New Regionalism and Regional Integration:
Exploring the links between “external” influences and “internal” factors

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Abstract

The purpose of this article is to analyze the theoretical interconnections between regional integration (RI) and new regionalism (NR). This analysis approaches NR as a two-fold phenomenon: it has both supra-national and sub-national meanings. What seems to be under-explored in the contemporary literature on NR is its sub-national elements. The main question of the paper is what factors influence the development of NR? The study is based on the premise that new regionalism is shaped by changes in international context and, above all, the emerging international and continental regimes. Regional integration provides the environment for the development of NR. In other words, this paper analyzes New Regionalism as an outcome of regional integration.

Second, this article argues that although RI, as an environment, is an important variable for analysis, it is not the only one. This study addresses the normative issues which link external influences with the internal, “domestic”, institutions limiting or enhancing the role of the regions. Although, Globalization and regional integration are the forces affecting rise of NR, the paper argues that apart from these external influences, there is a number of internal, institutional, mechanisms which might facilitate or complicate the development of NR. The study also attempts to identify other internal “contextual” factors such as ethnicity, geopolitics, and economic development.

However, this analysis has a few peculiarities. First, it focuses on the under-explored issues of NR – its sub-national level, regions as constituent units of a state (CUs), and transnational regional cooperation as an initial stage of NR. Second, it analyzes these issues in a transcontinental, Eurasian, perspective addressing the question of whether the (European) integration “produces” NR outside its geographic realm. The regions which are chosen for this analysis are 89 constituent units (CUs) of Russia. This choice allows us to control for historical legacies, regime transition, and the environment. Given that Russia is located on European and Asian parts of the continent, the analysis also permits the testing of the hypothesis on the interconnections between RI and NR across Eurasia.
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1. Introduction

The purpose of this article is to analyze the theoretical interconnections between regional integration (RI) and new regionalism (NR). Much has been written on “New Regions” as state-clusters (EU, NAFTA, CIS, etc.). However, NR is a two-fold phenomenon: it has both supra-national and sub-national meanings. What seems to be under-explored in the contemporary literature on NR is its sub-national elements. This paper is meant to fill this gap in the studies of NR focusing on transnational cooperation of sub-national, or constituent, units (CUs) of a state. Compared with supra-national and national actors, sub-national regions are given only limited roles in the international politics. The study of CUs as actors of NR is also more challenging as less data on the sub-national level is available.

The main question of the study is what factors influence the development of NR? The study is based on the premise that new regionalism is shaped by changes in international context and, above all, the emerging international and continental regimes. “Regimes can be defined as sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors’ expectations converge in a given area of international relations.” Regional integration, being such a regime, presents the critical change in international politics and provides the environment for the development of NR.

Thus, the first theoretical aspect developed in this study is based on approach to NR as a dependent variable and RI as an explanatory, or independent, variable. In other words, this paper analyzes New Regionalism as an outcome of the regional integration.

Second, this article states that although RI, as an environment, is an important variable for analysis, it is not the only one. It is also important to address the normative issues which link external influences with internal, “domestic”, institutions limiting or enhancing the role of the regions. Although globalization and regional integration are forces affecting rise of NR, the paper argues that apart from these external influences, there are a number of internal, institutional, mechanisms which might facilitate or complicate the development of NR.

However, this analysis has a few peculiarities. First, it focuses on the under-explored issues of NR – its sub-national level, regions as constituent units of state (CUs), and transnational regional cooperation as an initial stage of NR. Second, it analyzes these issues in transcontinental, Eurasian, perspective addressing the question of whether (European) integration “produces” NR outside its geographic realm.

*Why Russia and its regions? Why European Integration?*

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1 Keating, 2004; Wallis, 2002; Obydenkova, 2006
2 Krasner, Stephen, 1983:2
The choice of Russian regions as the primary focus of the research is justified by the fact that looking at the sub-national level provides important advantages which help to answer the main questions motivating this study. Firstly, Russian regions provide an excellent opportunity for a comparative study because in most analyses many key variables are kept constant (history, culture, institutional legacies, external environment). Secondly, the sub-national level and the high number of cases (89 regions) permits a quantitative analysis enhancing the statistical credibility of conclusions.

European integration and enlargement as well as basic principles of the EU policy (above all the principle of democracy) have influenced not only the “neighboring-countries” but also the regions of the neighboring nation-states. Focus on the regions rather than on the countries is more valuable for this analysis. The politics and the adaptation of regional administrations is more flexible than that of the central government and more influenced by the process of integration and enlargement. The initiative of the European countries and organizations are the most numerous in Russia, and, therefore, their “neighborhood effect” is likely to be the most influential external factor in the establishment of transnational regional cooperation and its development.

Finally, what makes this analysis more valuable is that we also have an opportunity to analyse the interplay of “internal”, or subnational, regionalization vs. “external”, supranational regionalization, and their overlap in one theoretical framework of RI and emergence of NR.

2. Regional Integration and New Regionalism: Contradictory or Complementary?

2.1 Regional Integration

Theories of regional integration have been developed to explain European integration. Thus, by capturing the concepts and observed processes underlying the European experience can we expect to make any contribution to understanding the phenomenon of new regionalism and regional integration elsewhere. There are numerous theories analyzing integration processes in Europe and in the world. However, in this study, we will focus only on those which might be applicable for analysis of non-European experience. Therefore, the majority of modern theories of (European) integration focusing on analyzing already well-established institutions are hardly applicable for the analysis. Thus, we have chosen those concepts which analyzed the very outset of the regional integration process in the 1950s & 1960s. For the theoretical analysis of regional integration, we focus on the theories of Karl Deutsch, Ernst Haas, and Philippe Schmitter.

