



EERO SUOMINEN
Trade relations
between Finland
and South Korea

**ALEXANDER
GREMITSKIKH**
Russia, NATO
and European
security



ELENA KOLOSOVA
EU Interreg
funding for smart
ideas in blue
growth

**STANISLAV
USACHEV**
Yegor Gaidar
Foundation
activities in the
Baltic Region





BALTIC RIM ECONOMIES

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EERO SUOMINEN

Trade relations between Finland and South Korea: Room for new innovations and cooperation

Expert article • 2649

South Korea is considered to be a miracle on the Han River – a nation with economic development curve so steep it is nearly impossible to match with any other country in the world. Today, South Korea is a buzzing nation of over 50 million people and the world's 11th biggest economy. What does Finland have to offer the homeland of high-tech giants such as Samsung, LG, and Hyundai?

High level of technological development, world class education, appreciation for classical music, and esthetic fondness for pragmatic Nordic design are only a few things that South Koreans and Finns have in common. From Seoul, Finland looks fresh: innovative yet close to nature. Especially younger South Koreans find Finland's world-famous work-life balance attracting. The opportunity to all genders to thrive a successful career and still make it home from work by 6pm has so far not been an option for most South Koreans, who consistently work some of the longest hours among the OECD countries. Furthermore, only 50 percent of South Korean women are active in the labor force.

Both countries are market economy-based democracies that depend on foreign trade. In fact, over 80 percent of South Korea's GDP comes from trade. In Finland's trade statistics, South Korea is the 17th biggest trading partner, yet is Finland's 3rd largest export destination in Asia after China and Japan. South Korea's largest trading partners are China and the United States. The country is looking to expand its trade destinations with further cooperation especially with ASEAN and the EU. The EU-South Korea Free Trade Agreement (FTA) entered into force in 2015, and has since contributed to growing trade numbers between the areas as well as lowering tariffs for companies.

In recent years, South Korea's economy has not been growing at the same pace as before and growth has eased to steady 2 percent annually. Yet statistics do not reveal the whole picture. Annual exports of goods from Finland to South Korea amount to approximately 900

million euros – and the outlook for growth is positive. In trading goods, traditional maritime industry and heavy machineries still top the charts.

Export of services has also gradually risen during recent years. The total amount is not quite yet parallel to export of goods but comes surprisingly close, adding to approximately 800 million euros.

In recent years, some of the fastest growing trade sectors between the two countries have been food exports and tourism. Finnish food is known and appreciated in South Korea for its purity and quality. Nutritious, antibiotic-free, and safe food of the highest standards is in increasing demand among Korean consumers. Trends of organic food and plant-based proteins are beginning to catch tailwind in South Korea – both to which Finland will have plenty to offer.

Tourism between the countries has seen a steady increase in numbers for years. More and more South Koreans travel to and via Finland, with Korean overnights growing at an annual average of 19.5 percent since 2015. South Koreans seek Nordic lifestyle and unique experiences from Finland: closeness to nature, high quality design, new flavours and Lapland nostalgia with aurora borealis and Santa Claus.

In the beginning of a new decade, the South Korean market has plenty of space for more innovations from Finland in various sectors. Finland has potential to capitalize on this momentum particularly in the fields of bioeconomy and circular economy, where South Korea is only at the early stages of creating an action plan for scaling up more sustainable solutions in the industry and consumer markets.

Meanwhile, South Korea was the second country in the world to roll out commercial 5G network. Finland has an excellent reputation in the field of ICT, which offers many opportunities for pioneering Finnish companies. Research and business-level collaboration is already taking place in the fields of artificial intelligence, robotics, autonomous driving, and wireless technology, including 5G and 6G.

Heading into a new decade, now is the ideal time to identify and advance opportunities for fruitful and actionable collaboration

South Korea is considered to be a miracle on the Han River – a nation with economic development curve so steep it is nearly impossible to match with any other country in the world. Today, South Korea is a buzzing nation of over 50 million people and the world's 11th biggest economy. What does Finland have to offer the homeland of high-tech giants such as Samsung, LG, and Hyundai?

