boom" in the post-Soviet period - "dachas" springing up in suburban areas around cities, built for the newly rich. City centres have become "gentrified" in ways that do not correspond to administrative districts. Individual small towns and sections thereof are experiencing a sound upturn against the background of their neighbours' decline. There are new rural settlements; new and rehabilitated streets; clusters of housing in rural settlements and old capital city dacha settlements.

This process of post-regionalisation and territorial fragmentation started in 1998 – 1999. It coincided with the growth of new sectors of the economy. In economic terms, post-regionalisation means investment in an area, emergence of sites absorbing considerable direct and indirect financial and material resources. The new processes no longer fit the previous territorial delineation of the state and represent the end of the old Soviet system of territorial division. Local differentiation has increased in terms of living standards and way of life; peripheral areas have moved to a subsistence economy while other areas have grown prosperous.

3.   The new logic of political power in the state territory

President Putin's term in office was characterised by an attempt to reassert the authority of the centre over the whole of the state territory. Much of this attempt was expressed in symbols, for instance, the effective restoration of the old Soviet national anthem and the reintroduction of the red flag for the armed forces. In its most violent form, this attempt has been seen in the second Chechen war, in which the state showed its determination to put an end to secessionism. Whereas the former union republics of the USSR became independent in 1991, former autonomous republics of the Soviet Russian Federation are forbidden to even think of independence.

The federal centre also undertook a policy of de-regionalisation, re-centralisation and de-federalisation of the country, the reconstruction of a vertical hierarchy and regional mergers. All these measures have been implemented by amending legislation, which has resulted in placing greater powers in the hands of the federal centre. Conflicts between the laws of the Russian Federation and the regions were removed by solely amending regional legislation (rather than regional and federal laws at a time), which markedly reduced the powers of regions. Yeltsin's agreements between the centre and the regions led to a division of responsibilities, authorising extensive decentralisation and federalisation, making the regionalisation process civilized and ensuring that the unity of the state was preserved. Tax law amendments, however, caused a loss of revenue to the regions, which made them more dependent on the federal budget.

In addition, there is also a financial recentralisation of the country though private business, especially the banking sector. The powers of the Council of the Federation shrank markedly after it ceased to be composed of the elected heads of regions and the heads of regional legislatures. There is no longer any elected public body at the federal level representing the subjects of the federation. The fact that the heads of regions are now appointed by the government is one of the clearest signs of this counter-federalisation.

Many of the above measures were carried out in the name of so-called administrative reform, whose real purpose is to streamline an extremely ineffective, unwieldy and highly expensive territorial administration system; the reform aims at tightening control of all activities in the territory, primarily of the regions. It is precisely to subordinate the "unruly regions", or rather regional elites not quite loyal to the centre, that a special tool, namely the creation of seven federal areas, was used. Their heads are plenipotentiary presidential representatives. Hence, a new non-constitutional level in the territorial institutional structure has appeared, even though, in creating these areas, no amendments were made to the constitution of the Russian Federation.

There are other aspects to this same process of regional integration. The first step has already been made: the Komi-Permiatsk Autonomous Area (inhabited by a predominantly indigenous population) and the Perm oblast have been amalgamated as the Permskiĭ krai. The argument that there are too many regions is rather bogus (For more data see Kagansky, 2000-2004).

All the state's current actions are paradoxical and doomed to failure, for even the much more powerful Soviet state was unable to halt quite natural spontaneous processes. For instance, it has failed to prevent the growth of the biggest cities, even though it tried. The government keeps trying to standardise, rationalise and centralise the state territory while the key spatial developments are already beyond its control. Thus the centre is still waging war on regional elites; their role, however, keeps shrinking in effect as a result of post-regionalisation and economic upturn, which is itself blurring the regions.

4.   The paradox of Russia's territory today

Russian public opinion pays little attention to these dramatic developments in the structure of their state territory. The mass media portray the new territorial arrangements as the result of decisions taken by the authorities but, as has been argued above, the reality on the ground is quite different. Thus we have entered a period of the early final breakup of Soviet territorial structures, and the transition of Russian territory to a post-Soviet phase. As in the 1990s, the spontaneous processes are much more powerful than the decisions of the authorities. Whereas under Yeltsin the authorities swam with the tide and adapted to spontaneous territorial transformations, today the authorities are trying to counteract the trends of spatial reality. Just when the territorial arrangements are being de-nationalised, the authorities are trying to re-nationalise them. The authorities are unable to arrest these trends but are capable only of complicating and hindering the spatial development of the country (Kagansky, 2003C). The window of opportunities for a purposeful transformation of Russia's territory as a whole is closing for good, at a time when the key objectives of long-term geographical engineering remain largely unresolved and even unarticulated.

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Endnotes

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Part II: Logistics of cooperation between Russia and Europe

Russian transport corridors and prospects for dialogue with the EU

Katri Pynnöniemi

1. Introduction

In this paper I discuss the emergence and evolution of discussion concerning the 'pan-European transport corridors' in Russia and what this means for Russia's relations with the EU. The pan-European transport corridor concept was introduced in the mid-1990s as the embodiment of and idea for an all-European transport policy (Pynnöniemi 2008, 107-110). This policy was formulated in the context of the then forthcoming EU eastern enlargement. It was acknowledged at the time that the enlargement required formative actions including a definition of the connections between the EU and third-party countries. The preferred connections were identified in the form of ten priority corridors that were seen as part of the general initiative to collaborate on "developing and implementing *trans-European transport networks*, with due consideration being given to their interconnection and interoperability, with economically weaker regions being supported when necessary" (Declaration 1994).

Initially three of the ten 'pan-European transport corridors' were extended to Russia.[1] In the process of formulating the Russian response to the EU's policy the concept of 'international transport corridor' emerged. Conceptually the move from 'Pan-European' to 'international' transport corridors' is a parallel move, in practical terms it is a way of distancing Russia from the discursive context of the 'Pan-European corridor' policy. This is partly due to the fact that the development of three 'pan-European transport corridors' in Russian territory is the very conjunction point of three major processes: the fragmentation of post-Soviet space, the integration of Russia into the global markets and the EU, and the reorganization of Russian polity. These are at the same time the major challenges in Russia's rebuilding.

In the following I will first give a brief overview of the process through which the concept of international transport corridor became part of Russian transport policy. In the second part of paper I will discuss how the concept is used in the context of Russian politics.

2.   The emergence of the discussion on transport corridors in Russia

The notion of the 'international transport corridor' was articulated as part of Russian transport policy roughly between the years 1997 and 2000. The three successive texts outlining the policy include: 'the concept of formulation and development of international transport corridors in Russia', 'the formulation and development of international transport corridors in the territory of Russia' and lastly, 'the formulation and development of international transport corridors in the territory of Russia' (Arsenov et al 2001; Arsenov 2001). In December 2001, the Russian government accepted a Federal Target Programme entitled 'The Modernization of the Russian Transport System' which included a sub-programme called 'international transport corridors'.[2] This programme was further elaborated in the above-mentioned three texts.

The text called *The main directions of the creation and development of the international transport corridors in the territory of the Russian Federation* was the first publicly accessible and formally authorized document on the development of transport corridors in Russia. It was discussed and accepted at the meeting of the Russian government on September 7, 2000.[3] Introducing the document, Minister of Transport Sergei Frank stated that in the government policy document 'The main directions of social-economic policy in the long-term perspective', 'the development of transport infrastructure is mentioned as a government priority. And the main means to realize this goal is to create a system of international transport corridors' (Frank 2000b). Having thus introduced the Ministry position on the issue, Minister Frank explained why the Russian government should adopt the new notion of 'international transport corridor' as the locus of its transport policy. He pointed out that, in fact, not just Russian authorities, but the international community at large considers the development of 'international transport corridors' in the territory of Russia as an important policy objective.

Minister Frank explicitly referred to the Second International Euro-Asian Transport Conference that was to take place five days later in St. Petersburg. During the preparations for the conference 'we became convinced', said Minister Frank, 'that the world is ready to recognize Russia's leading role as a Euro-Asian transit country'. In order to make use of this (recognition), he added, the government should confirm its readiness to 'create an efficient transport bridge between Europe and Asia'. But, as the argument continues: 'for the time being Russia uses its massive transit potential poorly'. This is because Russia lacks a consistent policy on how to take advantage of its favourable geographical position (Frank 2000b).

The formulation of a consistent, *federal* policy on 'international transport corridors' was considered timely because:

'… The group of countries, united in international alliances and supported by the EU and international organizations, have initiated several large international projects aimed at directing Eurasian trade flows around Russia'. (Government of RF 2000)

The text highlighted the need for the government to act by making it known that the realization of these projects may 'adversely affect' not just the economy of the country but its national security as well (Government of RF 2000). Minister Frank's speech at the Security Council earlier in the spring of 2000 added to what was left unsaid in the official text. The 'large international project' referred to the new Europe-Caucasus-Asia transport corridor TRACECA, officially portrayed as 'a renaissance of the Silk Road' (Traceca 2002, 2). The 'latitudinal transit corridor' would help to redirect trade flows between Europe and the Black Sea and the Central Asian countries around Russia. In these circumstances, Minister Frank outlined three policy options for Russia. Complete withdrawal from the cooperation or full participation in it were not considered plausible forms of action. Rather, Frank proposed that Russia apply for observer status. This would give Russia access to information concerning the project, which, from this standpoint, would make it easier to attract the attention of others (Uzbekistan, Turkmenistan and Kazakhstan in particular were mentioned) to Russia's initiatives in this sphere (Frank 2000a).

The point subsequently made by Frank at the government meeting was that the coordination of the work of the transport ministries in Russia (meaning the Ministry of Transport and the Ministry of Railways) was no longer adequate. 'The development of Russian international transport corridors requires continuous support by means of foreign policy', stated Frank. He listed several practical means to further the interests of the state including: 'operative use of border-crossing formalities', 'optimization of through traffic rates', and support from the power ministries to enhance the security of the transport process (Frank 2000a).

The development of the 'international transport corridors' would signal a step in the right direction. As Frank argued, the government should approve the document prepared for the meeting by his Ministry and also charge the Ministry, together with the Ministry of Railways, with the task of preparing an appropriate state programme that would outline Russia's policy on 'international transport corridors' and modernization of the transport network in general (Frank 2000b).

3.   Formulating a Russian position on corridors

The government meeting on September 7, 2000 duly produced two definite results. First, the Ministry of Transport and the Ministry of Railways received official approval to establish guidelines for the programme on modernizing the transport and infrastructure system. This process eventually culminated in government approval of the Federal Target Programme *The Modernization of Russia's Transport System 2002-2010* on December 5, 2001.[4] By giving the document its seal of approval, the Russian government, in principle, consented to the allocation of 600 billion roubles between the years 2001 and 2010 for the development of 'international transport corridors' in Russia. It also provided guidelines on the way in which budgetary (and non-budgetary) funding for the corridors (and the infrastructure modernization in general) should be spent. In the sub-programme on 'international transport corridors' the existing texts on the corridors were further elaborated. The sub-programme also defined the criteria for choosing the particular corridor routes and described the list of investment projects within the corridors (Mintrans 2001b).

Thus, formal acceptance of the 'international transport corridor' concept was an important precondition for its use as a frame for federal-level policies on transport and infrastructure development. The approval of the Federal Target Programme *The Modernization of Russia's Transport System 2002-2010* consolidated the use of the new title 'international transport corridor' in the government policy on transport development (Government of RF 2001b). Thus, ever since 2002 the federal budget has included a special category 'Federal Target Programme: the Modernization of the Russian Transport System until 2010'. A cursory glance at the federal budget confirms that the new status of 'international transport corridor' was included in the budget after it was accepted by the above-mentioned government session. In the federal budget approved on December 27, 2000, over 8 million roubles were allocated to the reconstruction and construction of federal highways 'in the framework of the development of international and inter-regional transport corridors and main transport junctions' (Government of RF 2001b; Government of RF 2001c; Government of RF 2002b).

The implementation of the programme is envisaged to take place in two stages. In the first stage, from 2002 until 2005, the development of the transport system would be oriented towards improving existing facilities and eliminating "bottlenecks". During the second stage, from 2006 until 2010, the accelerated development of the transport system should result in a significant improvement in the efficiency and quality of transport services. According to the plan, the total amount of investments during the programme period will amount to 4.6 trillion roubles, as estimated in 2001; over half would be derived from non-budgetary sources (Mintrans 2001b; Transport Rossiï 4.-10.10.2002).

4.   The corridors as a new aspect of Russia's economic policy

The decision to develop 'international transport corridors' in Russia was widely reported in the Russian media. As reported by the main Russian television channel, ORT, the active development of international transport corridors had duly become 'a new aspect of Russian economic policy' (Telekanal ORT Novosti 7.9.2000 15:44 MSK). The redefinition of federal priorities in the transport sphere emerged in early 2000, at a time when Russia was entering a new phase of its macroeconomic environment after the economic crisis that hit the country in August 1998. The positive conjuncture of the high world energy prices was the main engine of economic growth in Russia, and one that would last for years to come.

A good starting point for further analysis is the interview with Prime Minister Mihkail Kasyanov which was broadcast on ORT after the government meeting on September 7, 2000. It conveys the way the corridors were publicly addressed at the time as well as how the development of the corridors was presented in answer to certain questions.

PRESENTER: What other questions were raised?

CORRESPONDENT: One more question about today's governmental session concerning the transport corridors on Russian territory, which make use of the country's advantageous geographical position. This is what the head of government had to say on this issue.

MIKHAIL KASIANOV: Many countries receive a great deal of money from transit, and our country could receive more than the minimal amount she is currently receiving, as a result of the opportunities afforded by her geography. In addition, this [the development of the corridors] will bring investments and economic development to those regions where the transport corridors are located. Our international partners have shown interest in such projects. Concrete plans exist and we are examining them.

CORRESPONDENT: Apparently, the issue also concerns the inclusion of Russia in the European-like system of transport corridors. Of the nine [corridors], three pass through Russian territory. Furthermore, this is the second time that the government has raised the subject of preparations for winter. According to Mikhail Kasianov, the situation has not improved since it was first brought up. (Telekanal ORT Novosti 7.9.2000 12:00 MSK)

The description of the corridors is enlightening since it shows how, after several years of cooperation, the exact locus of the pan-European corridors remains unclear.[5] The claim that the development of the transport corridors is, in essence, a means of integrating Russia into the 'European-like system of transport corridors' seems to be a slip of the tongue rather than a serious statement. It contradicts what was implicitly hinted at, although not explicitly uttered earlier in the news report. The first premise of the argument for the development of transport corridors in Russia was expressed at the beginning, where the correspondent referred to the 'advantageous geographical position' of Russia. The missing premise in this notion of 'advantageous geographical position' is the acknowledgement that Russia is located between 'two dynamic centres of the world economy: Europe and Asia' (Government of RF 2000a). Prime Minister Kasianov rounded off the argument stated above by explaining why Russia's geographical position is 'advantageous'. First, the state would benefit from the expected increase in transit volumes through Russia, either by way of increased transit fees or, indirectly, due to increased investment in the development of the transport infrastructure. The contradiction between the conclusion, presented by the correspondent, and the premises of the argument raises the question of how the 'semantic currency' of transport corridors is used in the context of Russian politics. What form does the notion of a new European order inscribed in the development of 'pan-European transport corridors' take in the Russian context? Does the development of Russian international transport corridors concern the creation of a competing set of transit routes through Russian territory where the 'pan-European' component is just one part of a larger game?

5. The three pairs of semantic games

5.1. The games of competition

In the first instance, the development of the 'international transport corridors' is a game of competition fought in the sphere of geo-economics and geopolitics. It is an answer to the question of whether Russia will become a 'bridge' between Europe and Asia, or the 'dead-end' of Eurasia. Opposing metaphors are used in the reasoning for *immediate* actions in the sphere of transport and infrastructure modernization. The concrete plan of action is inscribed in the concept of the international transport corridor. The semantic game of competition has two aspects: competition in the sense of *konkurentsiia* (here 'competition') and competition in the sense of *sorevnovaniia* (here 'cooperation'). This pair of complementary and mutually supportive games is summarized in Table 1.

The positive vision of the 'bridge' and its negative counterpart, the 'dead-end', mirrors the traditional way of positioning Russia between Europe and Asia. In the game of competition (*konkurentsiia*) the 'international transport corridors' are considered as a means of 'fighting for' the transit flows rerouted through Russian

territory. Success in this game is counted as an instance of the international recognition of Russia as a great Eurasian (transport) power (*derzhava*) (Mintrans 2001b; Government of RF 2000). In actual fact, however, a mere one percent of the trade flows between Asia and Europe presently runs through Russia. Moreover, a substantial proportion of Russian imports (originating from Asia) are carried via distribution centres in Europe to Russia. Set against this background, the 'pan-European transport corridor' concept is understood as a synonym for the 'dead-end' metaphor. Thus, instead of using a term that carries a negative connotation in the Russian discursive context, it is merged with the concept of 'international transport corridor'.

In the Russian discursive context, the development of the corridors is rarely addressed in terms of 'integration', although integration of the Russian and European transport infrastructures is considered 'inevitable'. The conceptualization of the corridors as 'international' in the Russian discursive context reinforces rather than challenges the strict contours between the local, state and global domains of politics. It marks a step away from the diffuse 'Pan-European' space and its terms of integration. This is clearly expressed in the context of discussing the 'Russian transit' to Europe through the former Soviet Union countries or other neighbouring countries. In practice, the bulk of Russian transit consists of crude oil and oil products and natural gas transported via pipelines or carried by sea or rail transport to Europe. With reference to Russian foreign trade, the concept of 'international transport corridor' is used in arguing for the preservation of Russia's independence from other countries, rather than interdependency and integration. This policy objective has been actualized in the building of new port complexes in the Gulf of Finland (oil terminals and later container terminals as well).

More recently, the Russian policy on 'international transport corridors' has become more outward-oriented (vis-à-vis post-Soviet space in particular). This was illustrated in 2005 when the 'international transport corridor' sub-programme was renamed the 'Export of Transport Services' sub-programme (Mintrans 2005c). It outlines the actions required to 'capitalize' on Russia's geographical position. In Russia's relations with the EU, the shift is couched in the term "Transport Diplomacy", which is a concept that runs parallel to the term "Transport Dialogue" used in the context of EU-Russia cooperation on transport. I will return to this point in the final chapter.

However, the game of competition (*konkurentsiia*) has a more 'cooperative' variant. In this latter sense, competition is understood as a challenge (*sorevnovaniia*). In the game of 'cooperation', the emphasis shifts from a primarily geopolitical to a more diffuse, temporal understanding of distance. In this sense, the development of 'international transport corridors' in the territory of the Russian Federation is identified in terms of the 'quality' of the transport services offered including, for example, the punctuality of the service, the use of the latest IT transport applications (at the logistical centres), and other practices that require

harmonization of the current Russian legislation with European and international norms and regulations. In this context, the 'corridor' is the 'space of flows' (Castells 1996): an *interface* between the internal and external domains of politics and between technology and politics. In both of these senses, the 'international transport corridor' correlates with the concept of the 'Pan-European corridor'.

In a trivial way, both terms convey a reference to 'optimization'. In a general sense it refers to the challenge globalization poses to the sovereign territoriality/regional integrity. In the context of 'Pan-European corridors', the idea of 'optimization' is expressed in the proposal to carry out studies on the evolution of transport flows within the range of a particular 'corridor' or 'transport area'. In the context of the discussion about Russian 'international transport corridors', on the other hand, 'optimization' refers to the balancing between private investors, international financial institutions and the Russian state agency in the planning and implementation of major infrastructure projects in the territory of Russia. The elaboration of the 'international transport corridor' concept is a practical application of the objective of acquiring foreign investments for Russian infrastructure projects. Even though the EBRD and the World Bank have been involved in financing the prioritized transport infrastructure projects, the bulk of the financing comes from the Russian state budget. Consequently, the majority of the discussions on the corridors have focused on the question of how to 'fight', not just against international competitors but against the 'departmentalism' characteristic of the Russian state administration.

The final aspect	The "causal" aspect	The rational inference
B1: Competition (*konkurentsiya*)	Competition understood as a zero-sum game Reduction of Russia's dependency on the infrastructures of the neighbouring countries Russia as a 'bridge'	Prioritization of the development of the country's own ports, redirection of foreign trade and transit flows to the territory of Russia
F1: Cooperation (*sorevnovaniya*)	Competition understood as a challenge Improvement of the quality of the Russian transport system Russia as an 'interface'	Formulation of the concept of MTK*
Assembly: Optimization	'Capitalization' on Russia's geographical position between Europe and Asia Russia as a 'great transport power'	MTK "North-South" and "East-West" "Export of transport services"

Table 1. The Assembly of Competition/Cooperation. *MTK: International Transport Corridor

5.2. The games of chance

Russian policy on the 'corridors' was to a large extent formulated as a response to *external* challenges: globalization and the reordering of Europe. However, the notion of the 'corridor' carries with it an aspiration towards consolidating the 'vertical administration' of Russian polity. In the background of the formulation of the policy is an understanding of Russian politics in the 1990s as a game of chance. Reference is then made to the regular, unexpected shifts in policy and the mixing of formal, informal and unwritten rules in the instance of policy-making (Caillois 1961, 73).

In a positive sense, the 'markets' represent a form of play where the games of chance and competition are combined. In the Russian discourse the reference to playing in accordance with 'civilized rules' makes this connection. In practical terms, 'civilized rules' refer to the state agency as a combination of regulative institutions, for example, the mechanism of 'public-private partnership' in the financing of large road infrastructure projects.[6] However, rational economic action in the context of Russian state policy is largely oriented towards securing the state interest in a particular economic sphere or under specific circumstances. The state interest, in turn, can be formulated in terms of economics but, as indicated on several occasions in this study, it is often a combination of economic and purely political ends. Control over 'strategic' state assets, in particular the territory, remains in the pervasive realm of the federal policy.

Competition in this latter sense translates into the 'struggle' over territory, resources, position and so forth, where there is very little room for *competitors*. This is contrary to basic market principles whereby competitors are accepted as part of a game that is pursued to enhance one's *competitiveness*. Protectionism is one tactic in the game played in the markets, whereas disavowal of competition as such is not. From the viewpoint of the foreign investor, including a particular project or even a branch of the economy as part of the 'strategic state interests' indicates a rising level of *risk*. The risk lies in the unpredictability involved with the lack of transparency at the policy-design level, as well as at the level of policy implementation.[7]

Against this background, policy on 'international transport corridors' is pursued to improve control over policy-planning and implementation of infrastructure development projects. What is addressed here is the background of the 'formal rules', that is, the informal and unwritten rules of the game of chance and competition. In the Russian discursive context, the nesting of the two games takes the form of 'inter-departmental transport complexes' ("MTK"). The notion of 'inter-departmental transport complexes' refers to the problem of 'departmentalism' ('administrative reform' in current parlance), but also to the domination of the game of chance (presupposing a certain resignation of the will) in the 'administrative markets' of Russian politics (see Table 2. below).