3 The “value-expansion” theory in the course of transnational regional cooperation between the European actors and the regions of Russia is analyzed in Obydenkova A., 2005 (c); 2005 (d).
According to Karl Deutsch, any integration starts with the increasing level of social interaction and communication. It leads modern democratic governments to the formation of a security community, in which no state or region poses a threat to any other.\textsuperscript{4} The Deutschian model looks into the outset of the integration process which makes it more applicable for the given study. It allows for the application of this approach to the analysis of the integration processes in the world. Its basic dynamic results from social interaction, while the precise institutional and political predictions remain secondary. That helps to understand the relationship between the regions of Russia and their European partners. One of the main characteristics of this relationship is the lack of precise institutions despite quite intensive “communication” which involves trade and investment projects, cultural cooperation, cooperation in confronting environmental issues, illegal trafficking, crime, and other common problems.

Deutsch measured the level of integration, first, by extent the of geopolitical interdependence which allows us to borrow the geopolitical variable for further analysis. The extent of interdependence is measured by transportation discontinuities. Transportation discontinuities involve the quality and number of roads and also the density of traffic moving over them.\textsuperscript{5}

According to Deutsch, there are no sharp and simple borders anymore but rather bundles of borders, or so-called boundary zones. Such zones may bind a country or a few countries. These “zones” can be described as the cross-country bounding regions of different countries. The Deutschian concept of “zones” can be considered as the beginning of attempts to conceptualize the phenomenon of new regionalism.

The same concept can be applied to the constituent units of countries and cross-regional communication zones. Even if the regions are the CUs of one country may be “integrated” by transportation and communication with the regions, or CUs, of the a neighboring country. This is the indirect measure of communicatory interdependence. The geopolitical continuities – shared borders, geographical neighborhood – have been seen by Deutsch as the necessary conditions for regional integration. Thus, in the current analyses foreign border and geographical neighborhood (subdivided further into the location in the European or Asian part of Russia) are independent variable which might provide some explanation for success or failure of regional cooperation with European actors and the emergence of NR.

The second condition that leads to regional integration, according to Deutsch, is the economic ties and volume of trade between countries or regions. Deutsch argues that “Markets are bounded by


discontinuities in transportation, and more sharply by national currencies, tariffs, quotas, exchange-
control measures, and the like.”6 Currency, customs, and related controls are major binding factors
between “domestic” and “foreign” trade. Yet several states, with their national currencies may be
linked by a markedly larger and steadier volume of trade, or by easier movements of capital, or
labor, or an easier transfer of currencies, so as to comprise formal or informal “economic blocs”.7
Thus, the theory of Karl Deutsch provides also one of the possible ways to measure regional
cooperation – through investigating which regions participate in trade relationship with European
partners.

Another concept which may be applicable for this study is neofunctionalism (NF), a concept first
advanced by Ernst Haas in the 1950s and deepened by others.8 NF arose as an attempt to explain the
dynamic processes of integration in Europe. However, Europe was seen as a case study of the sorts
of processes that could operate in any regional setting. Regional integration was analyzed as a
world-wide trend, examples of which are the formation of free trade areas in the Pacific, Latin
America, North America and elsewhere.

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

The theory of spillover can be applicable for the analysis of the dynamics of the relationship of
Russia’s regions and their European partners. These relationship are often described as chaotic by
diplomats and academicians. However, they involve “unexpected feedback” of the previously made
decisions and encourage the development of the relationship further on. Most of the regions are
involved in European politics through trade and foreign investment in the economy of the regions.

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However, political spillover is more applicable for a nation-state rather than regions of the state which do not have restricted autonomy in conducting foreign policy directly with foreign partners. According to spillover theory, expectations and values eventually adapt to integration, creating a transnational political community.

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

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

The question of background conditions of regional integration was raised again by neofunctionalist attempts to develop an early theoretical framework for the study of what was later call “comparative regionalism”. The question about background conditions was formalized by Haas and Schmitter who, stimulated by the emergence of proposals for a Latin America Free Trade Area (LAFTA), became interested in the generic background conditions necessary for the generation of spillover from economic integration to political unity.

*Table 1*: The conceptualization of conditions necessary for the integration process outlined by Haas and Schmitter (1964)

<table>
<thead>
<tr>
<th>Background conditions</th>
<th>Conditions at the time of economic union</th>
<th>Process Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. size of unit</td>
<td>1. possible governmental purposes</td>
<td>1. decision-making style</td>
</tr>
<tr>
<td>2. rate of transactions</td>
<td>2. powers and functions of new region-level institutions</td>
<td>2. rate of growth of transactions</td>
</tr>
<tr>
<td>3. pluralism</td>
<td></td>
<td>3. adaptability of governmental/private actors</td>
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<td>4. elite complementarity</td>
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Each of these sets of conditions could evaluate and aggregate judgment on the chances of “automatic politicization” in any given regional scheme. Haas and Schmitter performed this evaluation for ten contemporary regional integration schemes and concluded that only in the EEC were the chances of “automatic politicization” good. For example, in Latin America during the mid 1960s, background conditions may have been partially conducive, but a mixture of ambiguous governmental purposes and weak powers for the putative regional institutions were suggestive of minimal advance beyond a simple free trade area. The Haas-Schmitter theories assumed that integration occurred in all cases through the politicization of technical-economic tasks via mechanisms of spillover.

2.2 New Regionalism

A number of scholars underline the dynamic nature of NR and sometimes describe it in terms of “regionalization”. Thus, the old regionalism presents a static phenomenon with states as the main actors in international politics. NR is about a process of regionalization, e.g. emerging new forms of communication (sometimes even virtual communication); knocking down borders; formation of trans-boundary cooperation. Thus, in this particular context, I use NR and regionalization interchangeably.

If in the “Old regionalism”, the constituents units (CUs) of a nation-state were/are the actors of the national politics, in the framework of the NR the CUs become actors in international politics. The “new regionalism” does not necessarily substitute the “old regionalism”. This distinction does not indicate the chronologically different and incompatible periods but rather the functional and semantic change in the notion of a “region”.