Expert article • 2649

between Finland and South Korea. President Moon Jae-in's state visit to Finland last June laid important groundwork for tightened economic cooperation at both the state and corporate level. Work has already begun at for example health sector, as well as foods and beverages. The two countries will also be joining forces in startup development with Korea Institute of Startup & Entrepreneurship Development and Aalto Startup Center launching their collaboration in spring 2020, bringing Korean innovators to learn from Finland's startup scene. In this era of intensified technological competition, Finland and Korea have great potential for tightened exchange that will help advance the economic competitiveness and high-tech innovations of both countries in the years ahead. ■

**EERO SUOMINEN**

Ambassador of Finland to the Republic of Korea

Pan-European Institute

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ALEXANDER GREMITSKIKH

Russia, NATO and European security

Expert article • 2650

The end of the Cold War opened a possibility to build a system of genuine security in Europe. But the chance was missed. Why?

Let's take 1990 as the starting point. Leading powers were discussing crucial matters concerning the future of Europe, with a united Germany as a core issue. The essence of the American and other Western partners' approach could be illustrated by what Moscow heard from Washington: if Americans maintain presence in Germany that is a part of NATO, the Alliance's forces would not be moved one inch to the east.

Well, Germany was united, staying in NATO. The Warsaw Pact was dismantled, Moscow withdrew its troops from Central and Eastern Europe and the three Baltic states, significantly reduced troops in western Russia. What came in response?

The abovementioned assurance was forgotten. The Alliance started acting according to its own needs, as they were seen, creating facts on the ground. The euphoria of the "winners" in the Cold War prevailed and left no room for political wisdom and realism that presuppose collective work on mutually acceptable and thus balanced and durable solutions.

Several rounds of NATO enlargement followed, and the process still goes on. One must bear in mind that NATO is not just nice "family photos" taken at summits, but first and foremost a mighty military machine.

And it has consistently moved closer to Russia.

One may say that the Alliance has never intended to be a threat. But intentions can change, as we've seen above. It is realities that matter, and they give all reasons to be seriously concerned. Among other things one should be aware of NATO's readiness to use military power.

The alarm bell rang loudly in 1999, when NATO in breach of international law launched its war against Yugoslavia, relentlessly killing and injuring mainly civilians in Belgrad and other cities. For the first time after World War II a European state was disintegrated and state borders in Europe were forcefully changed.

There is a number of other convincing examples, including Afghanistan, Iraq and Libya, where NATO's or its member states' military actions caused widespread loss of life, created chaos, rise of terrorism, flow of illegal arms and huge waves of refugees.

At top level between Russia and NATO, as well as in OSCE there was agreed to work for creating a common space of peace, security and stability, where security would be non-divided and equal for all and no one should try to ensure one's own security at the expense of others'. These understandings remained unimplemented because of NATO's hidden agenda. The Alliance continued its efforts aimed at building a NATO centered Europe, in terms of security, and achieving undisputable political predominance and military superiority. No wonder the Russian proposal to conclude a treaty on European security was rejected. Russian legitimate interests were just disregarded.

This policy is now taking exaggerated forms: the Alliance aspires to be the predominant "source of legitimacy". A disturbing sign of that is the promoted concept of a "rules-based order". There are meant rules formulated by a limited group of countries and imposed on others. Such rules can change any time depending on this group's situational needs. This kind of "order" is conceived to replace the universally recognized norms of international law and truly collective work in representational international formats, first of all the United Nations.

The growing and self-assured NATO ultimately was perceiving the "disobedient" Russia as a firm and troublesome opponent, that at a point should be resolutely pushed aside.

A welcome opportunity to make a decisive thrust came with the Ukrainian crisis. It was used as a pretext for openly returning to NATO's original task: containing Russia. The Alliance just rectified its course for ousting Russia. The invented "Russian threat" was a convenient, but false explanation.

Since 2014 there has taken place a very significant NATO military build-up in areas close to Russian borders, including the Baltic, in contradiction with NATO-Russia Founding Act from 1997.