In the best possible scenario, coordinating the implementation of priority projects at the level of different ministries and state committees enhances the efficiency of the work of the agencies. However, these arrangements are often established under the 'personal supervision' of the president, whereby the semantic currency of "MTK" translates into a source of 'razzmatazz' in the instance of policy-making. The way in which the mechanism of 'public-private partnership', now inscribed in a law on automobile roads (see note 6 above), is implemented is an important benchmark in the trajectory of creating an 'aggregate of institutions that make societies competitive', as expressed by Dmitry Trenin (Kommersant 25.5.2006). Russia's success in 'transforming itself' would require that the destructive elements present in the games of chance and competition are not given the upper hand in the task of improving the 'coherence' of the country and the 'diversification' of the Russian economy.

The final aspect	The "causal" aspect	The rational inference
B2: Control	Securing the state interest in an instance of policy-making	Idea of "Strategic planning"
F2: Regulation	Transformation of the agentive context of policy-planning and implementation	Implementation of the PPP mechanism
Assembly: Coordination	Completion of priority projects	"MTK" **

Table 2. The assembly of control/regulation.
** "MTK" The inter-departmental transport complex

5.3. The games of simulation

In recent years, 'transport and infrastructure development' has acquired the status of 'topics to be mentioned by the president' and other high-level state officials in their public appearances. The rise of transport from almost complete oblivion to the sphere of state 'strategic interests' has been rapid, and it is likely to retain that status in the years to come. As noted in previous chapters, the development of international transport corridors in Russia is considered in the context of the need to strengthen the coherence of the country and its international competitiveness. The notion of 'Transport great power' (*derzhava*), often used in this connection, and carries with it a reference to repositioning Russia in post-Soviet space. This general idea is expressed in the 'strategic cooperation 1520' concept. 1520 refers to the wide railway gauge in use in several countries bordering Russia.[8]

The reasoning for the policy (see Table 3.) is geared towards preserving the *coherence* of 'post-Soviet space' and/or Russian political and economic space. 'Diversification' is, in essence, understood here as the aspiration to improve logistical services (such as logistics centres and terminals at the major ports) in Russia, as well as improve the road connections between the regions and major industrial centres. These objectives are clearly stated in the Russian transport

strategy. However, the main emphasis is placed on *diversification* of the energy export routes in line with Russia's energy strategy.

The development of *international* transport corridors in the territory of Russia is part of the efforts to consolidate the power of the federal agencies over the regional and local administrations. At the same time, the conceptualization of the corridors is a currency used in the competition for scarce resources and power within the federal policy space. From the viewpoint of the regional agencies, it serves as a code word that denotes the commitment of the federal agencies to the *completion* of prioritized projects.

The 'Assembly' of the two lines of thinking can be summarized in the notion of *rebuilding*. It is understood here in the sense of 'putting in order' (*obustroistvo*) the existing set of infrastructures. In a minor sense, it denotes the 'reconstruction' of the infrastructures providing for the increase in transit flows and the country's most important foreign trade commodities. On the other hand, international competition in the sphere of transit transport between Europe and Asia compels Russia to 'rearrange' the existing administrative and other practices to provide for qualified services for international transport. I have already referred to this in the first pair of games.

The development of 'international transport corridors' in the latter sense does not denote *per se* the opening up of Russian markets to foreign competition. In the Russian discourse, the development of corridors refers, on the contrary, to the *forging* of the Russian international gateway. The use of the term 'international' conveys the continued and reinforced emphasis on the sovereign territoriality and practices whereby it is upheld. The last pair of semantic games ('coherence' and 'diversification') is the game of simulation (*mimicry*).

The logic of playing the game is best described as a 'simulation of strength'. This is the game of simulation and vertigo (*ilinx*), where simulation 'consists of deliberate impersonation', for example, in the form of cunning (Caillois 1961, 78). The main line of thinking is to consider the country 'at the top of the mountain'. The path along the mountain range is, to a large extent, comprised of railways and pipelines, even if the 'roads of Russia' have a central place in the discourse about Russia's competitiveness. The central position of the pipelines and railways is indicative of the weakness of Russia's foreign economic trade pattern and the structure of the economy in general. Acknowledging this the Russian leadership has envisioned a change towards an "innovative economy". It is seen as a recipe for restructuring the economy.

The final aspect	The "causal" aspect	The rational inference
B3: Coherence	Reconstruction of the existing transport and infrastructure system (ETC)	Building the Chita-Khabarovsk road
F3: Diversification	Increase in the share of value-added products in Russian exports	Establishment of logistics centres, adoption of IT solutions in the transport sector
Assembly: Rebuilding	Improving existing connections serving Russian foreign trade and diversification of the energy export routes	Construction of new ports and improving connections to them as well as in the direction of Asia "Strategic Cooperation 1520"

Table 3. The assembly of coherence/diversification.
*** United Transport System (Edinaia Transportnaia Sistema, ETC)

6. Conclusion

Irrespective of the economic growth Russia has enjoyed in recent years, the country has not seen any major improvement in the building of new railways, roads or air transport hubs. This slow progress is due to the lack of effective institutions required to implement long-term development needs. Over the years, the Ministry of Transport has been openly criticized for its lack of initiative in setting priorities and in failing to organize the practical work effectively. The solution to this problem is currently being sought in active state participation, which takes the form of putting state corporations in charge of large infrastructure projects. However, it remains to be seen whether these arrangements will help to tame corruption in the construction sector or, conversely, only serve to aggravate the problem.

From the games identified in the previous chapter, the games of competition (*konkurentsiia* and *sorevnovaniia*) are candidates for a creative and relatively open dialogue between Russia and Europe. This is because, although they are competitive forms of engagement, these games entail a community of players that share a respect for the rules, even if they do not always play according to them. The reasoning for the 'optimization' of Russia's interest does not *per se* point to conflict with the EU sphere of interests, especially if it is coupled with cooperative strategies in other fields. On the other hand, if 'optimization' is situated against a background of control and coherence, the allegedly positive-sum thinking (for example, Strategy 1520) takes the form of a zero-sum game. Even if the logic of playing the game of 'competition' and that of 'cooperation' is different, the common trait in these games is that they are relatively public, presupposing both a community of players and recourse to the formal rules of the game.

From the standpoint of consolidating the dialogue between Russia and the EU, the last pair of games (simulation and vertigo) is the most challenging. The playing of these games proceeds from the public sphere whereby the policy loses visible signposts that would help in assessing its outlines. Instead, the public domain of the politics acquires features of razzmatazz. This means that the public performatives are ambiguous and contain an element of improvisation. At the policy-implementation level, improvisation means pursuing the policy in accordance with the unwritten (non-public) rules that we may only have access to through traces of zigzagging. In the current parlance, the notion of strategic sectors and industries is subject to the kind of zigzagging discussed in this study.

The identification of Russia's policy in terms of state "strategic interests" subsumes within its sphere actions which, at the outset, would seem to fall within the sphere of economics. From the viewpoint of the dialogue between Russia and the EU, this presents a problem when it is coupled with the games of chance and vertigo, which, although they also presuppose agreement on the rules of conduct, are more prone to arbitrariness, to the whim of chance, and to the self-sufficient strategies of engaging in the dialogue.

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Endnotes

1. The three corridors include corridor I (Helsinki – Tallinn – Riga – Kaunas – Warsaw), corridor II (Berlin – Warsaw – Minsk – Moscow), and corridor IX (Helsinki - St. Petersburg – Pskov/Moscow – Kiev – Ljubasevka – Chisinau – Bucharest – Dimitrovgrad – Alexandroupolis). The total length of the pan-European corridor network is about 48 000 km, of which 25 000 km are rail networks and 23 000 km road networks. Airports, sea and river ports and major terminals serve as nodes between the modes of transport, along these long-distance interconnections between the Central and Eastern European countries)Status of the Pan-European Corridors and Transport Areas (SPECTA) 2002, 7).

2. The sub-programme was written in cooperation with NTsKTP (Scientific Centre of Complex Transport Problems at the Ministry of Transport of Russia) experts and experts from other transport and infrastructure planning institutes. Other materials that provided a basis for the work included the declarations of 'all-European' and 'international Euro-Asian' conferences (1994, 1997, 1998, 2000); materials from UN/ECE working groups on transport; materials from other sub-programmes of the FTP 'Modernization of Russian Transport System'; materials from working committees of pan-European transport corridors 1, 2, and 9; technical studies and business plans, as well as other studies conducted by NTsKTP or other participating institutes (Mintrans 2001b, 11-12).

3. Other topics discussed during the meeting included the energy supply of the autumn-winter period 2000-2001, the simplification of the import customs tariffs, changes in the status of the Ministry of Antimonopoly Politics, and the allocation of funding for the Saratov oblast from the federal reserve fund.

4. The Russian government authorized Mintrans and the Ministry of Railways to draw up a detailed modernization programme on transport in accordance with the governmental directive No 232-p on 16.2.2001. The programme was finally approved on 5 December 2001. The programme had 'federal status', which meant it was entitled to direct budgetary funding. The available financing for the modernization programme is decided separately for each year (Government of RF 2001a; Government of RF 2001b).

5. From the very outset, the Russian discussion on the corridors was inconsistent and different terms were used to denote the same routes.

6. The law on 'automobile roads' accepted by the Council of the Federation on 26.10.2007 defines the mechanism of the public-private partnership and includes blueprints for the building of toll roads in Russia (Federal'niĭ Zakon 2007).

7. The acceptance of the law on 'strategic industries' in September 2007 should therefore be seen in a positive light since it provides foreign and domestic investors with a formal map indicating those branches of the economy in which the state interest and involvement is expected to be deep (Liuhto 2007; Hanson and Teague 2005; Gaddy 2007).

8. Today the broad gauge is used in the Baltic states, Ukraine, Belarus, the Caucasian and Central Asian republics and Mongolia. The main railway networks of Spain and Portugal use a wider gauge than the standard one.

The Development of Murmansk Region in the light of three scenarios

Yrjö Myllylä

1. Introduction and objectives

This article presents the development of the socio-spatial structures and the geoeconomic position of the Murmansk Oblast (Figure 1) through the year 2025. The starting point for the analysis is that the appropriate planning of industry, logistic infrastructure and population is inadequate without a well-grounded assessment of the region's present and future economic conditions and contingencies. Key concepts of study are Strong Prospective Trends (Toivonen 2004; Kuusi 2008; Naisbitt 1984) and Cluster (Porter 1990; 2006; Malmberg & Maskell 2002). The study is based on the Delphi method, which is commonly used within the discipline of futures studies (on the method, see Myllylä 2008a; Kuusi 1999; Kuusi 2002; Turoff 1975, 2002, 2009; Sackman 1975; for more on futures studies, see Bell 1997a; 1997b). The main question to be answered involves what future socio-economic scenarios the Delphi method provides for the Murmansk Oblast. Figure 1 shows the target region for this study, the population concentrations and the administrative districts and major towns today.
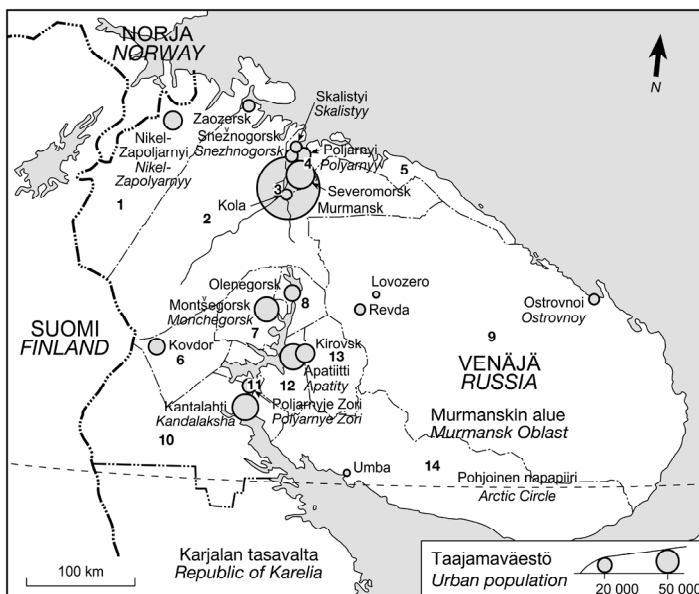

Figure 1. Population concentrations, administrative districts and major towns in the Murmansk Region.

This study is based on material from interviews with a panel of specialists in the Murmansk Oblast and an analysis of on-going socio-economic development in the region, together with material from interviews with two additional panels, one consisting of specialists from Moscow and St. Petersburg and the other an "international" panel mainly consisting of experts from Finland (See Table 1).

2.   The background and need for the study

The starting point of the article is the idea that the dissolution of the Soviet Union resulted in a shift of the geopolitical and geoeconomic focus in Russia to the north. As the main oil-producing regions of the Soviet Union, such as Kazakhstan and Turkmenistan, became independent, the relative importance of north-western Russia and Siberia increased in Russia's oil and gas production (Tykkyläinen 2003). The high prices of crude oil and natural gas products in the global market have led to the emergence of wealthy, rapidly developing pockets in remote regional economies. Oil and natural gas are Russia's main exports, brought to Europe primarily by oil and gas pipelines, an infrastructure built several decades ago. Now, however, the situation is changing.

Economic interest in northern regions has increased as the growing world economy demands more energy and the resources in existing oil and gas fields are being depleted. The Arctic region is rich in oil and natural gas. The rising prices of raw materials are making the exploitation of Arctic natural resources more profitable than before. These regions are located northeast of Finland. What role will Murmansk's northern location have in the new, rapidly developing transport system? What impact will the fact that the Murmansk Region is located relatively close to key market areas – the European Union and the increasingly important eastern coast of the United States – have on the development options for the region (Figure 2)? How will other geographical factors, such as an ocean port that is ice-free the year round, affect the development options available to the Murmansk Region? What effect will the change have on the development of industry and logistics in the Murmansk Region and how will it affect social trends there?

The business structure of the Murmansk Region consists not only of activities related to national defence but economic activities typical to high-resource regions in general: extraction and pre-processing of natural resources, particularly mining and the related ore processing, apatite mining and the fishing industry. The mining and metal-processing industry, which is very important to the region, has found its way to a new global market, but tough competition is forcing production plants to reduce their workforces as well as modernize their technologies. The rationalization of industry has resulted in outmigration, particularly from communities relying on a single industrial enterprise and lacking any other jobs. This study also discusses the options for developing the sector based on natural

resources and the possibilities of creating a more diverse structure of the regional economy through improved know-how and expertise.
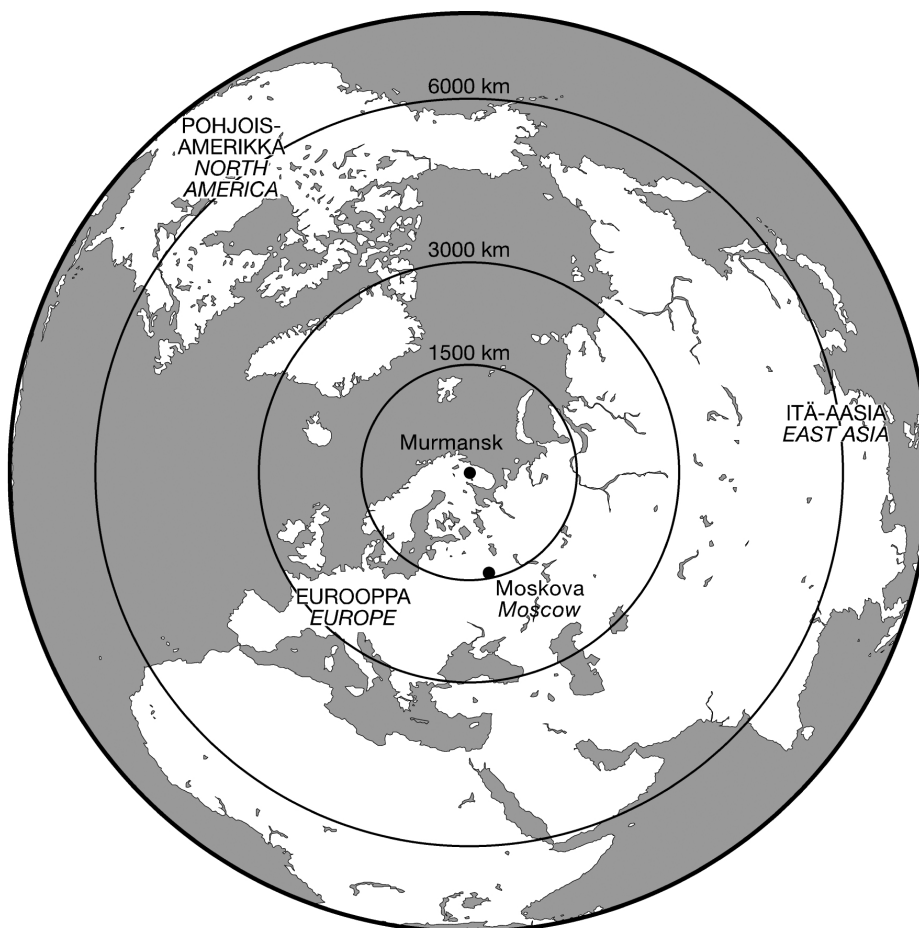
Figure 2. The location of the Murmansk Region. Sea routes from Murmansk and the nearby Arctic gas and oil fields are relatively short to current key market areas, particularly Europe and the increasingly important eastern coast of the United States. Reproduced by permission of the Geographical Society of Finland and the authors (Myllylä & Tykkyläinen 2007).

In terms of regional development, the aim of this study is to outline the various options for the economic future of the Murmansk Region and the logistic structures required by these options and to test the applicability the Delphi method for outlining this future. From the perspective of futures studies, the viability of the Delphi method with regard to studying and forecasting regional development in general was also assessed. The target group of the study consists of three expert panels, the first is called the Murmansk panel, the second the Moscow panel and the third the international panel. A total of 77 experts participated

in these panels in 2004-2007 (Table 1); in addition, a number of other experts were interviewed. The time span covered by this study extends to the year 2025. Because the Delphi method involves the identification of change factors, it is better adapted to long-term foresight than methods with models based on historical material, the latter being better suited for forecasts for the near future. The evaluation of the scenarios and choice of the most probable one are based on an application of the Delphi method which was developed during the data collection. The use of a feedback round among the specialists for evaluating the actual results of the Delphi method forms a new model for the application; this is called Feedback Delphi (see Myllylä 2008a, 2008b).

Table 1. The data of interviews based on the experts' competence and interests. Here, 'competence' means the experts' special experience in clustering and 'interest' the interests of the specialists in the clusters. The Murmansk panel consisted of a pilot interview (10 respondents) and the Delphi panel's 1st (25 respondents) and 2nd round (19 respondents); the Moscow panel consisted of the Delphi panel's 2nd round of interviews (6 respondents), and the international panel consisted of the Delphi panel's 2nd round of interviews (17 respondents).

INTEREST / Actors in cluster — COMPETENCE / Cluster	Companies			Financing or other support service			Research and education			Administration			Other / Independent			Total		
	Murmansk	Moscow	International	Murmansk	Moscow	International	Murmansk	Moscow	International	Murmansk	Moscow	International	Murmansk	Moscow	International	Murmansk	Moscow	International
Energy	3	1	2	2						3				2		8	2	3
Mining and metal processing	3	1		1		1	1			5						10		2
Transport and logistic services	3	1		1					1	1		1		1		5	1	4
Food	5									1		1				6		1
Tourism	2	1								1		2				3		3
ICT	3	1		2		2	2									7		3
Environment	2												2	1		4	1	
Welfare	2								1	1		1	2			6		1
Security													1			1		
Others													4	2		4	2	
Total	23	5	6	6			4	2		12		4	9	6		54	6	17

3. The development of the Murmansk Region - Three scenarios

The logic of the scenarios. When the results are compared to each other, highlighting the greatest differences between the interest groups can draw attention to all fundamental concepts behind these differences and the related driving forces, which often act synergistically (Geist & Lambin 2002: 146). In this project, there were substantial differences between and within the respondent groups with regard to the development of value-based trends or changes in values. In addition, respondents also disagreed on where economic decisions regarding the Murmansk Region would be made in the future – in Moscow by the federal government, in the international market or at the regional level. If certain assumptions are made about the driving forces, the other variables in the scenarios could be described through the results of the Delphi panel. The major projects in energy production, for example, and their time schedules will impact on the development of the Murmansk Region. For example, the schedule for the opening of the Shtokman gas field and the Murmansk or Indiga oil pipeline project can be linked to the driving forces. Scenarios 1 and 2 represent the extremes in or the limits of the most probable scenario for the development of the Murmansk Region not leading to an actual economic disaster. Scenario 3 represents an unlikely but still possible deep regression in the world economy and a slump in the oil price.

Scenario 1 – '*Market forces and democracy are strengthening and values developing*'

-   Decision-making power lies with the market and democratic forces as well as civil society.

-   Russia is a member of the World Trade Organization (WTO).

-   The impact of value-based trends is essential, the importance of environmental values is increasing and values are increasingly consideration in the design and development of the clusters.

Scenario 1 is summed up in the comment of one of the international participants in the panel, which presents the following main vision and key actions: The Barents region will be as active as the Persian Gulf, exporting oil and gas. The region will become a base for offshore operations, with global importance over the next 200 years. There will be a large amount of spin-off activity. All this, however, will require changes in Russian legislation. Exclusion of foreign actors from investments, which is currently the greatest obstacle, must be eliminated to allow free movement of capital.

Scenario 2 – '*Authoritarianism is increasing and a regulated economy prevails*'
-   Decision-making is concentrated in the Kremlin and oligarchs have less and less influence.

-   Democratic forces and civil society are weak.

- The role of international enterprises is to supply technology for Russian enterprises.

- Russia is not a member of the World Trade Organization (WTO).

- The influence of value-based trends is weak and environmental values are given very little consideration.

Here, the development will be slower than in the previous scenario. Taking advantage of favourable trends in the world economy, Russia will attempt to launch the Shtokman operations and other large energy projects on its own. The projects will start slowly and have less impact on the development of the region than in Scenario 1.

Scenario 3 – *'Problems are accumulating and the oil price is sinking'*
- Problems are accumulating because at least one of the threats (wild cards) considered unlikely has been realized, with a significant effect on development.

- The price of oil has fallen well below USD 20.