Thus, for example, in the “old regionalism” the CUs are the sub-national units subordinated to the state, actors in domestic policy. In the framework of NR, the CUs become trans-national actors responding to external (to the state) challenges and reacting to the external environment.

The old regionalism outlines administrative and geographic borders and frontiers which limit the arena for CUs’ actions. In contrast, the NR eliminates frontiers in communication and addresses problems beyond borders. It is also meant to solve the problems which are “borderless”: environmental problems is one of the typical examples. NR is about the formation of regions regardless of boundaries and geographical location. It acquires a trans-national core and starts with the development of transnational regional cooperation (TRC).

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The new regionalism is highly dependent on formal and informal networks of social interaction. This consists of the formal and informal networks of communication among individuals and interest groups comprising a region. A more advanced stage of TRC is characterized by shared values and trust among participants as characteristics of such networks.\(^{13}\) It can be operationalized through the analysis of the networks that emerged to deal with different types of problems (e.g., environmental, human- and drug-trafficking) and involvement in different projects. Among the last, there are regular and long-term (1) cultural projects (for example between one ethnic group which is divided by a state-border as is the case with the Basque ethnic group in Spain and France; Finno-Ugrians in Russia and Finland); (2) academic exchanges, conferences, expert exchanges; (3) formed and developed trade links; (4) construction projects; (5) environmental projects.

The main question of the paper is what factors influence the development of these forms of NR on the sub-national level with CUs of states as the actors? There are a number of theories addressing this question. Some of the explanations focus on such factors as global economic change, (European) integration or on historical factors. Keating (1998) argues that the study of this phenomenon should take into account both “the existence of historical materials rooted in culture and social practices, and of the adaptation of these in contemporary circumstance”.\(^{14}\) Some scholars underline the importance of such factors as indigenous growth, environment, quality of life, or trained labour force.\(^{15}\) Other scholars underline the importance of industrial factors, natural resources, and the level of economic development of the regions.\(^{16}\)

A different set of explanatory variables of NR concern the internal (national) institutional framework and conditions. A certain level of institutional independence in the regions, CUs of a state, is an important prerequisite without which a new trans-boundary regional system cannot be formed.\(^{17}\)

It is also important to address the normative issues which link external influences with the internal, “domestic”, institutions limiting or enhancing the role of the regions. Although, globalization and regional integration are the forces affecting rise of NR, the paper argues that apart from these external influences, there are a number of internal, institutional, mechanisms which might facilitate or complicate the development of NR. Another explanatory variable is economic development. Economic factors include global and local aspects. They are driven by the investment decisions of multinational corporations and international capital flows. However, the impact of these is mediated

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\(^{13}\) For the analysis of the impact of transnational regional cooperation (TRC) on the sub-national regions as actors of TRC see Obydenkova A. 2005 (d).

\(^{14}\) Keating, M. 1998.

\(^{15}\) Stohr, 1990;

\(^{16}\) Storper, 1992; 1997; Obydenkova 2004 (b); 2005 (a)

\(^{17}\) Demchuk, 2001; Obydenkova, 2006.
by local factors. Thus, a number of internal factors might also influence the rise of NR. The factors analyzed in this study are “contextual” (geographical location; ethnicity; economic development) and institutional factors (as for example establishment of asymmetric federalism and regional autonomy for foreign policy).

Thus, the potential explanatory variables of NR can be broadly divided into a few groups. The first variable is the process of regional integration. Integration becomes an independent variable and NR is viewed as its potential outcome, a dependent variable. Applying this theoretical hypothesis to the empirical analysis, one may suggest that integration, for example within the EU, impacts on the emergence of new regional systems within the EU. As for example, the Basque country became more independent from Madrid establishing and developing connections with other European actors (regions, countries, organizations).

In some cases, on the contrary, NR appeared before integration took place. And it is the NR that can lead to wider geographical (but not deeper institutional) regional integration (for example, Northern regions of the EU and Northwest regions of the RF). Apparently the RF is not likely to be integrated into the EU. Despite this, its regions actively participate in European affairs and develop networks, communication links, etc.

New regional systems cross the territorial borders of the nation-states (e.g., Finland, Norway, Sweden, and the RF) and are centred around particular problems (e.g., environmental issues, trade, investment, networking on the level of regional leadership). Another similar example where NR seems come before integration is the case of Central Asian states (former Soviet Republics). Much effort has been invested by different international organizations into developing cross-boundary regional cooperation, formation of trans-national regional systems in Central Asia as a form to deal jointly with problems common for Central Asian countries. However, while NR is advancing in this region, the process of integration (for example within the CIS) seems to slow down. Above all, NR in the area is often referred to as an initial stage of potential regional integration.

While the impact of European integration on emergence of NR within Europe is apparent, the question is whether the integration taking place in one part of the world (in this case in Europe) can influence the emergence of the forms of New Regionalism in the neighbouring regions (Eurasia)? However, given the peculiarities of this analysis – sub-national units as actors and non-European dimension – one has to be selective in choosing the literature for conceptualization of the main variables.

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18 Keating 1998; 1992
Theoretically, the concepts of regional integration and regionalism may seem contradictory. Integration brings about the idea of unification along legal, political, economic lines (e.g., between the members and candidates of the EU). Meanwhile, regionalism brings about the idea of diversification; regions as actors. However, there is great deal of coherence and compatibility between the two processes. Integration may increase regionalization. Thus, for example, new member states and prospective member states were encouraged, through the PHARE programme, to regionalize themselves.21 “European policies penetrate national space, bringing regions into contact with each other and the Commission, so that state territories are simultaneously Europeanized and regionalized.”22

The same tendency, although to a lesser degree, can be analyzed in application to non-member and non-candidate countries. The regionalization in northwest Russia is the best example of the impact of regionalized and integrated Europe. The EU regional policy towards the north-west regions of the RF has been developed through the Northern Dimension programme, which includes numerous academic networks, conferences, exchange of experts, consultants, and interregional associations.