Russia's countermeasures are balanced and taken on its own territory. It is not Russia that has moved its borders towards NATO, but vice versa. Then, who poses a threat

to whom?

The myth about "Russian threat" is dispelled also by statistics of military expenditure: in 2019 in NATO it was at the level of 1,04 trillion US dollars, 22,6 times exceeding that of Russia (46 billion dollars). The European NATO countries alone spent last year 6,7 times more than Russia on these purposes.

Aggravating security problems must be seriously and professionally discussed. NATO should revise its decision from 2014 to discontinue dialogue with Russia on the level of military experts. In May 2018 Russia tabled for the Alliance a whole set of concrete proposals on de-escalation. No answer. Again, no real interest? ■



**ALEXANDER
GREMITSKIKH**

Consul General of Russia in Turku
Finland

MIKHAIL G. ZUBOV

80 years of the Moscow agreement on Ålands

Expert article • 2651

It will be 80 years in 2020 since the Agreement between the Soviet Union and Finland on the Åland Islands was signed on 11 October 1940 in Moscow. It has become one of the most important legal framework documents of the demilitarised status of the Åland Archipelago. According to this Agreement, Finland undertook upon itself a commitment to demilitarise the Åland Islands.

It is now over 150 years that the demilitarised status of the Ålands has remained unchanged de-jure:

- according to the 1856 Convention on demilitarisation of the Åland Islands (article 1), the Islands are not to be fortified, and no military or military naval installations or bases are to be kept or established there;

- according to the Convention on non-fortification and neutralisation of the Åland Islands as of 20 October 1921 (article 3), no installation or operational base, military or naval, no air force installation or operational base equally as any other device or equipment intended for military purposes can be kept within the zone (demilitarised zone of the Åland Islands) specified by article 2 of the Convention. Certain international law experts admit that since UNO is not a legal successor of the League of Nations, which has approved the 1921 Convention, provisions that cover the obligations of the signatories regarding the defence of neutrality (which is closely linked to the demilitarised status of the Åland Islands) may be considered null and void after the dissolution of the League of Nations in 1946. Moreover, the Russian Federation which had not been invited to the negotiations sent in 1921 a note to the countries – signatories of the Convention, by which declared it (the Convention) “non-existent for Russia”.

- according to the 1940 USSR – Finland Agreement (article 1), the Finnish side pledged “to demilitarise the Åland Islands, not to fortify them, and not to put them at the disposal of the armed forces of foreign states.” In accordance with the Agreement, a Soviet Consulate was established in Mariehamn.

In 1941, Finland joined the war against the USSR on the side of Germany, which terminated the validity of the 1940 Agreement, and the Åland Islands were remilitarised. Finland deployed its troops there, which meant that martial law was imposed on the Archipelago. The Soviet Consulate could not operate in those conditions according to peacetime laws, and on 24 June 1941 its personnel was evacuated. In September 1944, Finland ceased fighting on the German side, and the USSR and Great Britain, of the one part, and Finland, of the other part, signed a ceasefire agreement. Article 1 of it stipulated that the validity of the Moscow Agreement on the Åland Islands has been reintegrated.

The population of the Islands met the reintegration of the Agreement with approval. At the opening session of parliament (lagting) it was stressed that the undivided opinion of the Åland people, bolstered by traditions, has always firmly upheld the idea of the Åland Islands being demilitarised. In October 1944, a Soviet Consul arrived in Mariehamn and the Consulate resumed its work.

Since then, the Åland Islands has become, and still remain, the “Islands of Peace” in the eyes of the whole world. Equally, since then either side has officially registered no cases of the violation of the demilitarised status of the Islands.

The Treaty of Peace with Finland signed in Paris in 1947 reinforced the demilitarised status of the Islands yet more, while the intergovernmental Russian-Finnish Protocol of 1992 concerning the inventory of the contractual basis of Russian-Finnish relations confirmed the survival of the 1940 Agreement. Thus, this document became not only the cornerstone of the contractual basis of the demilitarised status of the Åland Islands, but also the important international law element of ensuring security in the Baltic region.