In this scenario, all or some of the wild card events considered possible but unlikely by the participants in the panel will occur. The scenario is largely built on the assumption that the price of oil will fall well below USD 20 per barrel[1] (Brunstad et al 2004: 165; Pynnöniemi 2006: 57), taking into account inflation since the year 2005; this will be preceded by an increasingly authoritarian trend in society. The price of oil may plummet because of a slump in the world economy, a crisis or sudden peace in the Middle East or a pandemic disease. Other wild cards may also emerge, such as an environmental disaster or youth riots, but these will be limited and can even provide an exit from a crisis.

The scenarios show a vision of the future for Murmansk as a function of the main variables. Each scenario is described in more detail in Tables 2a and 2b. The main actors and phenomena are as follows:

1. The main forces of change, or driving forces (DFs), working in the background.

2. Strong prospective future trends (SPTs), which are results of the driving forces.

3. Clusters developed through SPTs and decision-making.

4. The levels of decision-making.

5. Logistic development projects supporting the development of clusters.

6. The social and economic state of the population and the level of migration.

The scenarios are strongly simplified. None of the scenarios is likely to happen as such; nevertheless, it is possible to find the main components for the future on the basis of the research material. From the perspective of some of the interest groups Scenarios 1 and 2 could be preferable, but Scenario 3 would most probably be considered undesirable by all. In the long run, however, Scenario 3 could prove positive in some ways.

Scenario 1 could perhaps gain the greatest support among the population in Murmansk, because of the mega-projects related to Shtokman and the oil pipeline to Murmansk, which the panellists considered preferable. These projects would have a positive effect on the population's income. In reality, it is also possible that some features of one scenario, e.g. Scenario 2, will be realized first and parts of Scenario 1 later. This model was suggested by some of the international experts taking part in the feedback interview round.

Driving forces. The panellists' views on which main driving forces would affect socioeconomic development in the region were gathered from the interviews. These driving forces contribute greatly to the emergence of strong prospective trends (SPT), which have a central role in the scenarios. Some specific driving forces, like a growing world economy and instability in the Middle East, mean higher oil prices, which will naturally impact on the Murmansk Region. The three scenarios were based on assumptions about the state of each of the eight important driving forces. On the basis of the answers from the panellists, the following driving forces were omitted: historical factors, material corrosion over time (rusting containers of nuclear material deposited on the sea bottom and ashore), the threat of terrorism, connections in the Murmansk Region, environmental overload (climate change, for example), the degree of corruption, and economic risks. These factors may be indirectly present, and the threat of an environmental disaster on economic risks or the predictability of the political environment are typical examples. The driving forces were grouped as external or internal driving forces, depending on how much the Russian state itself could influence them directly through political decision-making. When the material was studied, it was surprising to observe that Russia itself had innumerable opportunities to influence the basic economic dynamics of the Murmansk Region through the driving forces.

Table 2a. Scenarios 1-3. Main variables and their states in different scenarios: driving forces and strong prospective trends (SPTs).

Scenario 1: *Market forces and democracy are strengthening and values developing*	Scenario 2: *Authoritarianism is increasing and a regulated economy prevails*	Scenario 3: *Problems are accumulating and the oil price is sinking*
Variables	Variables	Variables
Driving forces (DFs) (see also DFs in Appendix 2)	**Driving forces (DFs)** (see also DFs in Appendix 2)	**Driving forces (DFs)** (see also DFs in Appendix 2)
External: F: Natural resources very important D: Strong growth in world economy J: Fossil fuels are an important energy source, renewable energy forms are developing, north-western Russia important for EU K: Middle East remains unstable, but situation under control	External: F: Natural resources important D: Moderate growth in world economy J: Fossil fuels and coal are important energy sources, north-western Russia less important to EU than in Scenario 1 K: Middle East unstable, controlled instability in Russia's interest as well	External: F: Natural resources less important D: No growth in world economy, regression J: Fossil fuels important, but low demand due to depression K: Civil war in Middle East, military action in Strait of Hormuz
Internal: I: Oligarchs are free to act N: Common energy politics for EU and Russia, problem-free relations between great powers G: Foresight for educational needs important, research and education support growing clusters H: SMEs play a key role	Internal: I: Oligarchs are set aside, businesses controlled by Kremlin N: EU strives to decrease its own energy dependence on Russia, Russia's connections with China important G: Foresight for educational needs unimportant, education supports existing clusters H: SMEs in weak position	Internal: I: Disputes between oligarchs and Kremlin N: Relations between Great Powers becoming more strained G: Crisis in educational system because of high outmigration H: SME policy weak due to lack of resources, nevertheless considered important
SPTs improving the Murmansk Region	**SPTs** improving the Murmansk Region	**SPTs** improving the Murmansk Region
Technological development, logistic flows, globalization and value-based trends prevail	Technological development, logistic flows and globalization prevails	Wild card events occur: oil price below 20 USD, environmental disaster, political crisis. Exits from crises through technological development and changes in value bases.

To some extent, Russia can even influence external driving forces through its foreign policy. The situation in the Middle East in particular could be considered one such external factor. The various scenarios will be significantly affected by decisions taken by the central government and their attitudes towards changes in values as these will have direct or indirect impact on a number of driving forces. Some of the driving forces, however, can occur without the central government's influence (oil prices, for example, can sink for reasons beyond Russia's control).

These scenarios provide the conditions for the region's development. The most preferable and probable scenario would lie somewhere between Scenario 1 and 2, if the answers of the Murmansk panel are weighted. A possible, but to some extent less likely and less preferable development, particularly from Murmansk's point of view, would lie between Scenarios 2 and 3.

Table 2b. Scenarios 1-3. Main variables and their states in different scenarios: clusters, levels of decision-making, development of logistics and population.

Scenario 1: *Market forces and democracy are strengthening and values developing*	Scenario 2: *Authoritarianism is increasing and a regulated economy prevails*	Scenario 3: *The problems are accumulating and the oil price is sinking*
Variables	Variables	Variables
Clusters *as a functional manifestation*	**Clusters** *as a functional manifestation*	**Clusters** *as a functional manifestation*
Stronger positions for energy and logistic clusters, mining industry modernized through investments. Military structures directed towards prevention of terrorism. - Shtokman in operation	Energy, mining and metal refining as well as logistic clusters essential. Military structures strengthened. - Shtokman not in operation	Weakening positions for energy and mining clusters. Attempts to develop the environmental cluster, information and communication technology and tourism. Inability to strengthen Military structures. - Shtokman not in operation
Levels of decision-making *in terms of power relations*	**Levels of decision-making** *in terms of power relations*	**Levels of decision-making** *in terms of power relations*
International, federal and regional levels and also local level important for some clusters, enterprises are central actors on all levels	Federal level most important, regional and local levels suffering from lack of resources and opportunities to influence decision-making	Federal level less important. Exits from crises are sought by increasing regional and local decision-making power
Development of logistics *as a condition for the development of*	**Development of logistics** *as a condition for the development of the*	**Development of logistics** *as a condition for the development of*

4.   The vision of the most likely future

The future is most probably either a combination of the answers from the different respondent groups or an unforeseen process triggered by a wild card as a catalyst. None of the three scenarios will necessarily be realized as such. On the basis of the round of feedback from the experts and in accordance with the Feedback Delphi, Scenario 2 ('*Authoritarianism is increasing and a regulated economy prevails*') is the most likely vision for the future or at least the most approximate. Initially, the most likely course of development will follow Scenario 1, but at some point it can turn towards Scenario 2, as today's power elite grows old and loses much of its control, or if crucial decisions are made on WTO membership or the new EU-Russia Framework Agreement or if the region is faced with an unforeseen crisis. In such cases, the realized scenario could be called Scenario 2+.

A preferable and possible vision for Murmansk could therefore be a future based primarily on the exploitation and development of the region's logistic position, with development of the metal and mining industries coming second, and development of the energy cluster taking third place. The groups of respondents agreed on these main lines. The information and communication technology cluster can also play an important role in the development of the region. The operational preconditions for these clusters based on natural competition will be strengthened through research and education. For the most important clusters, the course of development depends first and foremost on decisions taken by major enterprises and federal politics. The regional level must primarily ensure that the general operating conditions, such as education and infrastructure, are in place.

In the longer run, however, the importance of decision-making at the local level can increase, assisted by sharper changes in value-based trends, which was to some extent foreseen by the independent respondents in the Murmansk Region and the international panel (see also Kulmala and Tekoniemi 2007). There will be a great deal of practical decision-making on the regional level in connection with major energy projects decided on the federal level, which will bring SMEs opportunities for cross-border co-operation (feedback from experts). Ports and railways will be key areas of development in logistics. Pipelines and IT networks will also be among the most important investments; this is given particular emphasis by some of the respondent groups. If the logistic projects are considered from the perspective of the energy cluster alone, construction of power transmission networks extending to the Republic of Karelia and possibly to the Nordic countries will be important – an issue that was raised by the panels in Murmansk and Moscow.

For reasons of economy and military policy, it is likely that the oil pipeline will be built to Indiga and there will be negotiations to extend the pipeline to Murmansk (Figure 9). Operations in the Shtokman field will have begun in 2020-25, provided that international capital and technology from international enterprises, for example, will be available to the region (cf. Shell's role in the Sakhalin energy

production project, Bradshaw 2005; see also Roberts 2003b: 31). One condition for this could be the EU-Russia Framework Agreement or a very long-term energy agreement, which would secure both investments and markets. It is possible that such agreements will be signed with states other than the EU – between Russia, France and Germany, for example – which would be enough to attract investments. This would give energy investments in the north similar high priority in Russia's energy politics as in China or Asia. This vision should not be based on the Delphi panels alone: while the international panel believed that the impact of the international market on decision-making would increase, their view was not shared by the Moscow panel. With regard to Shtokman, there were mixed comments in the feedback from the experts. The direct and indirect impact of Shtokman on the development of Murmansk is nevertheless considerable. If the opinion of the international panel proves correct, the Shtokman scenario involving the launch of gas production can be realized. The most important observation regarding the future vision and the position of Murmansk is that the region will occupy a central place in the logistics of energy production, irrespective of what the situation of the Shtokman field is in 2025 or whether the oil pipeline will be built to Indiga or Murmansk.

Öljyputki
Oil pipe

Suunniteltu öljyputki
Planned oil pipe

Öljykenttä
Oil field

Kaasuputki
Gas pipe

Suunniteltu kaasuputki
Planned gas pipe

Kaasukenttä
Gas field

Satama
Port

Suunniteltu satama
Planned port

Ydinvoimalaitos
Nuclear power plant

Norilsk

Jenisei *Yenisey*

Zapoljärno
Zapolyarno

Taz

Jamburg
Yamburg

Ureng
Ureng

Jamal
Yamal

Nady

Ob

Novaja Zemlja
Novaya Zemlya

Karanmeri
Kara Sea

Vorkuta

Prirazlomnoje
Prirazlomnoye

Varandei
Varandey

Uralvuoret *Urals*

Usa

Ardalin

Timan-
Petšoran
allas
*Timan-
Pechora
Basin*

Huippuvuoret
Spitsbergen

Petšoran-
meri
*Pechora
Sea*

Indiga

Petšora

Pechora

Stokman
Shtokmanovskoye

Uhta
Ukhta

Barentsinmeri
Barents Sea

Ka

Lumikki
Snøhvit

Revontulet
Northern Lights

Hammerfest

Murmansk

Arkangeli
Arkhangelsk

Vienanjoki
Severnaya Dvina

Vlatka

Vjatka

Kantalahti
Kandalaksha

Vienanmeri
White Sea

LUOTEIS-VENÄJÄN
HALLINTOPIIRI
*NORTH-WEST
FEDERAL
OKRUG*

SUOMI
FINLAND

Petroskoi
Petrozavodsk

Volga

Jaroslavl
Yaroslavl

Troll

RUOTSI
SWEDEN

Vysotsk

Primorsk

Pietari
St Petersburg

Volga

Moskova
Moscow

NORJA
NORWAY

Helsinki

Ust-Luga

hiili
coal

Torzhok

VENÄJÄ
RUSSIA

Oka

Oslo

Tukholma
Stockholm

VIRO
ESTONIA

Don

LATVIA

Desna

Ventspils

LIETTUA
LITHUANIA

VALKO-
VENÄJÄ
BELARUS

Dnepr

Do

Pohjanmeri
North Sea

Butinge

Itämeri
Baltic Sea

TANSKA
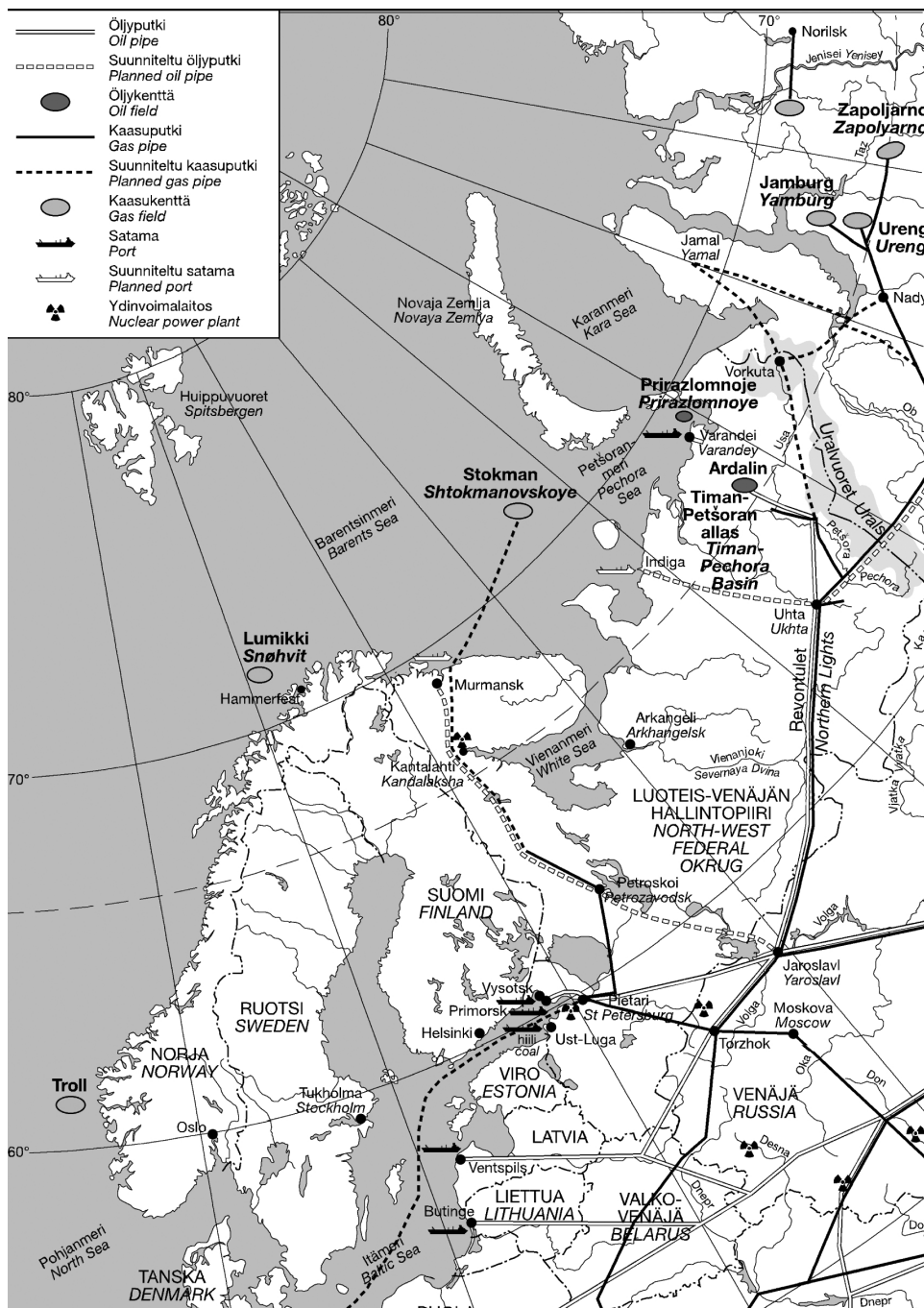*DENMARK*

Dnepr

80°

80°

70°

70°

60°

60°

Figure 3. The main Russian gas and oil pipelines in north-western Russia: existing pipelines and recent plans for new pipelines and ports. Reproduced by permission of the Finnish Geographical Society and the author (Myllylä & Tykkyläinen 2007; Tykkyläinen 2003).

New organized and systematic transport solutions will largely be in place by that time, with the infrastructure and actors in Murmansk as part of these systems (Figure 3). The exploitation of the Prirazlomnoye oil field situated in the Pechora Sea supported by the Murmansk infrastructure is a good example. Oil transport from Prirazlomnoye through Murmansk will start around 2010 (Bambulyak & Frantzen 2007: 43).

Murmansk in 2007 can be compared with Stavanger in Norway in 1968, when the offshore oil production cycle in the North Sea started. As gas and oil production in the Barents region develops, Murmansk may become an offshore base, similar to today's Stavanger or perhaps Aberdeen, which is the base for the offshore North Sea operations of Scotland's oil and gas industry. The pace of development will be influenced by federal politics. The relative and absolute weight of the energy cluster will mostly increase in the region if the Shtokman investment and the oil pipeline through Murmansk are realized. These are considered preferable projects by the actors in the region. Investments in Shtokman, in particular, can change the course of the region's population trend.

The way ahead may at initially be the course provided by Scenario 2. Key political choices, such as Russia's membership in the WTO and the evolution of domestic political (in)stability will impact on how the scenario is realized (see also Hernesniemi etc. 2005: 107). Other events, too, can have a bearing on Russian policy on openness and democracy, authoritarianism in Russia, development of Western-type democracy and the development and subsequent growth of private enterprise in Russia (feedback from international experts). Through its own common energy policy and its policy towards Russia, the European Union can significantly influence development in Russia and thus development in Murmansk as well. The direction taken by the new Framework Agreement between the EU and Russia or other agreements on economic or political cooperation will have an important effect on future trends (see also e.g. Juntunen 2002: 86-89). Russia may also enter into agreements with large states instead of the EU or other economic blocs.

The importance of the northern parts of the world as a source of energy and, to some extent, as a food producer is growing. Murmansk is an increasingly prominent centre for the supply of energy, minerals and even food from the sea, even though the interests of the energy and fishing industries may at times conflict and require mediation. Large-capital energy production will probably take over docks that would otherwise be used by fishing vessels, for example, while the fishing industry is still suffering from a considerable lack of capital. The Murmansk Region will have a strategic role in Russia's economy and military policy and see at least some local growth. Russia's long-term overhaul of military equipment (Forsström 2002) will be reflected in the development of certain mining towns in the Murmansk Region as well (feedback from experts). Optimally, the economic growth may benefit practically all communities. Minerals in the Murmansk Region demanded by the energy industry and hitherto largely

overlooked are an emerging area in the mining industry. Sallanlatva near the Finnish border, for example, is rich in a mineral required for oil and gas drilling in muddy areas (Roberts 2003a: 26). Whether the future follows either of the most probable scenarios, 1 or 2, this trend offers significant business opportunities for foreign enterprises as well during the period examined in this study.

It is very likely that the population will be smaller than today. Materialization of investments in Shtokman will change the course of the population trend, at least locally. In a probable scenario, communities relying on large-scale mining or metal-processing industries alone will not be able to maintain their population bases at the current level, even if the volume and value of their production is higher than today.

5.   Findings

A need for innovative activities. Profitable exploitation of the natural resources in and around the Murmansk Region will require development of infrastructure and the systems for producing the resources. This highlights a need for a consensus and partnership between local and federal actors governing the infrastructure with regard to sharing the benefit from investments in the region. Finding economically lucrative solutions plays a key role in investments that will bring cost savings in transport technology, for example. Finding new, lucrative transport and production solutions for the high-cost Arctic region stresses the importance of innovation activities, particularly the creation of a network of research institutes and enterprises in the fields of transport and logistics, energy production and the mining and metal-processing clusters. Thus far, local enterprises have sought innovative solutions for transport technology and logistics in a centralized manner from abroad, e.g. from Finland.

If regional development in Murmansk is to advance, the unstable situation in oil production should be taken into account in the future, as should the power politics between the Kremlin and economic power concentrations. In addition, superpower relations, relevant education opportunities and SME policy should be considered as important, concrete factors for the development of the Murmansk Region.

Critical notes on applying Delphi. The expectations related to the region's development up to the year 2025 were very optimistic, despite the present economic situation in the Murmansk Region. It was obvious that the experts were not inclined towards long-term pessimism or short-term optimism, which was a change from a majority of Delphi processes. Because Russia has acquired considerable wealth from energy exports, it is understandable that energy projects were prominent in the evaluations made by the panels. The Delphi method will normally yield results where the more reasonable, more necessary and more

economically lucrative an idea is considered, the sooner it will be expected to be realized. Crises that were in the distant future, such as climate change, were not considered.

The events in recent history play a much bigger role in evaluating the future than events far back in the past. This proves to be true for anticipating potential crises and for the importance of energy prices. In this respect, the method is tied to the time of its implementation. The method should be developed in such a manner that certain phenomena related to economic cycles could already be eliminated at the phase of interviewing the respondents. None of the scenarios presented included major disasters; it was assumed that the economy would advance and environmental issues would remain under control. Many respondents stressed the importance of security and believed that the future would be somewhat similar to the present situation and environment. In the future, therefore, the analysis of weak signals and wild cards should be given more attention. Participants in Delphi panels are often inclined to confuse preferable events with probable ones. There was strong confidence in the positive development of the economy, which contains a considerable risk, however.

Recommended political actions. The study indicates that Murmansk will form an important logistic gateway from north-western Russia to the world, enabling transport of natural resources and processed goods to the world market. The development of the logistic gateway will mostly depend on trends in the world economy as well as the prices of raw materials, such as oil and minerals (see also Brunstad et al. 2004). Murmansk's logistic position will have a positive impact on the development of the region. This impact will be partly local and focus on logistic hubs. However, transport alone and the related construction and maintenance of the infrastructure will not provide employment for a large number of people in comparison with the existing population. Therefore, it would be meaningful to discuss the possibility of further industrial development. Oil transit, for example, could create opportunities for the plastic industry and gas transit opportunities for the electric power industry.

This development will require the support of decision-makers on the federal and regional levels, but increasingly on the local level as well. Mono-industrial regions in particular may suffer from population decline, if nothing is done to diversify the structure of the industry or to improve the environment through new technology. Population decline may also disrupt existing industrial activity in the region. In these regions, industrial structures can be diversified through spin-off companies emerging in connection with the rationalization or outsourcing of existing industrial production. Research and education as well as product development should increasingly be directed towards the new needs of growing fields, such as logistics, energy, tourism and information technology, where a number of new businesses will be formed, as traditional industries outsource their activities and concentrate on their basic activities in order to boost their competitiveness. The support given by the regional and federal levels to a more

diverse economic structure can be crucial to mono-industrial towns. New ideas supporting diverse industrial structures may be expressed by international actors who are not tied to local interests in the same way as local actors are. Creating new social capital will be vital to the development of local regions.