The critical difference between the new members, candidates and the regions of non-candidates proceeds from the role of regionalization within the states. The official policies of the national politics of new members and candidates are directed to achieving maximum compliance with the EU criteria and to implementing recommendations for the mutual benefit of regional development and the central governments (which purpose is the place under the EU’s umbrella). In contrast, the group of regions of non-candidate states do not have either the approval or encouragement from the central government. The choice to interact or not with the EU actors belongs to the regions only. Another complication is that the central government may control the initiatives of its regions towards “external” partners through institutional mechanisms regulating center-peripheral relations (federal arrangements, the federal constitution, center-peripheral contracts and agreements delimitating powers of the regions). Thus, domestic policy of the federal government towards the regions defines significantly the ability of the regions to be involved in networking with European actors or in models of a policy-learning region.

There are a few important points to be made regarding the notion of new regionalism, or ‘regionalization’. First, it may incorporate both the elements of unification and diversification. As for example, it may consist of forming a new region out of a few regions, merging the regions into one economic, political, or even environmental zone. Thus, the creation of new regions out of “old”

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regions is an example regionalization. However, it may contain tendencies of diversification—“individualizing” regions, distinguishing regions as political actors in the domestic or international arena. That is why, on the level of nation-state, regionalization may consist not only in decentralization and/or federalization, but also in a form of centralization (when the process of composing new regions out of old ones takes place). The latter form of regionalization may also take the form of centralization and/or federalization. Federalization can be present in both areas if we think of these processes in terms of symmetry and asymmetry. Decentralization may also be accompanied by institutionalization of asymmetrical federalism, since asymmetry intensifies diversification across the regions. However, the establishment of (symmetrical) federalism may also be present in the centralizing state (if regions are merged for the sake of unification; or if the distinguished autonomy of the regions are is taken away from regional administrations).

**Second,** there might be more than one process of regionalization on a continental scale and the vectors of “neighboring” regionalization processes might not always coincide. As, for example, the regionalization in the integrated Europe has, as one of its purposes, the increasing of economic self-sufficiency and democratic government on the regional level. This is one of the reasons why European integration and new regionalism are sometimes described as movements with “elements of consistency and mutual reinforcement.”23

However, the “neighboring” process of regionalization throughout Eurasia, both on the level of nation-states and on the regions of nation-states, develops in the direction of greater authority on the regional level. The more autonomy constituent units of a state acquire, the more institutional space for establishing autocracy they have. That can also be applied not only to the regions as constituent units, but also to the nation states (for example the post-Soviet republics – Turkmenistan, Kyrgyzstan, Azerbaijan; and integration within the Community of Independent State).

**Third,** the phenomenon of geographic overlap between different processes of regionalization can take place. And it becomes an interesting phenomenon to study once the “vectors” of the development of regionalization take different directions and are not compatible – as those regions developing towards democracy and a market economy overlap geographically with those regions developing toward autocracy and a centralized economy.

Example of such an overlap may be the process of regionalization which is taking place within the EU and goes well beyond the EU, through the Northern Dimension programmes, thus, encompassing, north-western regions of Russia (Karelia, Leningrad oblast, Sank-Petersburg, etc.). It overlaps with the process of regionalization within the RF (which, in the 1990s could have been

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characterized as decentralization – the establishment of highly asymmetrical federalism; and centralization since 2000 – as the introduction of symmetrical federalism and the creation of new regions through the merging of “old” regions). Additionally, there is another wider overlap on the continental scale between regionalization in Europe and in Asia – the EU and the CIS.

3. External Influences of New Regionalism in Eurasia: Does European Integration go beyond Europe?

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

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

**TACIS**

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

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

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

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

**The Involvement of Russian Regions in Baltic Sea Cooperation**

Given the EU membership of all Baltic Sea countries except Russia, its apparent that the Baltic coast regions of Russia – St. Petersburg, Leningrad oblast, Kaliningrad - deserves special attention.
Another issue concerns sub-regional economic cooperation. Urpo Kivikari has suggested a “growth triangle” project. He suggests that this “triangle” should comprise the Leningrad oblast, Southern Finland and Estonia following the example of Singapore-Malaysia-Indonesia model. However, the difference between the Baltic sub-regions seems to be somewhat bigger than between those Asian states. This mainly concerns the legal system. Another important fact is that most of the Finnish companies prefer to conduct business with Estonia and with St. Petersburg separately.

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

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

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

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

The task is to find out what factors have impacted the development of TRC during the period of regime transition in the 1990s. Do the above-mentioned examples of regional cooperation suggest that only geopolitical location “determines” the success or failure of the development of TRC? Does

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26 The parameter of investment potential incorporates data on previous investment experience in the CUs and reflects the compatibility of the regions with the European market-economy norm. This index was the results of a complex evaluation by EBRD analysts of the current political and economic situations in each of the 89 regions. This index has incorporated such parameters as investment risk across legal, political, social, economic, financial, criminal, and ecological sectors.
that mean that only regions located on the Northwest border are “lucky” to develop cooperation enough with European neighbors? To answer these questions, we will run a quantitative analysis, where the role of geopolitical factor is analyzed along with a number of other factors such as economic development, ethnicity, and the domestic policy of the federal government towards the regions (federal design). The analysis and operationalization of these independent, potentially-explanatory variables, is the subject of the next section.