In the end, it should be emphasised that neither the Soviet Union, nor the renewed Russian Federation has ever violated the 1940 Agreement. Starting from 1991 a renewed Russia has the right to maintain on the Islands a consulate the competence of which covers beyond regular consular functions the supervision of the fulfilment of the commitments stated in the 1940 Agreement.

As for the Russian Consulate in Mariehamn set up in accordance with this important document, its relevant role remains unchanged. Despite the fact that it is the most small-numbered Russian consular mission in the world, its functions remain highly demanded, while the Consulate, on its part, seeks to carry out successfully the tasks it is charged with. For the past 80 years, a priority for the Consulate has remained the monitoring of the demilitarised status of the Archipelago in accordance with the 1940 Moscow Agreement on the Åland Islands. Retaining by Russia the control functions over the demilitarised status of the Ålands undoubtedly meets the interests of the international community in strengthening peace and stability in the Baltic region. ■



MIKHAIL G. ZUBOV

Ph.D., Consul of the Russian Federation on the Åland Islands

ALEXEY GROMYKO

Many strengths, many weaknesses

Expert article • 2652

In the last 20 years, Russia has reasserted itself on the world stage after awful experience of the 90s. It left far behind the near economic collapse experienced in 1998 and crashed internal violent separatism in North Caucasus tightly linked to international terrorism. Moscow has resumed plying the role of one of the key global players. At the same time, it is deep in a new confrontation spiral with the US and a number of their allies, the causes of which are both of the immediate and long-term nature. Because of geopolitical rivalry between Russia and the US, other countries have been caught in-between, including Georgia and Ukraine. This rivalry has led to numerous rounds of sanctions imposed on Russia, especially since 2014. However, it has turned out to be impossible to isolate Russia or to destabilize its political and social systems. Against the backdrop of events, which some people compare to a new cold war, nowadays Russia is a dominant actor in the Middle East, one of the key energy suppliers in Europe and Asia, the main strategic partner of China and a core country of the Eurasian Economic Union.

So far so good. The other side of the coin is grim and disturbing. The strategic autonomy of Russia – something the EU only dreams to acquire – comes with a price. The US has proclaimed Moscow together with Beijing as their main strategic competitors, and lavishly apply all kinds of restrictions and sanctions against both. In parallel they systematically destroy the last pillars of strategic stability, which the world has inherited from the era of bipolarity. Russia is the 6th biggest world economy. But its share in the world GDP, even in PPP, is 3%. It is not so bad keeping in mind that the share of Germany, the top economy of the EU, is 3,2%. But if you compare it with the US (15%), China (19,1%) or India (8%), there is nothing to celebrate. Moreover, Russia's share recently is dwindling. Although the same is happening with most western economies, there is a big difference.

For example, Germany together with other 26 member states of the EU is a part of the European single market, which now surpasses the US, and it is this market Russia has to deal with not separate national markets in the EU if to apply correct comparisons. The lopsided structure of the Russian economy, its technological backwardness except the military-industrial complex and a small number of other sectors, its vulnerability to the global financial system, dominated by the US dollar, massive pockets of poverty are obvious. Another concern is the growing economic and technological asymmetry with China. These days we are partners as have never been before but in any friendship equal status is important. The poor state of relations between USA and their European allies is a good reminder of that. Russia desperately needs quick modernization. Its necessity has been proclaimed many times by the Russian authorities, especially in Vladimir Putin's Federal Address in March 2018. Benefits of the fast economic growth in the 2000s were flatted out long time ago and now for several years in a row real incomes of the population have been falling.