The study shows that the structure of business life in the Murmansk Region in the future can be markedly different from the present situation, even if the current structures of industries, particularly the metal-processing and mining industries, retain their central role in the region's economy. Future business will require a workforce and an infrastructure adapted to Arctic conditions and communities. Trying to develop existing communities through regional policy is therefore a justified task, as a substantial part of the population would rather live and work in their home region (Rautio 2003; Henkel 2000; see also Kari Vuorinen 2007). Otherwise, possible investments in the rapidly growing gas and oil industry might not materialize in full or be at all profitable, as attracting a workforce from other regions and building an infrastructure to accommodate future needs would cost much more. The focus of oil and gas production is shifting further to the north, which will require more research into acquisition of labour and changes in values and life styles (Spies 2006; 2009).

The Murmansk Region in the northern part of the globe is in itself an extraordinary opportunity. The population is fairly large compared with other northern industrial regions. If put to proper use, the resource formed by the population could turn the Murmansk Region into a central base for research and exploitation of natural resources in the most ecologically sustainable way for the needs of Russia and the world.

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Endnotes

1. In the scenario study by Brunstad et al., one of the wild cards suggested was a drop in the oil price to less than 15 dollars a barrel. The Russian transport strategy adopted in 2005 is based on the assumption that the price of oil will remain at a minimum of USD 18.5 per barrel (Pynnöniemi 2006). Compared to the current price of oil, these estimates seem quite low.

Part III: Corporate social responsibility and corporate community relations

Muncipal self-governance and problems of Russian countryside

Soili Nysten-Haarala

1. Introduction

Municipal reform in the Russian Federation based on the Federal Law of 2003 is aimed at strengthening municipal self-governance and democracy at the local level. The aim is quite far-reaching taking into consideration how new municipal self-governance in Russia is. In the Soviet Union local administration was vertical state administration and also governed by the Communist Party. Municipal self-governance was introduced by President Yeltsin; first in his Presidential Decrees of 1992 and then in the Constitution of 1993, with no pressure from either the local level or domestic politics. Municipal self-governance is one of the many *legal transplants* which were adopted in the new Russia during the reforms of the early 1990s.[1]

The discussion on legal transplants, on the one hand, emphasizes that changes in the legal system are based on such transplants (Watson 1993), as it with undoubtedly is in the case of Russian transition to a market economy. On the other hand, borrowing from other legal systems is complex because of differing traditions, and social, economic and political conditions (Legrand 1993). Gunther Teubner even introduced the concept "*legal irritant*", which better than "transplant" describes how the degree of success in transplanting is dependent on the way coupling with social processes occurs (Teubner 1998). Institutional economics developed by Douglass North explains the same phenomenon as an interaction between formal institutions such as law and informal institutions such as thinking modes and working habits may derive not only from different social and economic circumstances, but from culture and religion (North 1990: 2005).

The first federal law of the Russian Federation on municipal self-governance was enacted in 1995. However, the development of the local level has not been one of the main interests of either the Federation or the regions,[2] since there have been struggles over the federal structure and the relationship between the Federation and its subjects as well as many other social and economic issues, which have made the introduction of municipal self-governance less important and complicated. To my mind, the law of 2003 and the reform now aims to strengthen self-governance and democracy at the local level, but is only one small factor in solving the complicated problems of poor municipalities in the countryside.

This article is based on the studies of two research projects financed by the Academy of Finland: Governance of Renewable Natural Resources in Northwest Russia 2004-2007, grant number 203964; and Trust in Finnish-Russian Forest Industry Relationships 2008-2011, grant number 123301. Researchers[3] in the first project collected interviews of stakeholders, who affect or would like to affect the governance of forests and fisheries, while the second project focuses on how large globalized Finnish and Swedish forest industry companies function in Russia at the local level. The data is collected from the Leningrad region, Arkhangelsk region, Karelian Republic and Murmansk region. The article discusses local-level problems based on empirical data from forest localities.

2. Origins of Russian social resbonsibility of enterprises

In mill towns or villages, which during the industrialization leap of the Soviet Union, were often built in the middle of nowhere to utilize natural resources; state enterprises were responsible for local infrastructure. When the privatization of state enterprises began, the structure of the tasks of local communities was also supposed to be changed. The presidential decree of 10 January 1993 rejected the privatization of social and cultural capital of enterprises and the Government's privatization program ordered these social and cultural objects and responsibilities to be transferred to municipalities within six months of confirmation of the privatization plan of the enterprise. Municipalities were supposed to adopt these responsibilities (Kortelainen & Nysten-Haarala 2009).

The change has, however, been difficult and painful. It can be said that in many localities companies and the municipality still live in a symbiotic relationship. The main problem of municipalities is the lack of tax revenues, which is partly due to the regulations of tax and budgetary legislation, and in the countryside is also due to the lack of tax payers. According to statistics from 2006 the costs of municipalities are twice as high as the revenues of the municipal budget. Only two percent of municipalities are self-sustaining.[4] Municipalities are therefore dependent on subsidies from regional budgets. In this situation it is only natural that municipalities turn to local companies for help. Companies are supposed to have social responsibility, which has often been confirmed from the federal center.[5]

In logging areas international companies at least donate firewood to most vulnerable groups of the community and sometimes even pay extra taxes which are included in the municipal budget (Interviews of municipal leaders and managers of forest companies in 2009). There are also examples of Russian companies which provide municipal services, for example, opening the company health services to all inhabitants of the municipality and building sports halls and cultural palaces for the use of the citizens. In our study area the Kondopoga pulp and paper mill is an example of a company which actually seems to run the municipality in a paternalistic manner (Kortelainen & Nysten-Haarala 2009).[6]

International companies do not see social responsibility in the same way and our interviews also indicate that most Russian companies try to eliminate extra costs which impair their economic competitiveness.[7] This type of social responsibility is clearly a phenomenon of the transition period and cannot be lasting in a market economy.

3. Does developing municipal democracy help in arranging municipal services?

In this situation municipal reform should focus on how to ensure enough economic resources to municipalities to provide the continuance of their services. However, municipal self-governance being a legal irritant and as such difficult to introduce in Russia, the new law is more interested in organizing municipal administration in a democratic direction than solving economic problems.

Municipal democracy is undoubtedly a new phenomenon and difficult to introduce in Russia. Municipal administration is regulated at both the federal and regional levels as well as in the charters of municipalities. Some regions such as the Republic of Tatarstan still claim the right to name the municipal leaders, citing local traditions (Kurnikova 2008). The Federal Constitutional Court has several times found the interference of regional government in local self-governance a violation of the Constitution.[8] Municipal self-governance limits the earlier power of the regions, which also lost the struggle over the federal structure to the federal center. The decentralization of the early 1990s turned into a strong centralization of the "vertical" executive power during Putin's presidency (Nysten-Haarala 2001). The regions are therefore reluctant to develop municipal self-governance, which further weakens their own already diminished power.

Municipal administration is divided into two levels. The members of the municipal council and the municipal leader, who are elected locally according to federal law, form the first level. The second level consists of the different organs established by the municipal charter such as committees of microraions, villages, streets, blocks, blocks of flats etc (Baglaiï 2008, 788). The village leaders at the second level are chosen as civil servants of the municipality by an election committee. The voluntary "Elders" (as they are called) of different second-level entities usually work without payment. Such an organization of small entities, which the federal law suggests on a voluntary basis, resembles the Soviet style of mobilizing people. This system may not last long since people who volunteer to take care of other people in their nearby surroundings and collect suggestions for the village leader or the municipal council are middle-aged and have a Soviet education supporting attitudes and responsibilities for volunteering.

The two-level system may be ideal for bringing democratic decision-making power to villages close to the inhabitants, but unfortunately it is not economically sustainable. The villages at the second level operate on their own budget of

minimal resources to care for local roads and buildings. The suggestion of the federal law differs radically from Western tendencies to unify small and economically unsustainable municipalities. Russian federal law reflects the Soviet mentality and lofty ideals of local democracy.

Russian authoritarian practice and the legacy of strong executive power also hinder municipal self-governance. Municipal leaders, who have misused power or made illegal decisions, can be dismissed by a court order if an inhabitant has appealed to the court. The law, however, makes it possible for the regional leader and, in the last instance, the president of the Federation to dismiss a municipal leader following a court order. This provision reflects both the authoritative way of thinking and the low respect given to court decisions. There have been incidents where a municipal leader has continued being dismissed by court order and the regional leader has consequently had to intervene. Self-governance as it is described in the Charter of the European Council demands no interference from the state. The state of course provides the framework legislation guiding self-governance, but otherwise only the courts can dismiss a municipal leader or nullify a decision of the municipal council. Unfortunately, authoritative executive power is more respected than the courts by Russian civil servants. Both strong executive power and the endless struggle between the Federation and the regions hinder the development of local self-governance. The regions would like to institute municipal self-governance regionally and not according to a detailed federal law.

State interference is, however, inevitable because municipalities are economically dependent on the state. This is a common feature of municipal self-governance in older democracies as well. In Finland and Sweden municipalities are being merged because they cannot cope with all the duties the state has imposed on them by legislative means. Social and health care responsibilities are costly and municipalities have previously managed through mutual cooperation and additional state revenues, which are granted according to a calculation rule introduced by legislation. Nowadays small municipalities, especially in the sparsely populated countryside, do not get enough tax revenue, if they do not manage to get enough business in their area. Therefore the state both in Sweden and in Finland has started to offer incentives to municipalities which decide to consolidate into larger municipalities. It can be said that economic responsibilities may lead to state interference in municipal self-administration. The municipalities must turn to the state in times of economic difficulty. The economic basis of municipal self-governance is now in great danger in the countries which originated legal transplants.

In Russia the problem is highly structural, because the tax and budgetary legislation has not been drafted to permit local self-governance to be economically sustainable. Municipalities get at least 50 percent of their property tax from companies, ten percent from the profits on privatizing state property situated in the municipality, renting municipal property and all the profits of privatizing

municipal property[9] as well as taxes on private entrepreneurs. Other forms of taxes gained by the municipality include a share of the capital gains tax on enterprises and income tax on private persons as well as a share of value added taxes. This share, however, has to be negotiated with the regional administration, which tends to take a bigger share for itself. In sum only payments and taxes on municipal property are an independent source of revenue for municipalities. In large cities such as Moscow and St Petersburg the municipality can collect considerable amounts of property tax revenue, but in the countryside this source is practically inexistent.

The municipal budget is therefore dependent on subsidies from the regional and federal levels. The subsidies are negotiated when the municipality determines how great its budget deficit is. The region is entitled to investigate the finances of the municipality before providing any subsidies and also to ensure that the subsidies are used exactly to cover those expenses which have been agreed beforehand. The way of subsidizing municipal budgets is quite arbitrary and requires good social and negotiation skills from the municipal leader.

A special feature in Russian municipal self-governance is that municipalities are allowed to do business.[10] The municipal reform has also encouraged municipalities to do business and collect special funds for municipal expenses (Bagliĭ 2008, 800). In the countryside municipal enterprises can be an alternative to arranging services such as village shops for local people, but, on the other hand, municipal business interferes with local business life. In Western European countries municipalities generally have to refrain from business and focus only on supporting local private business and arranging municipal services, since business is not an aim of municipal self-governance.

4.   The lack of property rights at the local level and its consequences for the Russian market economy

Another problem of the local level is the lack of property rights to natural resources. Although the Federal Constitution of 1993 introduced private and municipal ownership of property rights (Article 9; see footnote 9), the state is still the only owner. The Constitution also stipulates the jurisdiction of natural resources jointly to both the Federation and the subject (Article 76). A struggle has been going on between the Federation and regions over the ownership and sharing of the income derived from the use of natural resources. Forest legislation is a good example of this struggle and the development towards a high level of centralization. While the Foundations of Forest Legislation of 1992 stipulated forests in the joint ownership of the federation and the subject, the Forest Code of 1997 granted ownership completely to the Federation, a path which the contemporary Forest Code of 2006 follows. The centralization tendency of President Putin's regime even took the legislative share of the incomes from the regions and permitted the Federation to decide on sharing the profits. The

budgetary code stipulates that a minimum of 30 percent of the incomes of natural resources should be given to the subsequent region (= subject of the federation).

Municipalities and local people receive no payments from natural resources, because there are almost no natural resources in municipal ownership. Their share of tax revenues is inadequate, not to mention the minimal decision-making power on the use of natural resources, in spite of their responsibility to plan the use of property in their area. Private ownership of forests is not allowed by current legislation. The discussion about private ownership connected with the drafting of the forest code of 2006 indicates that the impact of privatization of companies hinders privatization of forests. Most people do not want to see natural resources in the hands of the oligarchs, the immensely rich businessmen who now run the Russian economy. Private ownership of forests by ordinary local people in order for them to survive in the countryside has not even been discussed in Russia. In Finland private ownership of forests has been important since it has provided additional resources for farmers. The only benefit which Russian inhabitants of the countryside may get from forest-cutting takes the form of the minimal taxes paid by the companies to the municipality, and potential jobs. However, even today jobs are threatened when companies modernize their technology. In particular, foreign companies have also started to use contractors that could import their harvesters and work force from abroad.

It is no wonder that the consciousness of justice makes local people think that companies have a duty to help them, since that was the case in Soviet times. In a market economy, however, there should be other methods of empowering the local population than shifting the responsibility to companies.

5.   New triends in social resbonsibility of the companies

The social responsibility of companies is also gradually turning to that in a market economy. In a market economy the company can choose how to demonstrate its social and environmental responsibility. The pressure on forest companies is nowadays from the markets and more environmental than social by nature. Many printing houses nowadays require their paper to be produced in an environmentally and socially sustainable manner. Therefore they require certified paper. As a result the FSC (Forest Stewardship Council) certification has spread very quickly in Russia. The reason has been the earlier scandals of logging old growth forest and sold abroad (see e.g. Tysiachniouk 2009).

The FSC is based on voluntary cooperation between companies and ENGOs. International companies usually cooperate with international ENGOs having a branch in Russia. They negotiate about the principles of certification, which for the FSC are ten very generally expressed principles, which can be interpreted broadly. The company agrees to follow these principles and the ENGO monitors that the conditions are satisfied. In our interviews representatives of ENGOs thank

international companies for proper application, which is done by educating their entire personnel in how to follow FSC rules and conditions. They also mention that international companies also draw state forest authorities in the process, because certification and Russian forest legislation can be contradictory. It should be borne in mind that certification is an example of either cooperation with companies and civil society excluding the state or what can be so-called *multi-level governance*, in which different levels of society including the state consider important social and environmental issues. It is a typical example of modern "*soft law*", which often goes further than national legislation in protecting the environment. Forest certification can therefore also be seen as one way of shaking the Russian authoritarian state model and breaking its negative path-dependencies.

Forest certification is, however, a market-driven system paying more attention to environmental than social issues. However, it takes indigenous people's rights into consideration. The concept *indigenous people* is interpreted in FSC principles more widely than in Russian legislation. For example, the Veps in the Leningrad region and Karelians in the Karelian Republic can be considered indigenous peoples. Russian ENGOs seem to be eager to interpret social security widely, to cover all the local people in difficult economic circumstances, interpreting social responsibility in a way which, according to them, is more suitable to Russian circumstances.

6. Conclusions

Municipal self-governance is a foreign institution and can also be described as a legal irritant in Russia, since there have been many obstacles in the way of introducing it and making it work properly. The contemporary reform is a sign of the willingness of the political elite to develop municipal self-governance. Even though the authoritarian approach to the state hinders this development, the idea of bringing democratic decision-making to the local level is clearly present in the new law on municipal self-governance. Democracy, however, always needs a solid economic basis to function. Poor Russian municipalities in the countryside do not have economic requisites to develop local democracy. They do not get sufficient tax revenues and are dependent on the state for subsidies.

Municipalities are also dependent on companies working in the area. However, the social responsibility of the companies should be arranged to meet the requirements of a market economy. The state should take more responsibility in developing the social system; its absence is now clearly seen due to the current economic crisis. It is dangerous if the social well-being of local people is dependent on companies which can withdraw when the market situation no longer looks profitable. Many foreign international forest companies are withdrawing and the remainder are considering it because of the international crisis of the forest sector.

Furthermore, the rented lots of forest are left unguarded and illegal loggers can now easily enter the certified forests.

The most difficult problem from the point of view of an outside observer is that the property rights to natural resources, e.g. forests, are not given to local people. Encouraging the municipality to do business seems to interest the political elite more as a solution to the problems of the municipal economy than empowering local people as private actors. The federal state has the ownership of forests, but in the Forest Code of 2006 grants all responsibilities in caring for the forests to those who rent forest. As the example above shows this may not be a sustainable way to take care of forests.

The problems of the Russian countryside and poor municipalities cannot be solved with only one law but require a broad approach taking such issues as property rights, social security and taxation into consideration. The concept "legal irritant" clearly describes how introducing a foreign institution affects other formal and informal institutions.

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3 managers and 2 representatives of the labour union of the Kondopoga Pulp and Paper Mill in the Karelian Republic in September 2004.

1 municipal leader in Kondopoga, Karelian Republic, September 2004.

4 Russian managers of the Solombala pulp and paper mill in Arkhangelsk, November 2004.

5 managers of the Segezha pulp and paper mill in the Karelian Republic, September 2006.

2 managers of fishing companies in Murmansk, November 2004.

2 managers of fishing companies in Arkhangelsk, February 2006.

1 municipal leader in Tihvin, Leningrad region, May 2009.

1 ENGO worker in St. Petersburg, May 2009.

2 ENGO workers in Arkhangelsk, February 2006.

School teachers, librarians, ordinary inhabitants in Tihvin, Leningrad region and Segezha in the Karelian Republic (by Maria Tysiachniouk) and Podporozhie in the Karelian Republic, Novodvinsk and Arkhangelsk in the Arkhangelsk region (by Antonina Kulyasova and Ivan Kulyasov).

Endnotes

1. Some of Russian text books on municipal self-governance historically connect Russian municipal self-governance to the *zemstvo* and other earlier local governance institutions before the October Revolution of 1917(e.g. Ovchinnikov 1999). In the Soviet Union, however, development was towards state-led local governance (Kokotov-Salomatkin 2007, 74), which broke the tradition and development of local self-governance. More recent textbooks often date the history of Russian municipal self-governance from the Constitution of 1993 (e.g. Bondar' 2009; Kutafin-Fadeev 2008).

2. Region is the concept used to cover all the different parts of the Russian Federation, which in Russia are called subjects of the Federation. The different subjects are republics, territories, oblasts (also called regions), autonomous regions, autonomous territories and two cities of federal importance (Moscow and St. Petersburg).

3. Researchers Maria Tysiachniouk, Antonina Kulyasova and Ivan Kulyasov from the Center of Independent Social Research in St. Petersburg have collected most of the interviews in both projects. This article is, however, mostly based on my own interviews.

4. Eremin 2008, 43. The information is from the Financial Chamber of the Russian Federation (Shchëtnaia Palata) from 28 April 2006

5. Ministers of the Federal Government often refer to the social responsibility of enterprises and President Medvedev in his speeches concerning the economic crisis has suggested that since so many were enriched during privatization of enterprises, it is now their turn to take care of those who suffer because of the crisis.

6. The Kondopoga pulp and paper mill and the community have interested many scholars in Finland, e.g. Melin, H. 2005; Itkonen & Stranius 2002.

7. The managers of the Solombala (Arkhangelsk) and Segezha (Karelian Republic) mills presented this opinion clearly, and even managers at the Kondopoga mill, where the company has strongly supported and run municipal services, explained that it is only because in present circumstances there are no other alternatives in Russia.

8. The Udmurtian case of 24 January 1997 and the case of the Komi Republic of 15 January 1998 (Baglaiï 781).

9. The Russian Constitution and legislation treat state and municipal property as special forms of property, differing from private property. All three forms of property are regulated differently.

10. Russian legislation recognizes a special form of company, a municipal company.

NGO strategic partnership in promoting sustainable forest management in Russia

Maria Tysiachniouk[1]

1. Introduction

1.1. Background

Interaction between NGOs and business may be based on different principles. The interaction varies from confrontation in the form of market campaigns and consumer boycotts to "soft inducement" through mechanisms of standardization and certification, or even in a more advanced way through creative NGO-business partnership. Cooperation aimed at building the models of sustainability on the ground that will be analyzed here provides an example of an innovative type of partnership which creates a policy generating network bringing institutional change to a locality in Russia.

Transnational corporations which established their branches in developing countries with a cheap labor force and, as a rule, with lower environmental and social standards try to benefit from such conditions, and eventually are exposed to pressure from NGO international networks. This especially concerns companies with brands known throughout the world (Conroy 2001, pp. 2-3; O'Rourke 2005, pp. 117-119). Standardization and certification function through revealing and encouraging corporations which demonstrate social and environmental responsibility and ensure "safety" for the brand. The level of corporate social responsibility varies. Some only enhance workers' safety, comply with generally accepted nature protection norms, and/or use resource-saving technologies. Others do more: they support the infrastructure of local communities, launch small grant programs, and thereby develop local democracy by supporting community initiatives. The extent of their involvement in the development of social responsibility depends on a combination of local, national and transnational contexts in a certain locality, as well as the activity of different stakeholders, including NGOs.

Joint development of sustainable business models involving economic, environmental and social components has become an example of partnership between NGOs and corporations. The development of such models helps transnational corporations to adapt to the specificity of the social, economic

and political contexts of the countries in which they work. In different countries they have to immediately adapt their business to numerous challenges. On the one hand, they should take into account the legislation and established rules of the country in which they are located. On the other, it is necessary to conform to international ethical and regulatory norms of business activity. In addition, they usually adhere to their own corporate policy, which they should follow irrespective of the location of their subsidiaries. Building models that can be later on transferred to all localities of their business operation is way of developing optimum practices to adjust to both national and global contexts. If lessons learned in the process of model-building can subsequently be applied to other localities in a particular country or region, the business operations can be standardized. In the case of successfully introducing developed innovations and practices to all subsidiaries, the transaction costs of business decrease to a considerable extent.[2] At the same time the sustainability practices involve more localities, which is beneficial to them. NGOs within such a network contribute to the development of such models by helping enterprises contact stakeholders and thus become a sort of "transmitter" of ideas from business to society and vice versa (Tysiachniouk 2006).