One of the theoretical premises of the study, is that external factors (mechanisms and institutions - all as part of regional integration process) are needed for the emergence of NR. The next question is: What internal factors help to initiate this interaction? These factors may be subdivided into “contextual” factors and “domestic-institutional” factors. This analysis will also help to distinguish the factors of regionalization within a state – factors which make regions unique, different in one or another way from each other. These factors can be conditionally divided into contextual (geopolitical location, ethnic composition, size, external borders) and institutional (the mechanisms which regulate the status of a region within a state)

There are also other geopolitical conditions: The existence of common border with the EU, the length of the border as an interaction point, the size of a region, the predominance of either an urban or a rural population. Among institutional factors are the degree of autonomy regions have acquired from the central government through the RF Constitution (constitutional asymmetry) and bilateral power-sharing contracts (contractual asymmetry) which were signed by about a half of all the regions of Russia?

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

4. Internal Influences: The Role of Double Asymmetry

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

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

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

a. coordination of regions’ foreign trade;

b. adoption and execution of regional and inter-regional foreign trade programmes;

c. receipt of foreign loans under the regions’ guarantees;

d. regulations of free economic zones and cross-border trade, and;

e. provision of information for regions.

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

a. to trade with foreign partners on the region’s territory;

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

This law provided the regions with a proper legal basis and broader powers. Presidential decree N. 370 (March 12, 1996) stipulated that the treaties between Moscow and the CUs must not violate the Federal Constitution and must respect its supremacy. They are neither unable to change the status of CUs, nor to add or to change what is enumerated in articles 71 and 72 of the Constitution, which describe federal and joint powers of the CUs respectively. Another presidential decree N. 375 “On co-ordination of the role of the ministry of foreign affairs in conducting a single foreign-policy course” was signed on the same date (March 12, 1996). According to this law, the CUs should inform the Foreign Ministry of the RF about their foreign-policy activities, including foreign trips and statements by regional leaders. 29

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

According to this law, the foreign partners of Russia’s CUs could be the territorial and administrative units of foreign states and international organizations. The same law gives the CUs of the RF the right to conduct negotiations with foreign partners, to conclude agreements which might not contain provisions contradicting the Russian Constitution, federal legislation, the bilateral treaties on the delimitation of jurisdictions between the federal and regional bodies of state power, the provisions of existing international treaties Russia already has and which might limit legitimate interests of the other regions. The CUs may also conclude agreements with the bodies of state power of foreign states with the consent of the government of the RF or, if the federal government provides such an agreement with its guarantees (Article 8). 30 Such agreements are not international

treaties (Article 7), and the norms of the Vienna convention of 1969 and 1986 cannot be applied to them. However, these laws provided the necessary institutional framework that has allowed the RF’s CUs to develop cooperation with European partners.

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

Asymmetrical Federal Design

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

The 89 CUs of the RF each have a different status and, consequently, enjoy different rights and powers. It is quite challenging to establish a firm demarcation between them, and to divide them into categories. The Constitution is ambiguous in terms of the differing status of CUs. On one hand, it states that all CUs are to be equal, while on the other, it includes articles that favour some CUs (republics) over others. The CUs are divided into “ethnic regions” (republics, autonomous oblast, autonomous krais) and “territorial regions” (oblasts and krais). There are 32 CUs defined as “ethnic regions”. This group includes 21 republics, 10 autonomous okrugs and 1 autonomous oblast. The 1993 Constitution provides for a confusing distribution of powers to CUs and overlapping jurisdictions. The RF is divided into 21 ethnic republics, 55 oblasts and krais, 1 autonomous oblast, and 10 autonomous okrugs.

Republics: Republics enjoy several advantages over all other CU in terms of their relationship with the federal centre. The 21 republics provide territorial homes to the most significant ethnic minorities. In most of the cases the “titular nation” does not make a majority of the population of


32 For detailed analysis of asymmetric federalism in Russia in the 1990s and classification of its regions see Obydenkova, A., 2004 (a), (b).
the CU and is overwhelmed by Russians. Not all members of ethnic groups, with their own republics, live on their own territories. In fact the titular nation comprises an absolute majority in only in 6 of the republics: Chuvashiya, Kabardino-Balkaria, North Ossetia, Checheno-Ingushetia (which was one CU and is now two CUs), Tuva, and Dagestan (there are a few ethnic groups which comprise an absolute majority only if they are taken together: Avars, Dargins, Kumiys, Lezgins, and Laks). As the most privileged CUs of the Federation, republics have the power to elect their own presidents (only later on, krais and oblasts were allowed to follow their example). According to the Constitution of the RF, the republics may have their own constitution, while oblasts and krais have only charters. Republican authorities signed agreements with the federal government giving them extensive control over natural resources, their own special tax advantages, and the possibility of conducting their own foreign policy.

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

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

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

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

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

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

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

5. Testing Theory: New Regionalism as a Dependent Variable

5.1 What counts in TRC?
This section analyzes the cooperation between Europe and the regions of Russia. Why the CUs of the same country, with the same historical legacies, acting within the same institutional framework have exhibited such different outcome in terms of TRC?

What factors make a crucial impact on the development of inter-regional transnational networks? Is it the geopolitical location of the regions that makes regional cooperation more feasible or are there other factors that influence the success of this process? To answer these questions, the study applies the theoretical hypothesis to test empirically the emergence of different forms of New Regionalism on sub-national level. Thus, it addresses the role of ethnicity, economical development, and geopolitical factors in the establishment and development of transnational regional cooperation. It also investigates the importance of “domestic-policy factors” (reforms in the federal governments) in the development of TRC.
This section examines a set of contextual factors versus the domestic institutions. The “contextual” factors are those which are not likely to change in the short-run; they are more or less stable and may give the impression of a certain determinism in TRC which seems to be independent of such domestic-policy factors as reforms and institutions.