After Putin's 2020 Federal Address in January, it is predetermined that he leaves the post of the president in 2024 and all speculations

on this issue can be set aside. At the same time, few people doubt that he will stay in the core of the political process. In what capacity – is to be seen and more or less accurate guesses will be possible to make much later. The personal and ideological changes, which Putin launched in the executive branch of power, had been long expected and even overdue to the point of mass frustration. With the previous team, dominated by neoliberals and by people obsessed with macroeconomic indicators to the detriment of economic growth, it was impossible to count on economic modernization and diversification, not to mention on Russia staying a social market state. The scope of social inequality in the country is unacceptable. Now some time is needed to assess if the new set of technocrats manages to alter the fallacious economic doctrine and practice and to change the situation substantially by 2024. As to the changes in the balance of power for the benefit of the parliament, it should be strongly supported as Russia's political system needs powerful stimulus to escape from the state of stagnation and drift. ■



ALEXEY GROMYKO

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JACEK KARNOWSKI & KATARZYNA CHOCZAJ

Sopot (Poland) and its international cooperation in the Baltic Sea region

Expert article • 2653

Sopot has eight partner cities with whom it works with, based on bilateral agreements. In the Baltic Sea region our most active partnership is with Naestved, Denmark. Sopot and Naestved have been working together closely for many years. Our partnership is focused on cultural issues. Over the years we have had meetings between many cultural institutions, such as libraries, theatres and cultural centres. Within the context of the visits, the guests took part in regular literary and music festivals. Experience and knowledge always pay off. Even if we can't use every solution, such visits bring tangible ideas and projects that can be carried out.

That said, I would like to mention collaboration between NGOs. I feel that this way of working together is the most effective and brings the best results. The benefits for local communities are the most important element that makes continuing the work of partner cities worthwhile.

One of Sopot's most dedicated organisations, who work with Naestved, is the On the Path to Expression Association (Stowarzyszenie na Drodze Ekspresji) who deals with the issues of the inclusion of marginalised people, including people with disabilities, into the life of the community. The Association's members and volunteers have been taking part in the International Handi Art Exhibition of People with Disabilities, which is held by the Danish Næstved Kulturforening association since 2003. The visits are an opportunity to promote the art of people with disabilities and an excellent way to exchange ideas and experience. By taking part in the exhibition, artists with disabilities can showcase their work and provide a personal insight into their everyday lives that cannot always be described in words. Although art is a therapy in itself, the appreciation by others and a unity with them is very valuable to people with disabilities. Every year, the participants from Sopot organise their own side event, for example the "Cucumber Smile" performance, whose aim was to raise awareness of diversity or last year's discussion on human rights, especially within the context of people with disabilities.

Also worth mentioning is the "Another Country? A New Life? The issue of culturally-sensitive social work in the context of migration" international conference held in Sopot in November 2017. Its main subject were the issues generated by migration within the context of integration with the local communities. The agenda included lectures by researchers from Krakow's Jagiellonian University and the University of Gdańsk, presentations by representative of the Border Guard, Sopot's partner cities from Germany and Denmark and NGOs. The conference was aimed chiefly at local government representatives from Pomerania, NGOs, Pomeranian academic circles and people who work with foreigners.

Continuing the subject of migration, in September 2018 Sopot's representatives participated in an international conference focused on showing best practices and practical solutions for the integration of and support for refugees in Naestved. The organisers presented a

support system for refugees developed as a city service; there were study visits to a Danish language school where the teaching system was presented and the visitors could see how the work with the learners looked like in practice. There were also visits to businesses with a presentation of the principles behind the collaboration between city hall and business towards the professional activation of refugees in an actual working environment. They could also see a temporary home for refugees, where some 80 families lived until they receive their eventual homes.

Our partnership with the Swedish Karlshamn, in turn, has led to a number of meetings between children from music schools. These projects brought joint concerts by children in both cities that drew a considerable audience. For the kids themselves it was an opportunity to get to know each other and the partner cities.

For several years Sopot has also taken an active part in the MATKA Nordic Travel Fair in Helsinki, the largest such exhibition in Northern Europe and the Baltic Sea region.

Tourists from Finland and Scandinavia are our most frequent visitors. We owe the growing interest in the Pomeranian region and Sopot to, among other things, the many air links to our area. For this reason we also hold many study tours with bloggers and journalists.