In this paper, based on empirical findings, I focus on strategic partner relations between a transnational corporation, Stora Enso, and an international nongovernmental organization, WWF, which have developed in the course of constructing a model of sustainable forest management and certifying forest management operations using the FSC scheme. Outside donor funding from SIDA was used to enable the NGO to reach out to the local community and stakeholders. The paper will dwell upon advantages which strategic partnership with NGOs provide to business, i.e. the role of partnership in transmitting global discourses on sustainability to concrete practices in a specific locality. Furthermore, I assess the possibility of reproducing these practices in other localities.

1. 2. Theoretical approaches

The neo-institutional approach (DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1995, pp. 29-31) is used in this paper. Institutions represent the roles of the game that organize interaction between actors. If institutions are effective, they reduce the uncertainty of the environment and allow actors to reduce transaction costs related to the exchange (North 1990; Scott 1995). Organizations operate within institutional fields (DiMaggio 1991, pp. 268-290; Bartley 2003). Institutional fields in certain contexts can either promote or hinder institutional change. In order to reduce uncertainty institutional fields have a tendency to be isomorphic (DiMaggio and Powell 1985). Isomorphism allows sociology to understand the processes that homogenize institutional fields and inter-organizational roles. This allows groups of actors to react more smoothly to external changes. Organizational isomorphism is based on three types of institutional influences to adopt an organizational innovation: coercive,

mimetic, and normative (DiMaggio and Powell 1983). The concept of mimetic isomorphism is particularly important in this paper.

New roles brought by global actors, such as international foundations, conventions, NGOs and TNCs affect local institutional fields and create new arenas for stakeholder interaction; I therefore call these transnational actors agents of institutional change. I will evaluate the effectiveness of TNC business strategy as an agent of institutional change (Peng 2002, pp. 252; Tempel and Walgenbach 2007). In my case study, the turbulent organizational environment in Russia brought additional complexity to the process of institutional change and translating globally developed rules into local practices.

1. 3. Data and methodology

The paper is based on qualitative field research during two trips to the study area in 2002 (17 interviews) and 2006 (22 interviews) and follow-up interviews in 2007-2008. In total 39 interviews were conducted. The case study approach was used and the situation interpreted through the lens of the informants of different groups of stakeholders. A snowballing technique was used to identify four major groups of informants. The first group was formed by representatives of civil society institutions from the WWF offices in Moscow, St. Petersburg and Strugi Krasnie (in 2002) and on the local level, representatives of teachers, clubs and libraries. The second group was represented by power structures on different levels in Russia and SIDA in Sweden. The third included community representatives and the fourth of representatives of the Stora Enso business network: STF-Strug St. Petersburg office, Stockholm office (Sweden), and Imatra office (Finland). Guidelines for the interviews were developed separately for each of the group taking into account their specifics. Participant observation was used at meetings. During the field trips notes were made and used for the analysis.

2. Transnational actors of institutional change

The model forest of 18 400 hectares was developed in the territory of the Strugokrasnensk forest management unit in the Pskov region on forest land leased by a Stora Enso subsidiary, STF-Strug. The case examines the cooperation between the major agents of institutional change, namely the WWF and Stora Enso, in translating ideas designed globally for concrete practices in the space of place during the implementation of the Pskov Model Forest project. This project was financed by three transnational actors: SIDA, the major granting agency, Stora Enso, and the German section of WWF.

Stakeholders within the project involved both transnational and local actors. The staff implementing the project was hired especially for this project and served as a major channel of translation of global standards and the desires of transnational actors to local practices. Project experts originally from the Research Institute of Forestry were developing innovative methods of felling, promoting relations with stakeholders and coordinating implementation. The Stora Enso subsidary STF-Strug was obliged to strictly follow novel practices and fell timber in accordance with innovative approaches developed in the framework of the project.

For WWF, the promotion of model forest projects is a way of involving business in sustainable forest management and encouraging its environmental and social responsibility. In accordance with its mission in this project WWF was sequentially advancing its corporate strategy and its logo while introducing innovative environmental approaches to forest management. Co-financing allowed WWF to position itself as a project holder as well as implementer of all project achievements.

Stora Enso in Russia had to solve the problems it encountered in the post-socialist transition period: continual reformation of state governing bodies and forest legislation, institutional turbulence, and other existing realities. It was important for the company to find models for commercial forestry in Russia: "It was a development project; our business was developing together with Russian social development, its legislative system and law enforcement…. We needed a holistic forest management model with information on forest resources, inventory, planning, participatory methods and effective implementation." (Interview with a Stora Enso manager). On certification, Stockholm, March 2008.

In this situation partnership with such a powerful organization as the WWF helped the company to adapt their business to Russian conditions. The Pskov Model Forest could also become a suitable place to demonstrate the advantages of Scandinavian harvesting methods with the view to their further dissemination in Russia. WWF, as Stora Enso's strategic partner, assisted in resolving problems originating from state structures, and the local stakeholders and population. It also contributed to "legitimizing" Stora Enso in the eyes of international stakeholders, including buyers of final products.

The financing of projects promoting sustainability as well as advancing Swedish business in Russia was one of priority of the SIDA financial activity; at the time when the project was launched, Sweden and Russia had developed timber trade relations. Moreover, the Swedish Parliament declared a large number of initiatives (e.g., rendering help to countries with a transition economy, promoting democracy in Central and Eastern Europe, supporting a socially stable transition to market economy, advancing ideas of sustainable development, etc.) which urged SIDA to finance the project. It was part of a SIDA initiative to reduce poverty in developing countries and the basic idea was that if the profitability of Russian timber industry increased through intensification of forest management,

this would contribute to the well-being of local communities in rural Russia. (Interview with the Manager of the Russian-Swedish Cooperation Program, Swedish Forest Agency, Stockholm, March 2008) Another goal was to promote forest sector cooperation with Russia at all levels, making forestry in Russia transparent and legal. Despite the fact that SIDA did not participate directly in the implementation of the Pskov Model Forest, the agency contributed to involving Swedish specialists in the project: scientists and experts visited the model forest for consultations and research. This promoted Scandinavian technologies used in the Pskov Model Forest and fostered the intensification of forest management. The Swedish Forest Agency also pressed for a democratic way of decision-making, emphasizing the need to involve the ordinary citizen (Interview with a Swedish Forest Agency representative, Stockholm, March 2008).

3. Transfer of global standardas into local place

In the Pskov Model Forest project the introduction of global practices to a particular locality proceeded in several crossed and complementary streams (see Diagram 1). On the one hand, it was implemented through FSC forest certification promoted by WWF all over Russia, and through the application of corporate practices of Stora Enso in its subsidiary "STF-Strug" on the other. Several agents were important in channeling global designs to the locality. The most important were forest experts within the Pskov Model Forest implementation team that were adapting the Scandinavian model of intensive forest management to conditions in Russia. In the process of certification, the Pskov Model Forest team was engaged in its "content" preparation, including nature conservation planning, involving the population in forest governance, developing and introducing innovations in forest exploitation in order to develop a living laboratory of sustainable forestry in Russia. PMF involved many experts, both international and local, in economics, natural sciences and sociology. The expert community served as an additional stream for adapting global discourses to the local context. The FSC auditor Smartwood (later its subsidiary Nepcon) also contributed to the interpretation of how sustainability standards should be implemented in a Russian locality.

The position of the STF-Strug enterprise towards required standards for the FSC was basically in line with that of Stora Enso. Stora Enso adheres to a common corporate policy implemented worldwide, which includes environmental, economic and social components. This corporate policy includes labor standards as well as the issue of employee health and safety. Thus, the realization of FSC standards at STF-Strug in training workers, supplying them with uniforms, fulfilling requirements for accident monitoring and prevention and complying with workers' rights have been ensured by Stora Enso. STF-Strug was required to follow the routine standards of corporate policy of Stora Enso.

From its start, the PMF mediated different issues and tried to solve conflicts between STF-Strug and the other stakeholders; e.g. *leskhoz*[3] and its workers,

government officials from federal regional and local levels, the forest management unit, regional administration, and the local people. These networks were coordinated and negotiated using certain methods to interest each stakeholder in the model forest project. The goal was to bring them all into the decision-making process for managing the region's forests. The sustainability of this approach to forestry was based on the sustainability of relationships between stakeholders. The intension was to build policy networks to last beyond the timeframe of the PMF.

4. Interaction with the government

The first step in gaining permission to create the model forest outside the normative base was to convince various levels of the forest sector that sustainable forestry is necessary and beneficial in many ways. WWF used its own channels for cooperation with state structures. Representatives of the WWF Forest Program are members of the Public Council at Rosleskhoz, where they gradually advance the ideas of sustainable forest exploitation. In 1999, prior launching the project, WWF and Rosleskhoz signed an agreement on cooperation in the field of forest governance and preservation of biodiversity. According to the agreement, WWF assumed the responsibility to conceptualize model forests. This document was an opportunity for WWF to involve Roslekhoz in the activity. Interaction with Rosleskhoz has somewhat contributed to obtaining special status for the model forest. This status favored experimentation in felling and the development of new standards for forest exploitation. To avoid problems with local authorities, relevant agreements with regional structures related to forest management were signed as well. These agreements envisaged the involvement of state structures in the project's advisory board and working groups. According to these agreements, WWF was allowed to experiment with the development of regulatory approaches to forestry. PMF implementers used various methods of educating and befriending the government in order to gain their support. Their efforts were aimed at those members of the leskhoz who directly supervise logging operations, regional government officials who enforce norms and legislation, and officials on the federal level who set forest management policy for all of Russia. WWF tried to establish a network that would link all these levels to the Model Forest project and draw them into its implementation. They held seminars and workshops, including trips to Sweden to study sustainable logging sites, to which government officials of different levels were invited. (Interview with the Vice-Chair of the Department of Forest Use, Pskov region 2002).

Cooperation with federal structures was expected to ensure relative freedom in performing experiments within the project. After considerable efforts, the Forest Agency at the Department for Natural Resources of the Pskov region and the administration of the region became project partners at the regional and local levels, and constructive relations with the local forestry management unit were also established. By negotiating with different levels of the government, the PMF received permission to log in such a way that the local forest management unit

would not penalize them for any innovations that violated existing legislation. An example of conflicting practices between STF-Strugy and Russian norms was leaving branches to decompose after logging. Russian forestry norms require their removal. The standard Russian tractor used to haul logs out of the forest creates deep ruts in the forest floor; it is therefore necessary that branches are gathered and laid in the tractor's path in bunches. (Interview with a head of forest laboratory, Strugi Krasnie, October 2002). These ruts damage the forest landscape. STF-Strug, however, used modern Scandinavian machines, and it was unnecessary to lay branches in this way. Beyond this, the reasons why the PMF did not agree with the old practice were both economic and ecological. The STF-Strug was not interested in paying for the extra work of removal, and, in addition, leaving branches where they fall was good for the soil and biodiversity, as it provided animals with hiding and shelter (Interview with the head of the Pskov WWF 2002).

Another practice of the model forest contradicting Russian norms, and one that PMF gained permission for was leaving aspen trees on the plot. Aspen trees (*Populus spp.*), a traditional problem for Russian foresters, decay very early in their lives and are not very valuable commercially, yet they absorb nutrients that foresters would rather give to more valuable timber species. In Sweden aspen is valued and preserved for biodiversity. While Russian foresters consider aspens a nuisance, "a Swedish specialist who came and saw how many aspens we have in the forest was just crying." (Interview with Pskov WWF office manager, October 2002). As one of our informants ironically stated: "In Sweden, managers preserve aspens because they think that it is something beautiful. They run around aspens and build fences and put a ribbon on each tree" (Ibid). PMF used an ecological argument in the issue of the aspens. Because they rot on the inside, they can provide decent homes for animals, especially in winter. Girdling the trees and leaving them on the plot does not reduce the important ecological role they play.

Companies in Russia were required to remove aspens from the plots. STF-Strugy did not wish to pay for this extra work when the tree could instead be destroyed without removal. Before the project started, they were accordingly fined by the local forestry unit. This penalty was less than the actual cost of removing the trees, so STF-Strugy left them in the forest and paid (Ibid). Later, the PMF coordinated this activity with the state forestry unit and the Ministry of Natural Resources, so that permission to leave the aspens was granted. STF-Strug workers simply had to "girdle" the trees by cutting a ring around them, all the way through the bark. This killed the tree with a minimum of work and left it standing until it naturally felt over.

The research director of the project took an active part in promoting the developed PMF standards at the federal level. However, there were no tangible results concerning introducing these standards at the federal level. Thereby both WWF and Stora Enso in many respects have achieved a constructive favorable relationship with state authorities. The problem of introducing new standards

developed within the PMF project to forest legislation had not been solved by the end of the project, in 2008.

At different stages of the project, relations with the Strugokrasnensk *leskhoz* were developing differently. At the very beginning, it refused to recognize the project as a partner, and treated it as something alien that was trying to destroy the existing order with their innovations and practices. As one forest management staff person noted, "At first it was a little hard to understand the goals of the project." (Interview with director of Strugi-Krasnie leskhoz, June 2006).

The Strugokrasnensk leskhoz actively opposed attempts to introduce some elements of sustainable forest management practices which contravened the Russian legislation in neighboring areas (also leased by STF-Strug but without special status). Its employees treated such innovations as the low qualifications of STF-Strug workers rather than as attempts to disseminate practices of biodiversity maintenance: "their managers are not specialists, they all have come from Soviet collective farms, and their vision of forestry is therefore, absolutely different"(Interview with a forester in Strugi Krasnie, June 2006).

However, during the research field-trip in 2006 the author observed appreciable changes in attitudes towards the STF-Strug practices. Some informants remarked that STF-Strug was the oldest and one of the most responsible leaseholders: "They keep forest roads in order; they are engaged in silviculture, they leave seed trees and undergrowth on forest plots"(Interview with a forester in the Uzlinsk region, June 2006). Another informant remarked that this company is even engaged in economically unfavorable but necessary sustainable forestry activities such as thinning in young forests. He did not consider the foreign origin of the company as evidence of its being "alien" to Russian realities, but on the contrary treats the practices of the company as an indicator of its responsibility: "They are influenced by the West and are more concerned with forestry issues, and even reforestation and non-commercial thinning are of equal interest for them" (Interview with the representative of Strugokrasnensk forest management unit, June 2006). However, a paradoxical situation still developed around the project. The company cannot introduce innovative practices in the areas which were scheduled to be included (i.e. areas rented by STF-Strug but not included into the model forest) (Interview with the research manager of the project, March 2008). Efficient cooperation with both regional and local administration has been a necessary condition for the PMF in successfully embedding itself in an existing context in the space of place. Being guided by this idea, the project implementation team was searching for ways to establish a partnership with regional and local authorities. Relationships with the Pskov regional administration were developing gradually, since following each election or restructuring of regional structures it was necessary to establish new relations and present the project again and again. At the last stage of the project, close cooperation with the Department of Education was established; this concerned the creation of a textbook on sustainable forest management developed and published within the project for high school students. Networking

with members of local administration was one of the easiest steps in the PMF's efforts. The administration of the Strugokrasnensk region supported STF-Strug long before the Project was launched, as at that time this enterprise was the main taxpayer in the region.

5.   Building relationships with local people

In the early stages people looked suspiciously at the project as they did not understand its purposes. It was necessary for the project to overcome the prejudices of the local population towards any foreign company which the people believed, "came to cut down forests, get profit and abandon the place, leaving a desert behind (Informal conversation with a woman at the market in Strugi Krasnie, October 2002). PMF was actively engaged in informing the population about the project and its purposes through the media. They published informational press releases about the project in regional and federal publications, created a website, and aired television and radio shows (Report on Public Relations of the Pskov Model Forest project from June 200-December 2001). As project implementers were interested in naturally embedding PMF ideas in the local community, they actively participated in various actions related to local cultural traditions. Within the project PMF supported construction of an orthodox chapel, organized a Pancake festival and a school graduation party.(Interview with the director of the Pskov Model Forest Project, June 2002). Environmental actions, such as forest festivals, and ecological and sports events, have become another strategy for attracting the population (Interview with the Pskov WWF office manager, June 2002). WWF's small grant program was a tool used to link the local population to PMF. One of the strategies in the grant program was to take activities that already existed and enhance their quality while steering them towards supporting the model forest. During the project's lifetime, 32 small grants were made. With these small grants teachers created such programs as recycling, forest education, nature calendars and computer education.

Inclusion of the public in decision-making on forest management was a necessary measure, on the one hand, because this was one of the requirements of FSC certification; on the other, all experts and visitors coming to the model forest from abroad were primarily interested in the questions of public participation in forestry-related decision-making: "In the West it is a popular subject. They come and immediately inquire whether our public is involved in the decision-making process"(Interview with a participant of the Project, June 2002). The project implementers were themselves suspicious of the issue of public participation: "Maybe it is important to involve the public in Western countries, but here we have a different mentality". (Interview with a PMF staff member, June 2002) They therefore created the institutional infrastructure for stakeholder meetings. In order to involve the public in the discussions of forest issues the PMF organized a forest club, an idea borrowed from Priluzie Model Forest, another project of WWF. The task of the forest club was to inform the population and the stakeholders

about the implementation of the project and other relevant questions. One PMF implementer stated: "When visitors ask the question, 'how is the public involved', we know the drill; we have the Forest Club, and when such people come we refer them to the Club; they are happy because we have all possible stakeholders there (Interview with a PMF implementer, June 2002). Club sessions were attended by invited representatives of administration, the *leskhoz*, the school, libraries, and also grantees and eco-activists. The meetings were often heated discussions. As the population was hostile to cuttings, they had many questions and advanced their own claims, many of which were addressed not so much to the project as to the village administration. Those present wanted answers to their questions: who cuts forests, why they are cut, where wood is hauled, and how forest exploitation is organized in the region. The questions also concerned firewood, sawn-wood, removal of waste, etc.: "At the beginning, there was much talk because everything was unclear and it gave rise to a lot of questions concerning forest management in our region" (Interview with an activist of the Forest Club, June 2007). The Forest Club, however, never became a forum of negotiation where decisions about the project would have been made. It was a space for information exchange between the PMF implementers and the stakeholders.

Public hearings were held only once to discuss the forest management plan during the state forest inventory process in 2002. The PMF applied a scenario method developed in a pilot project of the World Bank in the Karelian Isthmus (Romanchiuk 2001). Using this method, experts developed several scenarios of how forest management can develop, each giving different weight to ecological, economic, and social factors of the forests. The discussion during the hearings resulted in a plan which represented a compromise between the economic component, on the one hand, and the environmental and social ones, on the other. A more environmentally oriented scenario involving the two most reasonable ones was accepted and provided for preservation of wood grouse mating areas. This model of hearings is hardly applicable to other regions since the existing rigid federal regulation in forest management has limited the range of possible scenarios (Interview with the research director of the project, St. Petersburg, March 2008).

6.   Outcomes of the WWW-Stora Enso strategic partnership

The PMF was directed both inwardly to the space of place (locality) and outwardly to transnational spaces (sensitive Western markets). When implementing the PMF project, the WWF contributed to the legitimization of the company within the community of international stakeholders. The results of the project concerning this matter were most tangible in foreign markets as the stakeholders in transnational spaces were completely satisfied.

As mentioned above, transnational corporations functioning in different countries propagate their global strategies and approaches in localities. In our case Stora

Enso was a "transmitter" of Scandinavian forestry technologies, and the PMF was a key actor in adapting these transnational practices to locality as well as developing innovations that can suit the local context. The role of WWF was to establish a relationship with the stakeholders at different levels to introduce these transnational practices.

Among the positive results of the PMF project, were the intensive forestry technologies for the total cycle (100 years) developed within the project. This would make logging most effective by combining economic benefits with environmental expediency (Interview with the research director of the project, St. Petersburg, March 2008). The PMF developed a concept on how to promote FSC certification in Russia with all the necessary documentation and developed an extensive package of documents that would advance the extensive model of forest management and be a "learning opportunity" for the partners (Interview with a certification manager at Stora Enso, March 2008). During the project an expert community was formed and the NGO Greenforest was founded. Greenforest became a registered consultant at the FSC office in Russia and started to reproduce the benefits of the PMF in other forest management operations for companies that were preparing for FSC certification. In particular, they were preparing and implementing nature conservation planning including the designation of high conservation value forests in preparation for FSC certification in areas including those leased by Stora Enso. Greenforest specialists make detailed plans and teach companies how to use them properly. (Participant observation during the training seminar for Stora Enso personnel in charge of certification, November 2007).

The research has shown that the PMF was Stora Enso's strategy of adapting Russian realities to its own business, rather than vice versa. WWF, for its part, was also interested in the transformation of Russian forestry institutions aiming to achieve greater conformity of the latter with the idea of sustainable forest management. There were attempts to adapt Scandinavian forest management practices to the Russian context: to adapt them to Russian conditions and create new standards. The idea was to further introduce these standards at the legislative level. This would have been favorable for both foreign and domestic companies working in international markets. However, eventually these practices could only be institutionalized in the territory of the model forest.

Since 2006, Stora Enso has reproduced the methodology of nature conservation planning for its subsidiaries. Although this methodology was not approved at the federal level, it was still possible to find alternative legal ways for its implementation through allocation of special protection zones. In each region where Stora Enso operates, its subsidiaries had to solve the problems encountered in different ways, mostly through ordering special forest management plans for the forest inventory agency. For example, when allotting logging plots together with forestry unit staff, the company had to name the key biotopes of the "noncommercial forest zones," which they were allowed to leave on the cutting plot. In this way biodiversity could be preserved.

The application of experience gained with the population in the PMF project to other territories was also complicated, although for other reasons. As mentioned above, the scenario approach used in public hearings during the project is hardly applicable in ordinary conditions. Many resources are needed to reproduce the Forest Club and build an interested stakeholder community. Generally, the major funder of the project, SIDA, was very satisfied with the development of innovations in intensive forest management and documenting tools for sustainable forestry. However, they were not completely satisfied with the dissemination of the project outcomes as only a small community of Russian experts and a small number of companies were taught to use the above-mentioned tools (Interview with the representative of the Swedish Forest Agency, Stockholm, March 2008).

7.   Discussion and conclusion

The case of forest management has shown how institutional fields (which at national level are formed by the interaction between federal, regional and local actors) are influenced by global rules and norms in the course of the certification process. This process is sporadic in the beginning; it spreads to particular geographical areas involved in certification, and gradually intensifies as these areas expand. The Pskov Model Forest is a special case where the impact of global practices on the national institutional field was simultaneously realized through two channels - through certification, on the one hand, and through building the model forest, on the other. Two major agents, namely Stora Enso and WWF, translated global designs into local practices. As the research has shown, the process of introducing global norms into institutional fields is far from smooth in Russia, as the state norms (Forest Code 2007, regulations in the sphere of forest management, etc.) "resist" the changes introduced by transnational NGOs and corporations. This "resistance" is neither a consequence nor intentional; it is more likely connected with the institutional turbulence of transition processes in the Russian economy in recent years.