The first set of “contextual” hypotheses is based on a geopolitical argument. The literature on integration often appeals to geopolitics as one of the most basic conditions for the beginning of integration into Europe: location in the same geographical area (Western Europe) and a shared border is considered such an apparent “driving force” of European integration that most of scientist would call it the necessary condition for initiating the process. As geopolitics is considered to be a necessary precondition of the integration, this topic became the issue of discussion back in the 1950s. Karl Deutsch\textsuperscript{33} was one of the first offered the most detailed analysis of the role of geopolitics in European integration.

Another geopolitical factor, offered for analysis, is the size of a region or country. This is a more recent argument forwarded by Philippe Schmitter.\textsuperscript{34} Schmitter has distinguished a few factors of the integration process. Among them are size and the level of economic development (which should be high and more or less equal between the potential partners of integration). The level of economic development of CUs might encourage the development of TRC by making these economically developed regions more attractive partners in economic ventures.

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

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

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

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

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

Finally, another important “contextual” factor is ethnicity. The rise of ethnic groups is a world-wide phenomenon. The development of regional cooperation in Europe has led to the rise of new


opportunities for ethnic, stateless groups. It provides them with the means to reaffirm their position on the transnational level. The phenomenon of “exclusion” of ethnic regions from the national context and a desire to be “included” in the international context can be noticed. Probably one of the best examples of it is provided by the Basque Country. Basque nationalists are trying to gain more power in running the regional politics and to expand their influence beyond the territory assigned to them so that as cover the broader territory of their nation. Thus, ethnic minorities are very active actors influencing the formation and development of new regionalism in Europe.

The same situation can be found in such ethnic regions of Russia as, for example, Tatarstan and Bashkortostan. The ethnic elites of the regions are trying to gain more autonomy from the central government, to reestablish their languages (Tatar and Bashkir languages), Muslim culture, and the religion of Islam. However, whether this process of “exclusion” from the “parent-country” is accompanied by the extensive development of transnational cooperation as a tool of “inclusion”, is to be tested by quantitative analysis. Thus, the hypothesis is that “ethnic” constituent units – regions with significant ethnic minorities living within the borders of a region - are more active in establishing cooperation with “external” actors (Hypothesis 3).

To sum up, in the “contextual” analysis we hypothesize that such issues as geopolitical location, the level of economic development and ethnicity may have had a significant impact on the development of transnational cooperation of the regions with Europe (Hypothesis 1). Within this group, we further distinguish such factors as the size of a region; the location of the CU in the European or Asian parts of Russia; a direct border with the EU (Hypothesis 1.1.1; 1.1.2; 1.1.3); the level of economic development of the CU (Hypothesis 1.2); and ethnicity (Hypothesis 1.3).

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

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

Figure 1: The factors influencing the Development of New Regionalism (TRC)

<table>
<thead>
<tr>
<th>Geopolitics</th>
<th>Context</th>
<th>Ethnicty (% of ethnic group)</th>
<th>Transnational Regional Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- direct border;</td>
<td>- Constitutional asymmetry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- European part</td>
<td>- Contractual asymmetry</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The geopolitical factors, ethnic, economic factors and “domestic policy: factors have been analyzed elsewhere.36 Briefly, the institutional factors can be further subdivided into the analysis of the Constitution of the RF (1993), and can be described as the first wave of establishment of asymmetrical federalism, and bilateral treaties with the central government, which were signed by half of the regions (the second wave of the establishment of asymmetrical federalism).

5.2 Puzzle and Questions

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

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

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

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

5.3 Hypotheses

The set of the hypotheses is the following:

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

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

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

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

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

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

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

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

5.4 Calculations and Analysis

The index measuring the degree of TRC is (a) regular trade relations of some of the CUs with European countries and companies (trade); (b) common projects and programmes (projects); (c) investment (investment risk and investment potential). Accordingly, we run 4 regressions to test these aspects of the dependent variable: two logistic regressions for “trade” and “projects” models and two linear regressions for “investment risk” and “investment potential”. The factor of size was omitted because, initially it had shown no significant impact at all. In contrast, ethnicity showed slight impact. Therefore, it was kept in the calculations.
Having identified and analyzed both the dependent variable and independent explanatory variables, we pass to quantitative analysis. According to the number of aspects of TRC, we ran four regressions to find out what factors were crucial and favourable in the development of (a) cooperation in trade (trade); (b) in the development of cooperation in joint projects and programmes (projects); and in the development of cooperation in investment: (c) investment risk and (d) investment potential.

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

Table 2: The impact of contextual variables and domestic-policy factors on four aspects New Regionalism in Eurasia: EU and Russia

<table>
<thead>
<tr>
<th>Contextual Variables</th>
<th>Trade and Projects</th>
<th>Foreign Direct Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Logistic Regression</td>
<td>Logistic Regression</td>
</tr>
<tr>
<td></td>
<td>Trade Model 1</td>
<td>Projects Model 2</td>
</tr>
<tr>
<td>European Regions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>European Border</td>
<td>-</td>
<td>3.5 (1.2) **</td>
</tr>
<tr>
<td>Economic develop.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Domestic policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Status</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bilateral Treaties</td>
<td>1.26 (.57) *</td>
<td>-</td>
</tr>
<tr>
<td>Nagelkerke R Sq.</td>
<td>.25</td>
<td>.49</td>
</tr>
</tbody>
</table>

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

*** significant at the 0.00 level
** significant at the 0.01 level
*significant at the 0.05 level

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

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

Among the “domestic-policy” variables, “constitutional asymmetry” seems to be insignificant in forming the trade policy of the regions. The republics, as the regions with the highest autonomy institutionalized by the Constitution, have not established any regular trade links with Europe. Although the Constitution gives them a wider range of rights in conducting both domestic and foreign policies, it seems it did not encourage the CU to develop trade links with foreign states. The second parameter of the “domestic policy” factor, “contractual asymmetry”, seems to be the only one which “encouraged” the CUs to develop regular trade relations with European states. The variable of “bilateral treaty” demonstrated the highest significance in the logistic regression with Beta = 1.26 and Standard Error = .57 and the overall significance at the 0.05 level. Finally, for the whole model, the Nagelkerke R Square was equal .25.