I would like to take this opportunity to thank the Mayor of Naestved and the Mayor of Karlshamn for supporting our partnership. I hope that it will continue to grow and that we will have many challenges and projects ahead of us. ■



JACEK KARNOWSKI

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MARI KETTUNEN & SAIMI HOYER

The Saimaa phenomenon - The decade of Saimaa is coming

Expert article • 2654

Finland's magnificent nature makes it an exceptional destination for visiting Northern Europe. 73% of the land is predominantly boreal forest and another 10% is water from its 187,000 lakes. For a reason, Finland has been ranked as one of the top nature travel destinations in the world by many leading medias. Forest phenomenon is a trend now. Hiking in the forest increases your happiness. According to several studies and surveys, impacts of forest nature are significant for well-being. Forest is a state-of-mind.

Finland's Lake Saimaa is unique in Europe. Situated in the heart of Europe's largest lake area, Saimaa's stunning nature, clean waters and forests, sights and great outdoor activities make it one of the most adorable places to spend holidays in Northern Europe. Finnish lake land has been named as one of four focus development areas of our travel industry, among Helsinki, Lapland and coastal and archipelago areas. The significance of travel industry is increasing in Finnish economy, and especially in Saimaa region.

Logistic infrastructure supports easy and comfortable access to the region. There are airports in Lappeenranta, Savonlinna, Kuopio and Joensuu, Lappeenranta having direct connections for example between Bergamo (Milan, Italy), Berlin, Budapest and Wien. Railway network also reaches these cities very well. A distance between Lappeenranta and St Petersburg is only 200 km by car.

Europe's sixth largest lake, Saimaa is a tapestry of rich blues and vibrant greens in the summer, and boundless scenery of bright ice and white snow in the winter. Its narrow straits lead into wide open waters which are scattered throughout with forest-covered shoreline and rocky cliffs. Saimaa is also a harbor with quiet beaches and hidden entrances. These waters are home of Saimaa ringed seal, a very endangered species of roughly 400 individuals living only at Lake Saimaa. Everybody loves these sympathetic moustached animals coming to say hello when boating or fishing at the lake area. Meeting them is a memorable experience, and not so rare anymore due to slowly increasing population resulting from systematic protection actions taken.

In addition to the scenic landscapes and exciting wildlife, innovative and inspiring gastronomy based on clean local food ingredients attracts travellers. Saimaa cuisine is full of delicious, fresh, healthy ingredients that are full of flavour and nutrition, thanks to its wild-grown food and quaint climate. Vendace fish, mushrooms, wild herbs and berries, Finnish food is a superfood!

Saimaa is a destination of cultural attraction. A northernmost medieval castle in Europe, Olavinlinna, is located in Savonlinna. Its history reaches back to 15th century. Today the castle, at a tiny rocky island, is a stage of opera festival, arranged for the first time in 1912 and yearly since 1967. Savonlinna Opera Festival belongs to the most unique opera stages in the world, with its exceptional atmosphere and high-class performances and artists.

A fascinating destination for travellers interested in history, is Astuvansalmi in Mikkeli, home to Stone Age settlements and rock paintings, age of 4500-6000 years, still visible today. These paintings are part of Prehistoric Rock Art Trails -route (Cultural route of the Council of Europe).

Opera and rock paintings are examples of versatile cultural experiences at Saimaa. Travellers find music events and art exhibitions all around the region, for example "Kuopio Tanssii ja Soi" dancing festival in Kuopio and Art Mansion Johanna Oras in Punkaharju. The culture concept is not limited to traditional arts only, it is an original nature and areal spirit and all the memorable moments experienced at the stunning Saimaa. It is the Saimaa phenomenon. Therefore, it is a time for a joint European Capital of Culture project in Eastern Finland, in which Savonlinna, Mikkeli, Joensuu, Kuopio and Lappeenranta cities apply for the European Capital of Culture 2026 in the name of Savonlinna. The decade of Saimaa is coming, says Jani Halme, who, along with Saimi Hoyer and Sari Kaasinen, all local bright cultural persons, are starting to ignite the Saimaa phenomenon. The cities of Eastern Finland are starting to look at each other and collaborate in an unprecedented way.