A paradoxical situation exists when the state "switches on green and red traffic lights" simultaneously. This, for example, happened with the Convention on Biodiversity; Russia ratified it in 1995, but did not develop relevant standards for the preservation of biodiversity during commercial forest exploitation. As a result, enterprises that are seeking certification are compelled to find somewhat questionable methods to conform to the requirements concerning biodiversity conservation. Otherwise, if they acted honestly, it would infringe on existing Russian legislation and entail fines. Stora Enso is an object of dual coercive isomorphism. It is exposed to a double pressure: on the one hand, from the state norms of the institutional field, and from global standards of forest certification, on the other. Both pressure groups have surveillance bodies to supervise compliance with national and global rules, which often contradict each other. To satisfy each party, Stora Enso, as well as other corporations that seek FSC certification, had to search for different individual methods of approaching
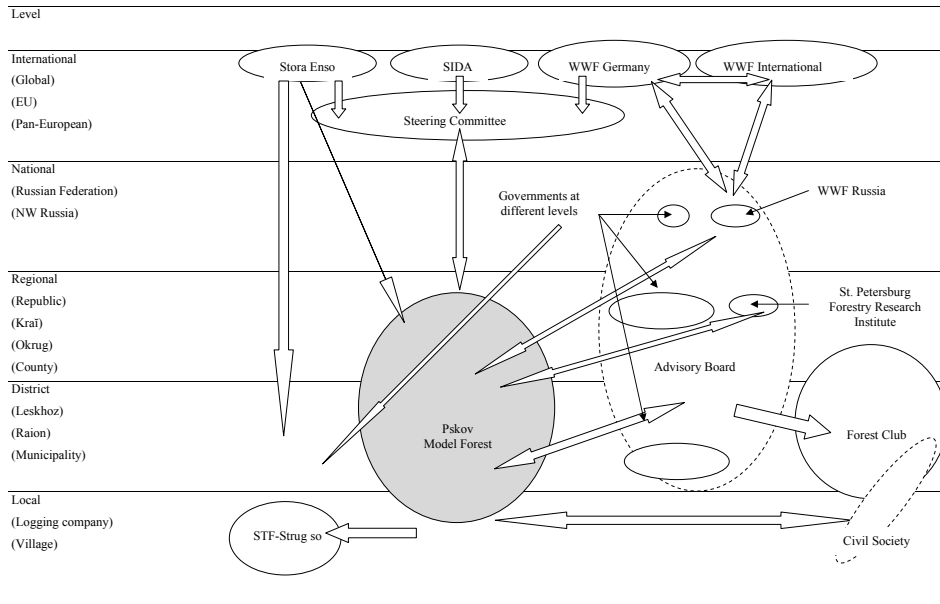
their representatives. The solution found in particular cases gradually becomes an informal code of rules. In our case, the lack of formal regulations in the society resulted in their replacement by informal rules (Roth and Kostova 2003, p. 314).

For partners, the principle of mimetic isomorphism is realized differently. This research has shown that through the model forest project Stora Enso attempted to create an optimum algorithm for successful business operation in a particular country. This algorithm was intended for application in all subsidiaries operating there. Thus, the principle of mimic isomorphism would be exploited. However, organizational instability and turbulence in the regions created obstacles to carrying out this plan in its original form. Only such measures as workers safety and nature conservation planning were possible to standardize and reproduce.

For its part WWF also tried to create a model of sustainable forest management which could be further disseminated throughout the country. In this case, the aforementioned solution of Rosleskhoz to create a model forests network has opened the prospects of implementing the principle of mimetic isomorphism. However, changes in jurisdiction in the government prevented this implementation.

As mentioned above, eventual reduction of the transactional costs of the corporation could be one of possible results in creating a model of sustainable forest management and its further transfer to other enterprises. However, as the application of mimetic isomorphism was complicated by conditions of unstable institutional fields in the country, transaction costs remained high and the expected effect was not achieved. The situation was also aggravated by the fact that Russia, as a country with a transition economy, often encounters problems which often can be neither predicted nor tested and which can sharply raise transaction costs. This concerns, for example, the imposition of high customs tariffs on the export of roundwood, which is one of the main fields of business activity of STF-Strug in the Pskov region. These tariffs made the company unprofitable and it was subsequently shut down in October 2008 along with other Stora Enso subsidiaries, STF-Gdov and Kingisepp.

Diagram 1 Pskov Model Project implementation

Level					
International (Global) (EU) (Pan-European)	Stora Enso	SIDA	WWF Germany	WWF International	
		Steering Committee			
National (Russian Federation) (NW Russia)		Governments at different levels			WWF Russia
Regional (Republic) (Kraï) (Okrug) (County)					St. Petersburg Forestry Research Institute
District (Leskhoz) (Raion) (Municipality)		Pskov Model Forest	Advisory Board	Forest Club	
Local (Logging company) (Village)	STF-Strug so			Civil Society	

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Endnotes

2. Transaction costs are those costs not directly connected to production: e.g., expenses incurred by permits, endorsements by different actors, and establishing relationships of trust with local authorities, the community and stakeholders.

3. Leskhoz is a state forest management unit.

Building trust in the process of localization of global forest certification.

Ivan Kulyasov[1]

1.   Introduction

1.1. Main ideas

The present paper focuses on the analysis of the role of non-governmental organizations (NGOs) and experts in building trust in the process of localization of global FSC forest certification in Russia. The international FSC certification scheme is a global nongovernmental process (Cashore 2002: 503-529; Cashore, Auld and Newson 2004), coordinated by the NGO Forest Stewardship Council, which has succeeded well in building trust in this system and promoted socially responsible, environmentally friendly and economically effective forest utilization.

FSC forest certification is based upon a model of governance in which such nongovernmental stakeholders as NGOs and experts have the leading role (Arts 2005). FSC certification promotes international norms of corporate socio-environmental responsibility in business forest utilization (Kulyasova 2008: 126-152). The aim of the present paper is to analyze the processes of construction of public trust in a certified forest company and its logging enterprises.

Social life cannot be considered in isolation from the environment, especially when it involves social life in forest settlements; hence, corporate social responsibility includes a strong eco-component. We can therefore state that the global concept of "corporate social responsibility" embraces among other things the responsibility for restoration and conservation of forests as an eco-social system. Such a broadened conception of responsibility is used by certified companies, NGOs and experts to build trust. It has to be noted that the meaning of corporate responsibility to a forest company is influenced not only by international FSC standards but, in cases of old enterprises, by traditional cooperation with the local communities which existed in the Soviet era.

1.2. Theoretical background

In the present research I refer to analyses of the conception of trust. Trust is conceptualized in social science research as a broadened multi-space social reality which resists the complexity and abruptness of social interaction. Correspondingly, trust is an essential strategy for overcoming this complexity and abruptness and achieving the desired results (Luhmann 1979; Barber 1983). Trust is a collective phenomenon which emerges when interacting and orienting with some common aims and values (Lewis and Weigert 1985). It emerges in social systems when the participants of those systems act in accordance with the expectations and ideas they have about each other or their symbolic representations of another one (Barber 1980).

Developing this conception, Giddens noted that in contemporary global society relationships of trust appear not only in the form of trust based on personal circumstances, apparent as interaction and cooperation between social agents, but also as impersonal trust, which appears as a credence to abstract systems, i.e. symbolical signs and expert systems. Impersonal trust becomes crucial in conditions of widening the spatial and time distances of globalization (Giddens 1990).

When international FSC certification is localized, it becomes a concrete system for local communities and indigenous people, whose life and activities depend on forest. Certification gives them a mechanism of forest conservation in the form of controlling the forest utilization of a specific company. The FSC scheme, however, remains a symbolic system for buyers, who deal with the company brand and FSC logo, and confirm the eco-social responsibility of the producer. The consumer, be it a large company or a simple buyer in a shop, who is willing to buy environmentally friendly and socially "clean" production, trusts the FSC logo. Purchasing FSC-certified products, they act in accordance with their values. Thus, by their choice, they influence the corporate responsibility promoted by the FSC system. Researchers consider this practice of materializing consumers' value orientations and requirements to be based on market demands (Vogel 2005), since eco- and socially sensitive European markets increasingly more often prefer the certified production of responsible corporations. Trust in the FSC was constructed by NGOs and responsible forest companies. Due to its efforts in promoting FSC forest certification, the organization became well-known and influential in international markets (Tysiachniuk, Kulyasova and Pchëlkina 2005: 305-326). As a result a large segment of certified production appeared in the markets of forest products. NGO and expert networks, which promote the performance of FSC certification norms and rules, play the role of expert systems. Their logos also become popular and they serve as a guarantee of trust for buyers.

While NGO networks and experts promote certification, their guarantees of trust are at the same time links to global and local spaces.

They play an important role in the change of local practices of certified companies and present them as eco- and socially responsible in international markets. As stakeholders, NGOs and experts help the certified companies to transform their practices into more sustainable ones, and construct trust, interaction, and partnership with local communities in the forest management area. It should be noted that in contrast to trust in FSC-certified companies as abstract systems built on the global level, localities express another type of trust. This personal trust is constructed on the local level during the concrete interplay between forest companies and local communities.

1.3. Methodology and case study selection

The PLO Onegales holding (Joint-stock company "Industrial-timber association "Onegales") and its six logging companies were selected for a case study. The bulk of the data for the present paper was collected in 2006-2008 during visits to the city of Arkhangelsk and the Arkhangelsk region: the cities of Onega and Kargopol, the villages of Onega, Primorie, Kargopol and Plesetsk, districts located near forests leased by PLO Onegales. Additional data were used from field-trips to the settlement of Maloshuika in the Onega district (2003-2005), Arkhangelsk and villages of the Onega district in the Arkhangelsk region (2005). In the studies the author applied qualitative methods of sociology such as case study, semi-structured and biography interview, participatory observation and analyses of data from periodicals.

50 interviews were conducted. The different groups of interviewed respondents included managers and workers of PLO Onegales and its logging units. Furthermore, several pensioners who worked in Onegales for many years after the Soviet period provided biographical interviews. Representatives of local, district and regional units of state forest agencies and local administration were also interviewed. A great number of interviews were carried out in forest and fishery villages located not far from the territories leased by PLO Onegales logging units. Furthermore, local citizens who actively used the wood and non-wood resources in the forests were interviewed applying biographical and semi-structured interviewing methods.

The paper will initially focus on socio-economic and socio-environmental contexts of the case and the process of certification at PLO Onegales. Secondly, a brief description of PLO Onegales history will be presented to show the transformation of its organizational structure. The case will demonstrate how trust is constructed on various levels when the company, in deciding to enter the process of certification under pressure from international wood buyers, tries to implement it with minimum resources, hence, minimum eco-social change. The

analyses will focus on mechanisms of construction of trust by NGO and expert networks between both the local population and PLO Onegales in the local context and international buyers and the certified company in the international context.

2.   Social, economic and environmental contexts

Social, economic and environmental contexts influence the process of adaptation to FSC certification in the locality and often determine the ways of constructing trust in the company on the local and global levels. In our case, the construction of trust between PLO Onegales and the local community is based on both old and new forms of socio-ecological responsibility, on building personal trust through regular interaction or its absence.

The Arkhangelsk region has developed an intensive forest industry since the mid-20th century, when many forest settlements were built in order to provide manpower for the many new state logging enterprises (“*lespromkhozes*”). The social life of those settlements was completely oriented to providing logging enterprises with a labor force, and correspondingly the logging enterprise was responsible for financing the infrastructure of the settlements. Thus, they were called “forest settlements” (Pchëlkina, Kulyasova and Kulyasov 2004: 27-29). Nowadays many old logging enterprises continue their work after various structural transformations and numerous changes of owners. Today (2009) almost all are integrated into large regional, Russian or international holdings functioning in the Arkhangelsk region (Interview with a representative of the Department of Forest Industry of the Administration of the Arkhangelsk Region 2004). PLO Onegales was incorporated into an international holding of Russian origin called *Investlesprom*. The wood production of this region is mostly exported to environmentally and socially sensitive markets in Europe. For this particular reason the Arkhangelsk region became the leader in mass FSC forest certification in Russia.

By the end of 2008 forest management of the majority of forest territories leased by Arkhangelsk forest holdings had an FSC certificate or was in the process of certification (FSC web site www.fsc.ru). In the case of PLO Onegales, all their leased forests were certified (Public reports on certification by Maloshuilakales, Nimengales, PLO Onegales, http//www.gfa-group.de/beitrag/home_ beitrag_903550.html).

The features of the local context in the case under review indicates that there are three types of settlements near the forests leased by PLO Onegales, and three types of interaction between the local population and the company are evident.

The three logging companies Maloshuikales, Nimengales and Iarnemale of PLO Onegales are located in the above-mentioned forest settlements created in the Soviet era in the mid-20th century. Traditional relationships between logging enterprises and the local population formed in this period still determine some settled forms of corporate social responsibility of the forest companies. Inhabitants of the settlements continue their work at the new forest companies that replaced the former Soviet enterprises, and expect the same social responsibility and help from the new companies. The companies partly continued the tradition of supporting local infrastructure, i.e. we see here a paternalistic interaction between a settlement-forming enterprise and the local population (Kulyasova, Kulyasov, and Kotilainen 2006: 81-112).

Another settlement form is the traditional villages housing old residents or people seasonally coming from cities. Their inhabitants used to work on Soviet farms *("sovkhozes")*, which were closed down in the post-Soviet period. Very few people from such villages work at logging companies. These villages either had no settled relationship with forest companies or expectations of social responsibility, hence, no trust in PLO Onegales had even been constructed. The companies do not exhibit paternalistic attitudes towards these villages (Interview with a representative of the Administration of Oshevensk village 2006). However, FSC certification requirements generated the need for interaction with the population of such villages and building their trust and the administration of PLO Onegales realized this fact.

The third type of settlements located nearby forests leased by PLO Onegales are the traditional villages of coast-dwellers who identify themselves as indigenous people named Pomors. They traditionally work at fishing collective farms *(kolkhozes)* which still exist (2009). These people had no trust in PLO Onegales. On the contrary, there was a conflict of interests in the forest management area which gave rise to personal mistrust in Onegales and mistrust on the abstract level in any forest operator. The life of the Pomors depends very much on fishing and hunting. They do not work in the logging companies and are mostly oriented to traditional forest utilization. PLO Onegales had not considered the Pomors as stakeholders and for a long time did not realize any collision of their interests. The reason for this situation was that the status of the Pomors as indigenous people was not recognized officially by the Russian state, and PLO Onegales did not take the traditional rights of this ethnical group into account. However, as FSC certification recognizes any indigenous people or self-identified ethnic groups and requires observance of their rights, PLO Onegales was forced to consider this feature and accordingly to form its policy during certification and after having received the FSC certificate.

It should be noted that the Pomors are indeed an independent subethnos (Bershtam 1978) historically living on a vast territory called *Pomorie* (Bulatov 1999), Arkhangelsk region being the center of it. They identify themselves as ethnic community and their NGOs struggle to have their status as an indigenous

people recognized by the state (Interview with a representative of the National Cultural Center "Pomors (coast-dwellers) Revival" 2005, 2007). Later, through the efforts of NGOs and experts their rights as indigenous people were assigned in the Russian National Standard of the FSC. At the time of the case study, this was a contested issue for the company and auditors who regarded Pomor communities as ordinary local communities. Later, we will analyze how the intervention of NGOs and experts helped to change this situation and forced the company to fulfill its responsibilities according to the FSC certification requirements.

Thus, all three categories of settlements are stakeholders interested in forest utilization according to FSC certification and should thus be included in the list of interested groups, and be able to enjoy the corporate social responsibility of the PLO Onegales.

The key feature of the environmental context of the case is the presence of old-growth forest in the territories leased by PLO Onegales. These forests are located on the Onega peninsula, between the Dvina and Pinega rivers, near the border with the republic of Karelia, and in other places (Map of the old-growth forests, http://www.greenpeace.org/russia/ru/press/releases/366571, www.intactforests.org). European consumers refuse to buy wood derived from old-growth forests, and the NGO networks struggle for their conservation. Hence, this feature of the local environmental context has an important effect on the construction of trust on the international level. The old-growth forests were traditionally considered by Soviet forestry as overripe forests that should be cut (Conversation with a director of PLO Onegales in 2006). Experts and eco-NGOs assessed them as high conservation value forests, important to the conservation of biodiversity and rare species, and for a sustained ecosystem of our planet. As eco-NGOs created an international discourse of old-growth forests as an environmental value, the refusal to cut in such forests is now an obligatory component of trust in a forest company. Eco-NGOs try to conserve these forests either through lobbying for the creation of special protected areas by the state or persuading forest companies to voluntarily conserve these territories. Forest companies signed a moratorium on cutting wood in the old-growth forests. A part of the forest territories leased by PLO Onegales in 2005 on the Onega peninsula were planned as a national park in the 1990s and were the focus of especially rapt interest of eco-NGOs.

3.   The process of certification

PLO Onegales is a regional holding managing six logging companies: the Joint-Stock Companies Maloshuikales, Nimengales, Onezhskoe Wood floating enterprise, Kargopolles, Iarnemales, Onegales (www.ongegales.ru); most of them were established on the basis of old Soviet *lespromkhozes.* This holding, as well as its managing company, was established in 2003 by the Open Joint-Stock Company Onezhskiĭ LDK (wood processing plant), which managed these logging companies before 2003 and was the main consumer of their production.

Onezhskiĭ LDK with its suppliers was integrated into the international holding Group Orimi, from which Investlesprom bought them in 2007. Thus, Onezhskiĭ LDK and all enterprises of PLO Onegales became part of one of the largest and actively developing forest holdings in Russia (www.investlesprom.ru).

The process of forest management certification and the chain of custody at the logging companies of PLO Onegales took several years. Maloshuikales was the first company entering the process of certification, in 2003. It was chosen for pilot certification to approve the process and estimate the resources needed and benefits provided by the FSC certificate (interview with a director of Maloshuikales 2003, 2004). The decision concerning certification was based on economic reasons. On the one hand, it was the requirement of foreign purchasers of carving wood; on the other hand, Onezhskiy LDK hoped to raise the prices of certified production (interview with a representative of the administration of Onezhkiy LDK 2003). The international NGO WWF played an important role in publicizing the necessity and benefits of certification. The Arkhangelsk Certification Center, which is closely associated with WWF, was invited for consultations. Its experts helped to prepare documents and organize events required by certification. They also prepared a program of corporate social responsibility for the company, which was designed as a "Plan of social and economic development for the 49-year leasing period" and included some concrete measures for developing the social infrastructure of the settlements. The company signed a moratorium on cutting on plots of the old-growth forests with Greenpeace (interview with a person responsible for certification of Maloshuikales 2004).

The administration of PLO Onegales was somewhat disappointed in the results obtained as certification of Maloshuikales required substantial expense and did not yield any palpable economic result. The wood-processing plant Onezhskiĭ LDK could not certify its chain of custody because the amount of the wood coming from Maloshuikales was too small. Certification of other wood suppliers was also necessary. This process was also precipitated by the protest actions organized by Greenpeace in Germany in 2004, which concerned not only Onezhskiĭ LDK but all forest companies of the Arkhangelsk region. Greenpeace - Germany blockaded ships of Solomalskiy LDK carrying wood cut in old-growth forests of the Arkhangelsk region. These actions forced regional forest companies to make extra efforts to prove their environmental responsibility (Interview with the chairman of the board of the Association "Industrialists of Pomorie" 2004).

In 2004 Onezhskiĭ LDK received an FSC certificate for Nimengales. In 2005 management issues were transferred to PLO Onegales, which certified the following group of companies: Onegales, Onezhskoe Wood Floating Enterprise, Iarnemales and Kargopolles. Nimengales was later able to join this group certificate (Certification public reports, www.fsc.ru).

Various interested parties, such as experts, NGOs, representatives of state agencies and business play an important role in FSC certification. FSC is a

voluntary certification system, promoted in the forest sector all over the world by an alliance of international NGOs and associations of socially and ecologically responsible companies. FSC makes logging companies more transparent and open to cooperation with different interested groups. FSC is based on ten general principles, 56 criteria and many indicators which adapt international principles and criteria to conditions of specific regions. Auditing companies accredited by FSC check the implementation of FSC requirements in forest companies annually. Real implementation of the FSC is, however, possible only if logging companies create a constructive dialogue with NGOs, local citizens, and other interested parties desiring to coordinate their needs in forest use with the company's operations and can control the social and ecological responsibility of the companies.

In the following we will analyze the role of experts and NGOs in the construction of trust towards PLO Onegales, focusing on the change in practices of corporate social and environmental responsibility, which is crucial for building trust.

4. The role of NGOs and experts in construction of trust

The participation of NGOs and experts in FSC forest management certification in PLO Onegales considerably influenced the process of building trust between the company and the local and regional communities. NGOs became the guarantors of the quality of certification and often determine how global practices of the FSC forest certification are localized in changing the corporate environmental and social responsibility of companies.

4.1. The role of International NGOs

In our case the most prominent international NGOs, WWF and Greenpeace, contributed to increasing of the eco-social responsibility of the company, although using different approaches and constructing not only trust (WWF) but also mistrust (Greenpeace).

4.1.1. The role of WWF

WWF, in the frames of its forest program, promotes sustainable forest utilization which supposes the equilibrium of its economic, environmental and social aspects (www.wwf.ru). One of the goals of this program is building trust in the abstract system of FSC-certified forest companies in general. Affiliation with the WWF forest program legitimizes the forest utilization of the company. WWF takes part in promoting FSC-certified production to environmentally and socially sensitive markets by constructing an image of responsibility of certified companies both on the international and national levels. Since 2008, WWF has joined the process

of constructing a 'green' market in Russia and creating a new national system of buyers' trust in the FSC-certified production of Russian forest companies. WWF builds trust in an FSC-certified company in the public space and at the same time increases trust in its own brand and the expert services it provides by creating partnerships with forest business and trade corporations, organizing informational activities, educational programs and various events such as conferences, seminars etc.