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

Therefore, economic development is not a sufficient circumstance for the development of trade with Europe.

**Model 2** analyses which factors influenced the activity of some of the regions to conclude joint projects and programmes on a regular basis over the 1990s (for example on implementation of democratic norms; cultural projects; academic exchange etc.). As it may have been expected, only the geographic location was a significant factor for involvement in such projects. However, location in the European part of Russia was not a sufficient factor for developing closer ties with European neighbours through such projects. The regions bordering the EU countries, located in Northwest Russia (with an EU-border), were the most active ones in participation in the EU’s projects and programmes launched in the regions. Logistic regression has demonstrated that about 90% of the
regions involved in these projects and programmes were located in the Northwest part of Russia and had a direct border with the EU. The level of economic development and ethnicity did not play any role at all. “Constitutional asymmetry” was not significant either. However, bilateral treaties exhibited slight importance in the calculations of the second regression. In other words, the regions involved in common projects with European countries tend to have power-sharing agreements with the federal authorities and having these agreements had encouraged the development of TRCE.

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

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

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

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

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

5.5 The Role of “internal” institutional factors
The paper has examined the impact of federal design on the development of new regionalism and TRC as its initial stage. The differences in status of CUs established by the RF Constitution have had no effect on the development of any of the forms of TRC. Although the CUs with the status of republics were given much more autonomy, they did not profit from it to establish cultural, academic, or economic links with the European regions or trading partners. The republics were not particularly active in the establishment any kind of cooperation with Europe. Therefore, the conclusion is that the “constitutional” federal asymmetry has had no impact on TRC.

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

6. Conclusion

What is needed for the successful development of transnational regional cooperation? What factors influence the development of NR and what are the links between external, transnational, relationship and internal, “domestic”, institutions and “context”? The statistical calculations help to draw some theoretical conclusions.

6.1 Lessons Drawn from the Quantitative Analysis

This section has posed the question on the role of “contextual” factor in the development of regional cooperation by Russia’s regions, with European counterparts. Given the geographic disparities across Russia’s regions (about a half of the CUs are located in the European part and another half in the Asian part of the country), the size of the country, the ethnic mosaic, one might suggest that this “context” might have had a certain impact on the development of TRC. We have hypothesized that the regions located in the European part of Russia are more open to development transnational cooperation, networking, forming transnational communities and communication, than those located in the Asian part.

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

The analysis of geopolitical conditions indicates at critical difference of NR – at predominance of the political and functional dimension over the geographical and geopolitical dimensions.

The next hypothesis has stated that the level of economic development of CUs should encourage TRC because economically developed regions are more attractive as partners in economic ventures. This hypothesis has proved to be valid but only to a degree. The second analyzed contextual factor was the level of economic development of a region. That factor proved to be significant for the development of investment projects. The regions with a developed economy seemed to be the preferable choice of foreign (European) investors. This variable was significant in choosing the right investment regions in the RF. However, it has had no impact at all in the establishment of cultural links, or in regional participation in different non-profit joint EU-RF projects. The regions of Northwest Russia were the most active CUs in establishing TRC. However, these CUs were not among the most economically developed CUs. The level of economic development was not important in developing trade ties and common projects; however, it was significant in the development of investment projects.

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

Thus, the third contextual factor, “ethnicity”, seems to be insignificant. Being an “ethnic-region” does not make the region more active in foreign policy (even if its additional autonomy was institutionalized by the Federal Constitution). The issue of “inclusion” and “exclusion” of the regions is often associated with the position of the ethnic elite of the regions. From this perspective, the nationalistic tendencies of ethnic groups that had been suppressed during the totalitarian regime, are often accompanied by the desire to reestablish the position of ethnic group/territory in transnational cooperation.
In other words, the desire to be “included” in the outside world as an independent actor is, at the same time, accompanied by the desire to be “excluded” from the national context of the “parent country”. Transnational cooperation is often perceived by ethnic stateless groups as a possibility for self-affirmation. Examples of such phenomena can be found in Spain (Basque Country), in France (Corsica), etc. Thus, for example, the Basque Country tries to pursue new political and economic relations beyond traditional regional and state boundaries. However, this conclusion seems to be relevant for European democratic states and their regions. In contrast, the regions of Eurasian state and regime transition, as a context, exhibit different attitude of ethnic elites towards this issue. As it was demonstrated by quantitative analysis, the ethnic regions (regions with significant percentage of non-Russian ethnic groups) tend to be more “isolated” from the “outside world” than the regions with a high predominance of Russians.

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

The asymmetry was two-fold: constitutional and contractual. The former type of asymmetry has had no impact, while the contractual one has had a positive effect encouraging the regions to be more active in developing transnational cooperation. In contrast, the “constitutional asymmetry” seems to have had no impact on the activity of these regions in establishing cooperation with Europe. However, those regions which have signed bilateral treaties and, thus, enhanced their autonomy, seem to have developed stronger trade, cultural and academic ties with Europe. Hence, the federal policy towards the regions within Russia has had contradictory effects. While “constitutional asymmetry” has indeed granted increased autonomy to the republics as “ethnic” regions, that has not helped in the developing of transnational cooperation links. It has rather led to more “exclusion” of the regions from both the national federal context and from relationships with the “outside world”. The ambiguity inherent in the RF Constitution, which on the one hand, stated that all CUs are “equal subjects of the Federation”, and, on the other hand, outlined the differences between the CUs, has caused a negative effect on the development of transnational cooperation. In contrast, “contractual asymmetry”, the bilateral treaties, has proved to be an efficient tool for promoting transnational cooperation of the regions through granting the regions more autonomy and independence on the issues outlined in the contracts.