Saimi Hoyer is an entrepreneur with Mari Kettunen at Hotel Punkaharju. Saimi's story of the beauty of Eastern Finnish nature and especially mushroom picking has reached a wide audience in Finland and abroad. A hotel history is compelling. It celebrates this year 175 years of accommodation served to travellers at the stunning historical esker area. Punkaharju, located 30 km from Savonlinna, with rugged pine woods and bright lake waters, has been described as a national scenery of Finland. The tiny road called "the Old Esker Road", riding to the hotel, is one of the most beautiful routes in Finland. Actually, Punkaharju is the oldest nature reserve area in Finland protected by Russian Emperor Alexander I in 1803. Today Hotel Punkaharju is a desired destination for guests seeking for natural luxury, wellbeing and experiences for all senses in peaceful, inspiring surroundings.

We warmly welcome you to Hotel Punkaharju, the central hub for visiting all the interesting places and amenities at Lake Saimaa area and starting to experience the Saimaa phenomenon. ■



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KARI LUKKA

Memories from Pärnu

Expert article • 2655

My first brush with the Estonian city of Pärnu was distant, yet touching: Pärnu shares its name with one of Finnish pop-rock group Ultra Bra's most beautiful songs, about a couple's autumnal holiday in the city. Perhaps you remember its first lines:

"This is a bath town during fall
We get wet every time we walk to the city..."

Back in the early years of the millennium, I could scarcely imagine the number of times I would later find myself humming the words to this lovely song, or appreciate how well they captured Pärnu:

"No attractions, but
Round windows looking from buildings..."

I have often found it difficult to explain my love for the city, especially to those who have never visited it. "What's so special about it anyway, it's just a spa town full of Finnish tourists!", is a reaction my admiration for the city has often elicited. Granted, such retorts are not entirely inaccurate. But while the city offers only slim pickings for sightseers, it is far from empty. There is the famous, stunning sandy beach, the spas, and a two-kilometre breakwater whose tip, it is said, should be visited by lovers looking to make their romance last. The expansive parks, the excellent little market square and market hall (located slightly out of view at 18 Suur-Sepa) as well as the myriad restaurants and cafés also serve to create an ambiance that is unlike anything to which most Finns are accustomed:

"People carry pastry boxes
Many cafés; there, too, a new kohvik
In a few days, we'll also have
Our favourite café, and there our own table..."

The Piccadilly kohvik at 15 Pühavaimu in the heart of the city has grown to be my personal favourite. A soundtrack of fantastic music, two intimate rooms furnished in tasteful hipster style, and a nice menu including confectionaries, full meals and cocktails create a milieu that feels not Finnish but rather Central European. A perfect setting for a relaxing evening sit-down after a long day of tourist exploration, or a bout of daytime people watching while sipping on a Cappuccino. Another favourite of mine is the Supelsaksad café (32 Nikolai), whose (usually) sunlit terrace is an excellent choice for a tasty lunch enjoyed at a leisurely pace.

The allure of Pärnu is in my view best explained by the atmosphere of authenticity that awaits those who venture outside the very centre of the city, on which modern 'development' is, to a frightening degree in certain parts, leaving its mark. A mere half kilometre from Rütli, the city's main thoroughfare, in any direction – but especially to the southeast – lie old wooden houses in the Estonian style, charmingly scattered about. With only few exceptions, they are accompanied by blooming yet cosily untamed gardens dotted with apple and cherry trees, berry bushes, vegetable and flower patches, and piles of wooden logs. The self-sufficient way of life that held great importance

to all but every Estonian until very recently remains conspicuously visible, and a few rough edges here and there are much more readily accepted than in Finland or – especially – Sweden. A stroll southeast from, say, Supeluse, a park avenue leading to the waterfront, along the Karusselli, Aisa, or Karja streets is a festival of building and garden culture.