Trust in an abstract system – any FSC-certified company – is localized through the stimulation of the corporate social and environmental responsibility of a concrete company, which creates or increases existing personal trust in the company on the regional and local levels. Before PLO Onegales took over the company, the eco-social responsibility of the logging companies managed by Onezhskiĭ LDK was stimulated by interaction with WWF. Due to this cooperation, the company enjoyed the confidence of international and regional eco-NGOs and had an image of an eco-socially responsible company. Onezhskiĭ LDK successfully participated in ratings organized by WWF (for the eco-ratings of the forest industry sector of the RF, see http//www.wwf.ru/about_we_do/forests/aeol/ratings/doc457/page1.), which were largely published in the mass media. Furthermore, Onezhskiĭ LDK satisfied the ISO 14000 requirements for certification of ecological management. WWF involved Onezhskiĭ LDK managers in its educational programs. Onezhskiĭ LDK managers participated in the Russian National FSC expertise initiative (see list of participants of FSC Russian National Initiative, www.fsc.ru). Later, by this time PLO Onegales became a "candidate member" of the Association of Environmentally Responsible Forest Companies organized by WWF (for a list of participants of environmentally responsible industrialists, see www.wwf.ru). Interaction with the WWW Arkhangelsk office was based on the same principles and helped the company to build trust in its activity and policy on the regional level. The administration of the Onezhskiĭ LDK participated in regional events organized by the WWF: conferences dedicated to FSC certification, seminars, meetings of the working group developing FSC regional standards.

4.1.2. The role of Greenpeace

Relationships with Greenpeace were constructed on another basis. Initially, Greenpeace molded public mistrust in the company and its logging enterprises and motivated it to certain actions. These actions were then legitimized by the eco-NGO and became part of the construction of trust. Long relationships with this radical eco-NGO even resulted in personal trust, as we will later see.

Interaction by the company with Greenpeace on the old-growth forests issue took place in parallel with its interplay with the WWF concerning certification. In the first stage, relationships between the eco-NGO and the company were mistrustful and cautious. To conserve large plots of old-growth forests the eco-NGOs put forward the idea of creating a national reserve, *Onezhskoe Pomorie*, on

the Onega peninsula. The idea was supported by regional and federal authorities. Until 2001 the administration of Onezhskiǐ LDK actively objected to this decision. In their public presentations they explained that "creation of this park would result in cutting down 2/3 of their production area and reducing wood processing by 80.000 cubic meters per year" (Will "Onezhskoe Pomorie" … 2001). Nor did this correspond to the interests of the economy of the region. The efforts of Greenpeace helped leaders of Onezhskiǐ LDK to change their position, and locate a compromise: to create a smaller reserve. One of representatives of Onezhskiǐ LDK commented on their relationships with Greenpeace and its leader as follows: "We personally know Iaroshenko, because we had long discussions about the Onezhskoe Pomorie National Reserve … And we have good contacts with him" (Interview with the representative of the administration of Onezhskiǐ LDK 2003). Finally, the creation of a national park on leased territories of the holding was agreed. Logging enterprises signed a moratorium on cutting old-growth forests on leased territories. Interaction with international eco-NGOs provided the logging enterprises of the holding with the image of an environmentally and socially responsible company and constructed consumers' trust, which improved their position in the international and internal markets. This case shows how the practice of building trust by international NGOs not only forces a company to undertake various actions to be more environmentally responsible locally, but also helps to build personal trust between representatives of NGOs and the company.

4.2. Role of regional and local NGOs

Interaction between the holding company and regional and local NGOs started later, as they were not identified as FSC-certification stakeholders, and were not informed by the company of the fact that certification provides them with new rights influencing the eco-social responsibility of certified companies. Such NGOs as Aetas, Pomorskoe Vozrozhdenie, Pomor Public Policy Center and Pomor People's Community had their own interests conflicting with the forest activity of PLO Onegales. Aetas cooperated with experts and Greenpeace about creating the Onezhskoe Pomorie National Park and was interested in the conservation of forests on the Onega peninsula (Interview with a representative of the NGO Etas 2007). the Pomor Public Policy Center, in partnership with WWF-Arkhangelsk, developed and introduced regional methodology for identifying high conservation value forests (HCVF) and organized public hearings (Interview with a representative of Pomor Public Policy Center and WWF-Arkhangelsk 2007). Pomorskoe Vozrozhdenie struggled for the conservation of traditional Pomor culture on the Onega peninsula. Pomor People's Community strove for the preservation of their traditional life and traditional natural resources utilization (Interview with a representative of National and Cultural Center Pomorskoye Vozrozhdenie 2006).

Before starting a dialogue and interaction in the framework of FSC certification, regional NGOs mistrusted the holding and its logging companies. After 2007 this situation changed radically. In 2007, local Pomor and eco-NGOs requested the inclusion of PLO Onegales in the list of stakeholders. They did not succeed immediately, and were only officially recognized as stakeholders half a year later, after several publications in the mass media (Raikher, I. 2007)) and through internet list servers. In these publications the NGOs asked the company to demonstrate eco-social responsibility. A bad image in this respect could have destroyed public trust and thus prompted PLO Onegales and auditors to start interacting with local NGOs.

Finally this interaction contributed to forming public trust in the company on the regional and local levels and encouraged the enlargement of the sphere and forms of environmental and social responsibility by PLO Onegales. Local NGOs were invited to a meeting with the company and auditors during the next control audit of the companies managed by PLO Onegales. Preparing for the meeting NGOs studied the FSC standards, the company's public reports and consulted with experts. They united their efforts and composed a common proposal to PLO Onegales concerning the improvement of their corporate system of eco-social responsibility, to make it conform to the FSC requirements (Journals of participatory observation 2007).

The main demand of the local NGOs was to recognize Principle 3 of the FSC standards concerning "rights of indigenous people", and apply it to the Pomors. The protocol[2] signed in the presence of auditors at the meeting stipulated: "participation of the local population in identifying plots of high social value forests, providing the local population with logging plots for firewood and carving wood, and assistance in creating a national park." The company recognized all these proposals but the last. Thus at this stage NGOs contributed to a more complete fulfillment of the responsibilities of the holding and acted as guarantor of trust in forest companies at the local level. Regional and local NGOs later reduced their interaction with the company, and accordingly weakened their role in the construction of trust. There were several reasons for the passivity of local NGOs, the main reason being the lack of needed resources, because interaction in the frame of certification requires special knowledge, additional efforts and time. Only the added efforts of experts enabled the company to keep its promises.

4.3. The role of experts

During the certification process PLO Onegales had to contact several groups of experts, which greatly influenced the localization of global practices and the construction of trust between the company, local people and regional NGOs. Experts with the necessary competence, resources and special interest in the quality of the FSC certification finally became the main guarantors of the implementation of the FSC system, both in the locality and globally.

PLO Onegales worked with experts from the Arkhangelsk Certification Center and the auditor company GFA (http://www.gfa-group.de), who were certifying the forest management of PLO Onegales, as well as with social experts of the Center of Independent Social Research (CISR) from St. Petersburg.

4.3.1. Arkhangelsk Certification Center

Arkhangelsk Certification Center was first created on the basis of the Northern Forestry Research Institute as a center of information on forest certification and sustainable forest management. It was supported by WWF. Furthermore, when the need for preparation of companies for certification arose, the non-profit partnership Northern Center of Forest Certification was registered by the initiative of a group of experts (interview with the head of the Northern Center of Forest Certification 2004). The group of experts of the Arkhangelsk Certification Center contributed greatly to the localization of the FSC certification system and took part in constructing trust in the company in the local community. Especially strong was their influence at the initial stage, during the certification of Maloshuikales. As mentioned above, they developed a program of social responsibility for Maloshuikales for the period of 49 years. The weakness of this program was that it was unknown and unpublicized in the local community. When PLO Onegales took over the management of Maloshuikales, the program was not supported by the new administration, and only some of the initial points of this plan were implemented. However, even this small implemented part of the program concerning social development and support for the local population had a positive effect on instilling trust in the local population in considering Maloshuikales socially responsible. Maloshuikales also gained the trust of the eco-NGOs, as the company respected recommendations of the Arkhangelsk Certification Center and conducted biological research on its leased territories as well as conserving plots of high conservation value forests. The company also developed their environmental policy (Interview of a director of Maloshuikales). All these actions were intended to raise the image of the company as environmentally responsible.

4.3.2. Expert auditors of the GFA

Experts-auditors often play a key role in forming abstract trust in the certification system, as they are responsible for the quality of certification of concrete companies. However, in the opinion of the local community they are usually not considered an important agent. In our case, the auditors were, however, stirring mistrust of the certification of the PLO Onegales in the locality, since they paid too little attention to the interaction between the company and local communities.

Experts-auditors can lead the activity of the company in the desired direction, addressing corrective action requests (CAR). The company should eliminate

discovered incompliance with the FSC standards (Maletz and Tysiachniouk, forthcoming). In the analyzed case, GFA auditors, understanding that certification is a long process and all non-compliance can not be corrected at once, focused firstly on FSC principles and criteria concerning logging and accident prevention issues, as well as on the environmental issues important to foreign consumers. The problems of social principles and criteria defining interaction with the local population and indigenous peoples were approached more formally. As the auditors did not pay enough attention to this aspect, the company did not put enough effort into informing the population about their new rights provided by certification. Principle 3 was not applied to the Pomors, since neither the auditors nor the company regarded them as an indigenous people.

4.3.3. The role of social experts

A third group of experts – social experts from CISR[3] – played the most important part in constructing trust between the local community, regional NGOs and PLO Onegales, as their activity focused on solving the problems of interaction with local and indigenous people. This group from CISR had participated in developing the social section of the Russian national standard of the FSC. These experts and consultants acted as federal stakeholders of certification, at the same time doing research on the implementation of the certification process in Russia.

They firstly interacted with PLO Onegales during their research projects, and faced mistrust from the part of the company and a lack of readiness to provide any sort of information. The experts were interested in promoting FSC social standards in Russia and were assisting regional and local stakeholders to understand their new rights by stimulating the company to fulfill their social responsibilities. Social experts consulted regional and local NGOs and encouraged them to become stakeholders and formulate their interests to PLO Onegales. They organized a constructive dialogue between the company, NGOs and auditors and helped build a fruitful interplay and trust between them.

Another direction of their work concerned local and Pomor people. They co-operated with PLO Onegales and helped them organize a number of consultations with Pomors concerning identifying and removing socially valuable forest areas from logging. By this time the company became part of the Investlesprom holding, with which the social experts had already been successfully co-operating, a fact that positively affected their work. The consultations organized by the CISR experts together with the NGO Aetas and representatives of PLO Onegales in Pomor villages on the Onega peninsula in March 2008 maintained a constructive dialogue in spite of the strong original mistrust of local people.

4.4. Construction of trust between local population and PLO Onegales.

We indicated above that the level of initial trust between the company and local communities varied and depended on the social and economic context. In its first stage certification did not greatly influence the present situation. The poor participation of local communities in the certification process was caused by a lack of information concerning certification and the new opportunities, which should have been provided to the local population and indigenous people.

In forest settlements a certain level of trust in the forest company had existed since the Soviet period, but the information and consultation requested by the FSC standard only started in two of the six companies of the holding, namely at Onezhskoe Wood Floating Enterprise and Nimengales, where places for gathering mushrooms and berries were excluded from cutting. The company conducted public hearings in a few settlements, but this was done according to the Law on Environmental Expertise and was not connected with certification, which initially did not influence much the company's social responsibility.

The situation was different in the Pomor villages of the coast of the Onega peninsula. The local population mistrusted the company, as it was cutting wood near their rural forests. The Pomors were worried about cutting in their hunting territories and near the rivers where they traditionally fished (interview with a hunter of a fishing collective farm 2005) and took their drinking water. They were afraid of a dropping water-level that could spoil the quality of the water (interview with the chairman of a fishing collective farm 2007). The local population took wood from nearby forests for building and repairing their houses and other constructions (interview with the chairman of a fishing collective farm 2007). Their mistrust increased after an unsuccessful attempt by the fishing collective farms to contact PLO Onegales. They tried to get permission from the company to take firewood from territories the company rented from the state and prevent the building of a road which would have run too close to the village (interview with the chairman of a fishing collective farm 2007). However, they did not manage to start a constructive dialogue with the company. PLO Onegales mistakenly believed the Pomor villages were not stakeholders in the FSC certification or entitled to benefit from the company's social responsibility, as these settlements were not located inside their leased forest territories (interview with the person responsible for certification of the PLO Onegales 2006). After the control audit of 2007, due to the intervention of local NGOs and the experts from CISR, the company included the Pomor villages in the list of stakeholders and started the process of constructing trust.

5. Discussion and conclusion

As the analysis showed the process of constructing trust is implemented both globally and locally. On the global level NGO and expert networks build the trust of consumers in an abstract FSC logo, and locally they build the trust of local people in a specific company. Thus, forming trust in an abstract system is localized through stimulation of the corporate socio-environmental responsibility of a specific company that forms the personal trust in this company on the regional level and to their enterprises on the local level. On the whole, when building the trust of local NGOs and local communities in the company the most important things are regular interaction between all the parties, the range of old or new forms of corporate social responsibility and forming personal trust. It is the socio-environmental context which in many respects determines settled relations of trust and the range of the types of corporate social responsibility.

Three different types of local communities, namely forest settlements, traditional villages and Pomor villages, determine three types of interaction between the certified company and the local population. Forest settlements are treated by the company in a paternalistically supportive way. The company attends to traditional village people but tries to solve problems with a minimum of expense. Relationships between the company and the Pomors are cautious: the company is opposed to excluding large forest plots from cutting and the reservation of these forests for traditional utilization. Experts, international, regional and local NGOs strive to overcome conflicts through constructing trust, mutual compromises and partnerships.

NGOs and experts play the most important role in building trust in the company both on the part of consumers and regional and local communities. They govern the local practices of the corporate social and environmental responsibilities of certified companies and present them as responsible on the international level. At the same time, being stakeholders they help the company to change their practices to build trust on the local level. The role of various NGOs varies depending on the focus of their activity.

Promoting FSC certification throughout the world, WWF played an important role in localizing the global certification process at PLO Onegales logging companies and predetermined the relationships with Russian NGOs. The representatives of WWF acted as experts enjoying common trust, because this international NGO is the main agent promoting sustainable forest utilization throughout the world. Being a FSC forest certification stakeholder, the WWF controls and guarantees the quality of certification.

Interaction with another international NGO – Greenpeace – concerning conservation of old-growth forests demonstrated how the practice building trust by international eco-NGOs can force companies to undertake concrete actions to prove their environmental responsibility in a locality and at the same time creates

personal trust between representatives of an NGO and a company. As a result, the administration of PLO Onegales was ready to set a moratorium on cutting wood in large woodlands of the forests of high environmental value.

The interplay between the holding and regional and local NGOs also contributed to forming trust in the company on the regional and local levels, and stimulated a variety of forms and enlargement of the sphere of corporate responsibility. Though the role of these NGOs was rather occasional and limited, they reduced their contacts with the company due to a lack of resources.

The important role of experts in the construction of trust arises from their high competence, interest in the quality of certification and available resources. They proved to be the guarantor of the high quality of the FSC certification both on the local and global levels. The experts of the Arkhangelsk Certification Center in many respects determined the first forms of localization of the FSC system in the company and took part in the construction of trust in certified enterprises in regional and local communities. However, their role was limited only to the preparing logging company for certification.

The role of expert-auditors was crucial in forming abstract trust in the certified company, as they were responsible for FSC certification quality in a specific enterprise to buyers, NGOs and other stakeholders. In our case, on the local level the auditors provoked mistrust in the FSC certification of PLO Onegales, as they paid little attention to the interaction with local communities. On local level, trust is built on personal contacts between the forest company and local communities. Social experts from the CISR played a very important role in constructing trust between the company and regional and local NGOs as well as local communities. Their activity focused on solving problems of interplay between the company and local and indigenous people. The social experts especially helped PLO Onegales to gain the trust of Pomor NGOs and the Pomors themselves. Due to the experts' activity and intervention, the Pomors were largely informed of the new rights brought by FSC certification, a constructive dialogue started between interested parties, and information was gathered about forests of high social value, which should be excluded from cutting.

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49. Interview with a representative of NGO "Pomor People's Community", March 2008, Malaia Zolotitsa village, Primorskiĭ district, Arkhangelsk region.

50. Interview with a representative of "WWF Arkhangelsk Office", March 2008, Arkhangelsk.

Endnotes

1. The article has been written in the project "Trust in Finnish-Russian Forest Industry Relations" financed by the Academy of Finland (project No. 123301).

2. Protocol of the meeting of interested parties with the auditors of the GFA Consulting Group and the administration of Onega city, JSC PLO Onegales office, during the control audit on 15.10.2007.

3. The group consisted of several researchers of the Center for Independent Social Research (CISR), including the author.

Transformation of Corporate Social Responsibility in the forest sector in the context of global processes: the case of forest certification

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1. Introduction

At present, the theme of corporate social responsibility (CSR) has been actively discussed in the world business community at different international and intergovernmental meetings. It is connected with the more intensive exploitation of natural and human resources in developing countries in the age of globalization, and further development of world trade and market society (Giddens 2002). Consequently, one of the tasks of international organizations in the 21st century is the development of global rules in the sphere of labor relations, human rights and environmental protection (O'Rourke 2005; Arts 2004). There are numerous definitions of corporate social responsibility (CSR), but they all imply diligent business practices oriented towards the economic, social and environmental interests of society (Vogel 2005).

Among the new mechanisms of non-governmental influence on environmental and social policy of companies is forest certification, which is promoted by NGOs (Bartley 2003; Cashore 2002, Cashore et al 2004). Forest certification represents the social, economic and environmental standards that regulate the activities of logging companies. I assume that certification requirements for observing international environmental standards, creating safe working conditions for employees and protecting for the interests of the local population, as well as other requirements in this sphere, may be a framework for developing social policy pursued by Russian enterprises in new market conditions. If the Soviet structure of social responsibility implied the implementation of paternalistic relations by the state and the enterprise embracing all spheres of their employees' lives, the model suggested by certification is based on a balance of interests between different groups of land users, viz. the state, business, and local population.

Introduction of certification standards in Russian conditions, however, will be somewhat different from similar Western practices, as the emerging Russian market has not completely been formed (Kotilainen et al 2008; Tysiachniouk 2009). The collision of two different contexts, Soviet and market, has given rise to a number of peculiarities not inherent in developed industrial countries. First,

the transition to a market society in Russia is characterized by the retention of significant elements of the virtual economy including barter transactions and informal arrangements (Gaddy& Ickes 1998). Second, the infinite and thus far ineffective reform of forest legislation and the absence of efficient forest resource control which is to be implemented by the state have complicated the further development of the timber processing complex. Finally, civil society, which could cooperate with business, is just starting to develop in Russia.

The aim of this paper is to analyze CSR transformation in the Russian forestry sector, which is affected by 1) state structures in the market context and 2) civil society structures and their strategies for implementing forest certification.

This paper is based on the framework of the new institutional approach in sociology (Scott 1995; DiMaggio and Powell 1983), which states that institutions consist of cognitive, normative and regulative structures and activities that provide stability and meaning to social behavior (Scott 1995: 33). If institutions are effective, they reduce the uncertainty of the environment and allow actors to reduce transaction costs related to the exchange (North 1990; Scott 1995).

Organizations operate within institutional fields. Institutional fields in certain contexts can act in favor or as a barrier to institutional change. In order to decrease uncertainty institutional fields tend to be isomorphic (DiMaggio, Powell 1985). In isomorphism sociology understands the processes that make institutional fields and inter-organizational roles homogenous. This allows groups of actors to react more smoothly to external changes. Another important factor affecting institutions within institutional fields is the experience of the actors, operating in the field. It affects institutional stability as the old rules of the game are embedded in the cognitive schemes of the agents involved in interaction. This creates barriers to incorporating new rules that would promote overall institutional change (Fligstein 2001).

My research is based on qualitative methods (Flick 2002). I used 15 semi-structured interviews with different stakeholders (small and large forestry businesses, state actors, local population) which were collected in 2007 during a field trip. My case study involves the Priluzskii leshoz in the Komi Republic.[2] This case demonstrates the process of implementation of forest certification in which the main proponent of extending the model of sustainable forest management is now global actors: the transnational NGO World Wildlife Fund, its Silver Taiga regional office, which later became an independent organization, and the Swiss Development Agency, which allocated funds to build innovative models of forest management in the territory. Subsequently, the spread of certification in the region was supported by a transnational corporation, Mondi Business Paper.

In the first part of the paper I shall consider the influence of elements remaining from the Soviet system concerning the social policy of the enterprise. Soviet representations of the all-inclusive role of the enterprise in the life of the

population still form a basis for the informal requirements for business set by local authorities in rendering social help to the region. The second part of the paper is devoted to a new model depicting the relationship between business and the local community which has been propounded by forest certification. The availability of developed democracy in the local community is necessary for the successful functioning of such a multi-actor model. It is important to determine how efficient the suggested pattern of forestry relations is in conditions of civil society which have been artificially constructed by the NGOs in my case study.

2. Description of the local business community

Small logging companies, in particular, operate in the territory of Priluzie. However, the timber processing enterprises which buy wood from them strongly influence their activity. Therefore, when exploring the business community, it is important to analyze the work not only of small companies functioning in this forest management unit, but also of large timber processing companies which affect the process of introducing new forms of social responsibility.

These companies are the Syktyvkar timber mill in the Komi Republic and the Kotlas pulp and paper mill in the Arkhangelsk region. In the Soviet era both enterprises were included among the seven giant pulp and paper mills of the USSR, their processing capacities reaching one million cubic meters per year. After its transformation during perestroika the Kotlas pulp and paper mill remained in the hands of Russian shareholders and became a branch of the largest Russian pulp and paper mill, Ilim Pulp Enterprise. Presently, this company produces approximately 19 % of all Russian cellulose, 22 % of cardboard and 9 % of paper (www.ilimpulp.ru, last entry in December 2006). The Syktyvkar timber mill was bought by the transnational corporation Mondi Business Paper. It supplies over 40 % of the Russian market with office and offset paper; it also manufactures newsprint and corrugated cardboard (www.mondibp.com, last entry in December 2006).

Both enterprises have a vertically integrated business structure. The head offices of the corporations (including enterprises) develop corporate strategy and policy, directions of development in regions, supply raw material, and provide up-to-day methods of reforestation and timber harvesting. In addition, Ilim Pulp Enterprise has singled out Ilim Sever Les as the logistics department it will engage in supplying the Kotlas pulp and paper mill with raw material; this has assisted in distributing of functions at the mill. Thus, Kotlas is engaged in paper production and Ilim Sever Les is concerned with timber procurement. In the time of this research, in 2008, Ilim Sever Les Co Ltd. comprised 15 logging enterprises and the Syktyvkar timber mill incorporated 14 subsidiary timber enterprises.

All in all, when the research was in progress in 2007, there were 15 tenant logging enterprises in the Priluzie forest management unit. Four worked at the regional level, six enterprises leased logging sites within the Priluzie region and the remaining five operated at the local level in the vicinity of a particular settlement. The largest company working in Priluzie was Luzales. Eight of fifteen enterprises have supply chain certificates and another was preparing for certification auditing. Practically all logging enterprises had their own sawmills for the preprocessing of timber.