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The rise of “new” transnational regions is rather of long-term nature. This quantitative study indicates that in order to develop effective forms of transnational regional cooperation, working relationships between sub-national regions and “external”, in this case European, partners must be supported both by institutional efforts of the central (federal) government and external levers.

6.2 Back to theory:

**New Regionalism and Regional Integration**

This paper has analyzed the TRC as an initial stage and an element of NR. NR was analyzed as a dependent variable with external and internal factors as explanatory independent variables. A number of the theories state that the changes in the international arena, emergence and development of integration processes, lead to the formation of “new” regions defined in terms of networks, communication and cooperation. Based on these theories, this study started with the premise that New Regionalism is an outcome of regional integration. However, the analysis discovered some new aspects about these phenomena and their causation.

The **first** conclusion is related to the analysis of NR as a dependent variable and investigation of its explanatory variables. The main question was what are the factors that influence the emergence of NR and impact its development? All the variables can be broadly subdivided into internal and external groups. Each group can be further subdivided into “contextual” and “institutional”. The following table presents one of the possible ways to classify the independent variables, or driving forces, of NR.

**Table 3: Theoretical Links of Internal and External Factors of NR**

<table>
<thead>
<tr>
<th>Internal Factors of NR</th>
<th>External Factors of NR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contextual</strong></td>
<td><strong>Institutional</strong></td>
</tr>
<tr>
<td>1. Ethnicity;</td>
<td>1. unitary state</td>
</tr>
<tr>
<td>2. Economic Development;</td>
<td>2. federalism</td>
</tr>
<tr>
<td>3. Geopolitics:</td>
<td>3. asymmetric</td>
</tr>
<tr>
<td>3.1 Cross-border location;</td>
<td>federalism</td>
</tr>
<tr>
<td>3.2 Continental Location (e.g., European or Asian)</td>
<td>4. “double” (Hybrid)</td>
</tr>
<tr>
<td></td>
<td>asymmetrical</td>
</tr>
<tr>
<td></td>
<td>federalism</td>
</tr>
<tr>
<td></td>
<td>5. confederalism</td>
</tr>
</tbody>
</table>

Both internal and external forces can be subdivided into “contextual” and “institutional”. Apart from external influences, a set of internal factors were distinguished: “contextual” and “institutional”. Thus, the statement that external changes in global politics leads to the emergence of “new” regions is valid only to a degree, because a number of internal changes and factors affect
the emergence of NR as well. These are contextual factures (ethnicity, geopolitics, economic) and institutional ones (e.g., federalism, confederalism).

New Regionalism is also shaped by the *external environment* of the regions, e.g., by regional integration which takes forms of transnational regimes, economic and political changes and restructuring. Similarly, the external factors can be divided into (1) institutions and (2) “context” (international and global problems and challenges). Regional integration is an institutional response to problems. Thus, for example, within the EU there are such institutions encouraging regionalization as, for example, INTERREG, TACIS, PHARE.

**Second,** important feature of NR, which differentiates it from Old Regionalism, is its dynamic nature. NR is a *process* of regionalization. Compared to Old Regionalism, NR is more flexible and often emerges as a response to a particular problem or issue (as, for example, environmental regional cooperation; drug- human-trafficking, etc.). Thus, NR can be described in terms of regionalization – creation of different forms of regional cooperation, communication, and formation of trans-border communities. The distinctive feature of regionalization (or NR) is fuzzy administrative-territorial boundaries and formation of regional communities across state borders.

**Third,** regional integration involves not only nation states but also their regions. Integration modifies the role of the regions as sub-national units. Integration seems to encourage the development of the regionalization and formation of new forms of regional cooperation. “New” regions implies not a territorial unit but rather a communicatory actor in an international arena. It can be composed by administration of CUs, their experts, politicians to deal with particular problems or/and to develop further the cooperation around different issues (e.g., trade, investment, etc.). New regionalism is not about territorial division, but rather about the communication.

**Fourth,** successful and advanced integration in neighbour-regions (in this case, in Europe) may affect the development of TRC not only within the member-states but also throughout the continent (Eurasia). In this sense, the empirical analysis confirms that new regionalism is shaped by changes in international context and, above all, the emerging international and continental regimes (Keating, 2004; Obydenkova, 2006; Wallis, 2002). Regional integration, being such a regime, presents the critical change in international politics and provides the environment for the development of NR.

**Finally,** just like RI differs in different geographical settings (EU in Europe, Mercosur in Latin America, CIS in Eurasia), NR also exhibits wide diversity across the world and tends to emerge out of a different condition. The less developed the regional integration on the level of the nation-states, the less developed the sub-national regional integration. Thus, the supranational integration intensifies the sub-national regional integration process. For example, advanced European integration also includes a number of developed institutions encouraging the process of
regionalization within Europe. In contrast, less developed RI in Eurasia (e.g., within the CIS framework) is reflected in weak forms of cross-border communication and cooperation.39

The Regional integration process creates an environment for trans-national regional cooperation, for the emergence and formation of “new” regions. It is one of the important forces leading to the emergence of new regionalism. Regional integration serves as the context for new regionalism. However, the causation between the RI and NR might not be so straightforward. Regional integration and NR are phenomena that might develop simultaneously encouraging each other. And this presents one of the critical differences between the European and Eurasian cases. In Europe, the integration process encouraged the development of the NR. In Eurasia (particularly in Russia and some other FSSs) the NR tends to develop much faster than the process of integration per se (e.g., within the CIS). In a different geographic setting, NR may present either an alternative to regional integration or one of the possible ways towards Integration in the region. The puzzles of the causation between two phenomena will remain on the agenda for further studies.

References


39 For the analysis of the supra-national and sub-national integration and cross-border and transnational regional cooperation, see Obydenkova A. 2006. “The Commonwealth of Independent States: Attempts at Integration and Cooperation”.


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