In addition to the logging enterprises, there were a number of small trading companies that purchased and resold unprocessed wood. In some cases they were also engaged in harvesting operations in forest areas acquired through auction. Logging companies delivered pulpwood (the top of the tree from which cellulose is produced) to the Syktyvkar timber mill. This enterprise is a unique complex utilizing pulpwood in Komi, where there is a surplus of such wood. Hence, the enterprise has been able to require a high quality of wood from the logging companies. It has developed an eligibility system for suppliers that includes such criteria as logging technologies, forest certification, enterprise size (a large enterprise guarantees uninterrupted deliveries), and previous experience of cooperation with the timber mill. Those businessmen who did not have the opportunity to supply pulpwood to Mondi Business Paper were compelled to either deal with intermediaries or to reduce it to firewood. They could also ship it to the neighboring Arkhangelsk region, to the Kotlas pulp and paper mill, but that was not economically viable.

This situation has led to an unusual context. On the one hand, sawn wood was sold by businessmen using market channels. On the other, logging companies were sometimes compelled to resort to informal ties in dispatching their pulpwood, by exerting pressure via the local administration. Consequently, the problems which arose were often settled by businessmen through informal connections rather than in the course of market competition.

Such a variety of forestry companies provides an opportunity to consider different options concerning the impact of certification they encountered. It also made it possible to study the opportunities of civil society to affect the formation of a new type of corporate social responsibility through the process of their certification.

3.   Influence of the state on CSR transformation

In the Soviet era most timber enterprises formed company towns. They were responsible for maintaining roads, boilers and so forth; they supported schools, kindergartens, houses of culture and sanatoria. Such a structure of social responsibility was possible under the conditions of a planned economy and government subsidies. With the fall of the Soviet system the economic situation of the enterprises deteriorated and they could no longer maintain the

infrastructure level of the settlements. In some cases the enterprises managed to "amicably" hand over their social responsibility to the local administration or other institutions; otherwise, the social sector could become a factor inhibiting the company. Formally, after privatization, the state had to recover expenditures which the companies had spent maintaining the social sphere. However, this compensation was actually much less than the real expenses. It stands to reason that in the 1990s small timber companies were going bankrupt. Timber industry companies used the process of bankruptcy as a means of being released from the social responsibility payments they had been assigned since the Soviet period. This procedure worked in the following way: concurrent with the old enterprise, a new one was established and all modern equipment and facilities were shifted to the latter. The old enterprise then declared bankruptcy and was closed down. The new company began to work with the same director and same workers in the same place, but with new constituent documents and without any debt to the township.

At the same time, forest settlements could no longer survive alone, even with a certain level of minimal support from the local administration (interview with a director of a logging enterprise). Nostalgic reminiscences of the well-organized life of Soviet times constantly arose in current discourses: "In the past, Priluzles contained the entire infrastructure of this local forest management unit: settlements, boilers, etc. This was a budget item of the enterprise. There was housing repair: every summer four to five houses were dismantled and rebuilt, three brigades being engaged in this work. The logging depot paid for all this. Employees did not deal with such things as repairing a porch or pavements - that was the business of these brigades. The houses were built and tenanted" (interview with a local inhabitant, an employee of a logging enterprise).

The Soviet social structure, which the transformation to market relations destroyed, continued working as private arrangements between the companies and the local administration. The existing social policy of most enterprises was not voluntary; often it was a sort of a fee levied by local authorities as a sign of their tolerant attitude towards them. Large holdings and small logging companies, in addition to tax deductions in the budget, have contracts with the local administration for social support. Social aid included some financial assessments, providing transport, material assistance to schools and houses of culture, purchase of equipment for chopping wood etc.

In addition to the agreements on social support, companies sometimes face additional costs for the settlement. One of the respondents, a representative of the Syktyvkar timber mill, told us about the double taxation introduced in practice. "We pay transport taxes … but in spring any forest management unit which transports wood down the federal road, will pay additional charge equal to 5 or 15 thousand. That is, there are both target and seasonal taxes" (interview with one of the head managers of the Syktyvkar pulp and paper mill). He goes on to say that in order to work successfully in the region the company should have a good reputation: "If the municipality is in no way interested in us, they may not allow

us to extract minerals from the pit which are necessary for us to construct roads" (Interview with one of the head managers of the Syktyvkar pulp and paper mill).

Informal mechanisms of interaction were also feasible in relation to local forest management units. In an interview a manager of the Syktyvkar timber mill explains: "Forest management units try to get additional money from the companies." For example, the company may violate the rules of cutting. Formally, the local forest management unit should take a triple penalty for reforestation and transfer it to the federal budget. However, this offers a mutually advantageous means of solving the problem: no penalty is assessed on the enterprise, but it must pay the cost of reforestation that would be made by this forest management unit. It is expedient to both, and as one manager remarked: "According to the law, local forest management units have to provide companies with pieces of land gratis; however, they have invented such a mechanism as a payment for information (the description of the piece of land to be exploited) to enlarge their budget. Forest units spend the money received for this information on forest management" (interview with one of the head managers of the Syktyvkar timber mill).

One should also note that the pressure from regional administration on big business, including personal arrangements, double taxation and other elements of informal economy, was perceived by business as natural business strategies. One manager noted that "the more parties that are interested, the more leverage the situation involves. If we are bad for everybody, let them say: press them all until they surrender" (interview with one of the head managers of the Syktyvkar pulp and paper mill).

At the same time, the local administration also depends on the businesses operating there, and the companies have the opportunity to use administrative mechanisms to influence the current situation in accordance with their economic importance to the region. The Syktyvkar timber mill as a key player in this region had an opportunity to exert pressure on the regional government. For example, further expansion of the Syktyvkar timber mill can promote the monopolization of the forest product market in the republic. In the development of its industrial strategy, the government of the Komi Republic is oriented towards large investors. According to a forestry specialist, "we are civil servants and cannot just go ahead and construct something … We try to take actions in order to increase investments. It is only a question of their desire to participate. It's up to them" (interview with a specialist from the Forestry Department of the Komi Republic).

Small companies, in exchange for financial assistance, have access to administrative resources. According to one of our respondents, prior to the competitive bidding on leasing a certain plot, they signed an "agreement on social partnership" with the administration: "I make extra payments to the administration towards the development of district … 450 thousand rubles per year… how they use it is not my concern" (interview with a director of a logging enterprise). It is no wonder that the representatives of administration who were

members of the committee on leasing lands usually gave preferential treatment to companies which not only paid taxes but also participated in community life. The administration even supported unprofitable but useful enterprises which were establishing company towns, since the liquidation of those towns could lead to the destruction of the infrastructure of the whole settlement. In 2006, the Verhnaya Lopija enterprise and the settlement of the same name were involved in such an arrangement. According to a representative of regional administration, they will do their utmost to help the company pay off all its debts: "If it leaves, the population will encounter serious problems. In all likelihood the settlement will eventually die. So long as the enterprise operates, the settlement will survive" (interview with a representative of local administration). Informal arrangements between administration and business were also used in this situation to help the enterprise survive. As noted by a member of local administration, "for instance, on Friday there was a shut-down of the electric power system because of debt. Everything was disconnected, including power-saw equipment; they have tried to stop communications in the office and garages. We, however, stopped it all with one phone call. On Friday all equipment was energized and everything worked… Everything was paid, but not by us. Now they have no debts and the electricity has been turned on" (interview with a representative of local administration).

The administration helped enterprises which are undeveloped but useful to the settlements by selling pulpwood; this was the basic problem for all companies in this region. It was a way of exerting pressure on the Syktyvkar timber mill. According to one of the representatives of this company, they sometimes had to violate their principles of selecting suppliers to meet demands by the regional administration to support undeveloped enterprises. The prevalence of informal mechanisms of interaction hinders the development of a market economy and contributes to maintenance of former Soviet practices.

Thus we see that CSR in this case has continued to exist in the "voluntary-compulsory" form since the Soviet era. On the one hand, such practices were an echo of the Soviet vertical control system; they showed instances of misfeasance and, in some cases, the domination of personal contacts over market relations. On the other hand, such practices somehow helped to support the destroyed infrastructure of the region.

4. CSR transformation process in the context of market, society and certification

4.1. Industrial modernization

In order to develop market relations in the forest sector, timber enterprises were compelled to change their economic tactics. Earlier they aimed at fulfilling the plan laid down by the leaders of the Communist Party, while other questions were resolved by the state. The new position of the company entirely depends on the operating efficiency of timber-harvesting teams, the availability of a processing facility, and the successful trade of timber. This promoted modernization of production.

To increase the volumes of felled wood, middle range and large companies, such as Priluzles, Luzales, and Wiledles, began to use Finnish technology and organize temporary logging settlements. In such settlements workers live and work in shifts (lasting 15-20 days). The Finnish complexes work day-and-night and allow the cutting of great amounts of timber. In terms of the socially responsible position of the company, these camps have a dual effect. On the one hand, the construction of a well-appointed settlement, including separate small houses for workers, a dining room and a bathhouse, make life in the woods more comfortable. Finnish technical equipment is more effective and more convenient. The shift-work arrangement is more effective for raising the level of corporate culture: "It is much easier to institute it using this technique… When they introduced work in shifts - when people come and live there for 20 days in normal working conditions, they have no opportunity to drink… If an employee did something incorrectly, the manager could definitely say that it was e.g. Ivan Ivanov who operated this block yesterday, at such and such an hour. This worker had to correct his error after hours with a petrol saw bought with money deducted from his pay: you rushed through your work and left something undone. Well, come on, saw it up and stack it. Sure enough, an absolutely different attitude arises with such a system" (interview with an employee of the Priluzie forest management unit). But at the same time, high-technology equipment needs fewer mechanical operatives, and the formation of shift teams allows businessmen to avoid the necessity of recruiting workers from local villages. Unemployment already represents a serious problem for the local population of the forest settlements, and the occurrence of technically well-equipped shifts has substantially worsened the situation.

4.2. Certification of holding companies

Presently, both the Syktyvkar timber mill and Kotlas pulp and paper mill have FSC certificates. The reasons which induced them to undertake certification were different. The Syktyvkar timber mill chose certification according to the general policy of the entire Mondi Business Paper Corporation. Though the company itself is engaged in trade chiefly within the territory of Russia, the

holding company certifies all its production, regardless of its marketing feasibility. The corporation's ecological policy developed by its head office adheres to the observance of national laws on environmental protection, the implementation of sustainable forestry practices (i.e., application of the most advanced technology in the sphere of forest governance), and the introduction of forest certification systems acknowledged all over the world (www.mondibp.com). Moreover, the Syktyvkar timber mill has subsequently become another factor promoting certification in the Komi Republic. Since it is a unique pulpwood-processing enterprise in the region, it has had the opportunity to dictate terms to other companies. Certification of chains of custody has become one of the main criteria which the enterprise has set for its suppliers. In 2007 the Syktyvkar timber mill declared that beginning in 2009 it would cease to accept non-certified production and that to some extent fostered certification of its suppliers.

For the Kotlas pulp and paper mill, the necessity of certification was stimulated by the requirements of environmentally sensitive European markets. European customers frightened by consumer boycotts in the 1990s demand transparency of the supply chain and proof of the legality of the wood. As one director remarked: "Serious clients from Denmark who regularly buy our products said that they were afraid of any actions – 'suppose someone chains himself to a ship and does not allow us to dispatch it' – because they are very serious about this question" (interview with one of the directors of Ilim SeverLes). As 80 % of the Kotlas mill's production is intended for export, the FSC certification would guarantee the stability and safety of business operations in the European markets.

4.3. Certification of small business

Priluzie represents an atypical case of a forest certification process. The main role in certification belonged not to local enterprises trying to enter sensitive markets, but to the following global actors: the Swiss agency for development, which assigned means for introducing the most progressive and successful forest management practices in the Komi republic, and the transnational NGO WWF, and its NGO Silver Taiga branch, which became independent of WWF.

Most of the companies working in the territory of the Priluzie forest management unit are not big in size, and can hardly survive in new market conditions. They have considered forest management certification an additional burden which requires them to make changes in the organization of production and add to their financial expenses. A more positive attitude to certification was shown in larger companies, such as the Noshulsk timber enterprise, Wiledles, and Luzales. They had larger volumes of production and expected some interest from Western trading partners in certified wood. These companies considered certification expenses "payment for an improved image". The Noshulsk timber enterprise and Wiledles, as subsidiaries of the Syktyvkar timber mill and the Kotlas pulp and paper mill, should conform to the internal corporate policy of the holdings. Many

companies working in Priluzie were compelled to certify their chains of custody in order to gain a more stable market for pulpwood with the Syktyvkar timber mill. One should note that the Priluzie forest management unit has received an FSC forest management certificate (mostly complicated by organizational and financial issues) with the assistance of the Silver Taiga foundation. The companies were engaged in certification of the chain of custody independently, which was less difficult. As a result, there was a paradoxical situation in which even weak, loss-incurring enterprises were able to obtain a certificate for the supply chain. For example, Verkhnaia Lopia was successfully audited for certification, though it had a debt of approximately one million rubles; another enterprise, Priluzles, has recently suffered the third stage of bankruptcy.

4.4. Economic, environmental and social consequences of certification

The certification process provides the companies with more opportunities to enter the world markets. Though it is not a "golden key" to world trade, it can serve, according to one top manager, "as an additional means in the competitive struggle", and also guarantee a steadier position in the world markets. However, this economic aspect was significant for large companies such as the Syktyvkar timber mill, the Kotlas pulp and paper mill or Luzales. A forest certificate had no effect on the economic efficiency of small and middle-sized timber companies, which are numerous in Priluzie. None of them have profited from the sale of certified production in the market. This can be illustrated by the following opinions: "You are listed on a website as a certified chain of custody, but I don't care at all, as they give me nothing. I neither see nor hear it; I only pay for it"; "Certification just adds too much work"; "in the economic sense, it does not play an important role for us" (interviews with directors of logging enterprises).

In spite of the minor economic effect of certification on small business, it became the basis for CSR development in timber industry enterprises. All businessmen and employees of local forest management units mentioned the positive influence of certification on the timber-cutting process in terms of environmental standards. An example of this is: "What we had earlier – suppose two tons of oil was lost, because of a hole in a tank… We insist that there are bins in the forest where we can collect any bottles, pieces of cables... It's just so easy – to put in a bin, collect, remove. If oil is spilled, then fill the bin with sawdust and the oil will be absorbed and you can take the waste away" (interview with an employee of a local forest management unit). Higher international environmental standards demand protecting virgin forests and key biotopes which are not secured by the Russian legislation.[3]

Certification also includes social standards. The certificate imposes more stringent compliance with sanitary standards, the requirements for overalls or the timely payment of wages than the laws of Russia. According to the head of one of enterprises, "certification has ensured more social opportunities, which have

become noticeable. Let us take, for example, living conditions: normal heated dwellings made of canted timber, first-aid kits, and special working clothes. We use imported equipment for sawing. Accordingly, we try to provide workers with imported overalls, helmets and suits" (interview with the director of a logging company).

After certification, the amount of social assistance to the local population has not really changed. The businessmen themselves note that enterprises have always participated in the life of local settlements, and therefore "since certification nothing new has been invented" (interview with a director of a logging company).

An important consequence of the implementation of forest certification in Priluzie was the opportunity to attract people to participate in forest management. Certification assumes consultations between the company and the local community, providing them with the prospect of being involved in the decision-making process. Experts of the Silver Taiga foundation engaged in the certification of the Priluzie forest management unit have introduced public meetings as a way of involving the population in forest issues. This was stimulated by Russian legislation and applied in the ecological assessment concerning industrial building construction. However, it was the first time that this action was undertaken in regard to leasing forests. The importance of public meetings is that the local population discusses forest issues with a potential leaseholder, expresses their wishes and makes relevant recommendations. It can be made obligatory in a leasing contract by the decision of the regional commission. Owing to the interaction between the experts of Silver Taiga and the government of the Komi Republic, a procedure such as this has been spread throughout the area. The foundation has also conducted significant work on informing the local population of their opportunities to influence forest relations through the mechanism of hearings. Having been encouraged by Silver Taiga, the population began to participate in these actions. The main requirements of local residents addressed to companies were as follows: delivery of firewood, maintenance of jobs, assistance to schools, libraries and houses of culture, which, for example, may be to repair libraries or to provide transportation for schools. As noted by one of informants, "our population is not used to a higher level of social welfare and does not demand it… many things which are taken for granted in the West are almost a major achievement for us" (interview with one of the head managers of the enterprise).

At the same time, there were cases when the population actively demanded material maintenance of the settlement and put forward requirements for conformity with environmental standards, for example, in respect to preservation of virgin forests. Such a situation occurred at a public meeting concerning land leased by the Syktyvkar timber mill in the Kaygorod forest management unit, which included tracts of virgin forests. As a result, a decision was taken to relinquish a major part of these territories. We should note that this happened not only because of certification requirements, but because of the policy of the corporation's head office as well. In Russia, for the first time, Mondi Business

Paper was faced with the problem of protecting virgin forests, which according to Russian law were to be cut. Greenpeace demanded that the question of virgin forest preservation be included as an objective of the global environmental policy of the corporation. Thus in this case, the peculiarities of the local context (vulnerability of legally unprotected virgin forests) have entailed changes in the environmental policy of the transnational corporation and led to protection being declared one of their priorities. The regional government of the Komi Republic has supported the initiatives of Silver Taiga and the Syktyvkar timber mill on removing these forests from the list of areas to be cut.

However, this activity of the local society was implemented with the active participation of Silver Taiga. We should note that in localities where no preliminary work was being conducted among the population, public meetings were often very formal in nature. The people themselves did not always believe in the opportunities provided by participating in decision-making. Here is an opinion of one of participants: "They were predesigned – all these meetings at the local administration. Everything was predetermined and nothing depended on the people. The population did not matter anymore. Everything had already been scheduled - to give a sector to such person" (interview with an employee of the Loem forest management unit). There are no relevant statistics showing that a percentage of the population's demands were registered in contracts of tenancy. In general, the extent of involving local people in forest management still depends on the intensity of the work of the NGOs. As a result of terminating the vigorous activity of Silver Taiga in the project, the local community gradually withdrew from participation.

5. Conclusion

The case study has demonstrated the opportunities provided by imbedding international business standards into the Russian context through the activity of NGOs and large enterprises connected with the European markets. The transformation of socially responsible forest business can now impact not only on state institutions but also on the demands of civil society and the main instrument for this has been forest certification.

As a result of the implementation of new rules the organizational field has to some extent changed. Some companies holding FSC certificates achieved stability in both the international and national markets. In implementing the new rules the NGO Silver Taiga employed normative isomorphism, while the forest management unit used coercive isomorphism, especially when implementing measures concerning workers' safety. At a later stage the Syktyvkar timber mill used mimetic isomorphism in making its decision to certify territories of other forest management units in the same way as in Priluzie.

During the work of the project we observed that in regard to questions of social responsibility the companies actually feel most pressured by the state. The essence of this pressure and the ways it is realized differ little from those prevailing in the Soviet period. The main demands made by state structures to the forestry business include: tax assessments made to the regional budget, conformity with environmental standards of the Russian Federation, job creation in forest settlements and maintenance of their infrastructure. In these conditions both the authorities and enterprises often have to resort to informal and barter agreements using such principles as the state leasing areas to companies and then requiring additional payments to the budget.

Forest certification has become a new mechanism involving the social policy of logging companies. It has offered business a new direction in developing social responsibility based on a dialogue with civil society. Higher international standards of labor protection and occupational safety promote the enterprise improving the quality of its environmental and social policy. However, the scheme of social responsibility offered by forest certification does not eliminate and replace existing informal methods of interaction between the administration and companies. Two types of relationships - informal, based on private agreements and barter transactions, and market-oriented - currently co-exist.

Such collision between two different contexts has resulted in some peculiarities of the certification process. A specific point involved in introducing certification in the region under study is that along with large companies connected to sensitive Western markets, state structures - one of the NGO's main partners in this matter - actively participate in promoting certification. Silver Taiga offered a way of introducing certification through state-operated forest management units and implemented it in its work. The local forest management unit certified forest management in the whole area and by doing so facilitated the certification of a chain of custody among lessees. Large timber industry complexes, the main buyers of pulpwood, started to certify production less as a result of the changes occurring within the local context than their affiliation with transnational economic space. Regardless of this fact, their participation in the process of certification has contributed to an acceleration of changes taking place in the locality. Later on, when the Syktyvkar timber mill undertook certification of the leased areas of its subsidiaries, it supported Silver Taiga's innovation of involving other forest management units in the certification process.

In the course of the research it became clear that there are a number of certified bankrupt enterprises working in the territory of Priluzie. This contradicts the concept of certification as market leverage and can be explained by two reasons. The changes in the companies located in Priluzie proceeded not only from the natural course of events (the development of the Russian market, renewal of old and the existence of new contacts with Western partners etc.), but also from the intervention of global actors in their activities. None of the logging companies working in Priluzie could act independently without the assistance of NGOs in

regard to the organization of forest management certification. The existence of certified bankrupt enterprises was also possible through informal arrangements between business and the local administration. It was a business strategy for survival in new market conditions.

Although small business did not profit from certification, it stimulated the improvement of the environmental and social standards used by the enterprise. Certification standards, such as accident prevention, provision of safety equipment and uniform clothing, and regular wage payment, have become the basis of developing the companies' social responsibility to their employees. At the same time, the lack of strict rules and regulations concerning support from local communities has created only a general framework for the companies' relevant socially oriented activity; the application of this framework depends on the company.

This case study has demonstrated the possibilities of stimulating local democracy "from above". Public meetings organized by Silver Taiga have become a mechanism for the local inhabitants gradually becoming involved in a dialogue with business. However, as is evident from the experience of the Priluzie forest management unit, the local inhabitants themselves were not ready to maintain relevant initiatives; they needed an organizer, in this case, Silver Taiga. Hence, there is a danger that by terminating the project and reducing NGO activity the local democracy "cultivated from above" will decrease, and the dialogue between business and the local community will acquire a formal character.

Despite a certain artificial character of promoting certification in Priluzie, the new model "was inscribed" in this locality and subsequently was developing according to market laws. Some of most successful companies entering Western markets could use the obtained certificate as an additional advantage. Other companies needed certification to sell their products to the Syktyvkar timber mill, which also follows international standards in its activity. This assumes that the introduced practice will continue to operate even after Silver Taiga withdraws from the region and financial support from Western sources terminates.

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Endnotes

1. This work has been supported by the project "Transnationalization of Forest Governance", funded by the Finnish Academy (Project No. 121428).

2. A leskhoz is an administrative forest management unit in Russia.

3. Virgin forests are those not subjected to sizeable anthropogenic effect and were formed in the course of natural processes. Key biotopes are sections of land or water with the most indicative samples of local flora and fauna.

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