The diversity of its houses and buildings is one of Pärnu's (and many other Estonian cities') delightful little idiosyncrasies, with beautiful functionalist buildings side by side with dilapidated wooden houses which, despite their run-down state, have not been abandoned. Such vistas greet visitors along certain stretches of Supeluse, for example, which is also home to what is perhaps the most exquisite building in all of Pärnu. Located at number 21, it presents an intriguing mystery. Aside from a few years during which it housed an Italian-style restaurant with an elegant patio, the building has stood empty and unused. How can this be, given its breathtaking beauty?

Pärnu has long been known as Estonia's summer capital, but it also has a long and notable history of settlement, which stretches back as far as 11,000 years ago. Another historical highlight for Pärnu's inhabitants is the proclamation of the Estonian Declaration of Independence on 23 February 1918, which took place at the city's Endla Theatre.

Having visited Pärnu every summer (with only one exception) since 2007, it has become an unmissable estival destination for me. Next on my to-do list while there is the summer exhibition of the Museum of New Art, which always carries the name "Mees ja naine" ("Man and Woman"), consisting of experimental pieces, images in a range of formats and other highly creative installations. Contrasting with the beauty of the exhibition is the modest, typically Soviet-era (and appropriately shabby) building in which it is housed. It is also fitting that the building in question served as the headquarters for the local unit of the USSR's Communist Party until the fall of the Iron Curtain almost three decades ago. But while it is in need of swift renovation, the prospect makes me slightly apprehensive. But if renovated, could the museum, which surely generates only little revenue, continue to use the premises any longer? And if not, where could it find a new home?

Losing the annual exhibition would undoubtedly detract from Pärnu's summery appeal, but the city also offers other attractions. For example, several Pärnu summers have been graced by experimental theatre and music pieces performed under the name "Suveaaria", often in unique venues. One such venue that springs to mind is the old school yard in the city centre (26 Nikolai), where I've enjoyed unforgettable experiences in the gathering July twilight. Eliisabeti Kirik, also on Nikolai, offers summer visitors small, intimate performances of classical music. But as summer draws to an end, Pärnu quiets down:

"The silent port of a yacht club
Of course, nobody's at the beach."

These are the closing lines of Ultra Bra's autumnal song "Pärnu". I've personally only ever visited the city in summertime, and it's not unheard of to find its sandy beach empty then, either, as the weather isn't always willing to accommodate potential bathers. But most of the

time you would find it teeming with them. The beach is also one of summery Pärnu's sports centres, with beach volleyball its undoubtedly most popular active pastime. My personal favourite among the beach restaurants, bars and cafés is the peaceful "Ranna Kohvik", whose sunny terrace looks over the beach and provides a perfect spot for reading and people watching while enjoying a coffee or a cold beer (they also make an excellent solyanka soup). The rather audacious crows that are a permanent feature of this charming kohvik add a final touch of uniqueness to its atmosphere.

Now that it is advisable to limit travelling by air, Pärnu is worth considering as an excellent destination for a relaxing holiday that also has much to offer to active tourists. And at only two hours from Tallinn, it is not unreasonably far away, either. ■

It is highly recommended that the reader first listens to this Ultra Bra number, whose lyrics were written by Anni Sinnemäki and music by Kerkko Koskinen.



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BALTIC RIM ECONOMIES

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PEKKA SAARINEN

New way to make a city

Expert article • 2656

Urbanization has often been used as a concept to describe urban growth and development as a phenomenon. Today, this phenomenon is not just about rural-urban migration or moving from a smaller city to a larger growth center. People still want more and more economic, social or educational opportunities. In fact, urbanization is more broadly concerned with enabling vitality and empowerment. The next dimension of urbanization is the strengthening of the city. Being a growth center, having a defined brand, or aiming to be a cozy city does not necessarily guarantee success as a city. From a systemic point of view, in addition to housing and jobs, urban structure, buildings, mobility and accessibility can and will be seen as part of urbanization and its service network. Circular economy thinking, life-cycle thinking and, for example, mobility as a service are also the future of urbanization and the built environment also in business. Urbanization is thus also a service business.

The city must be self-renewing, forward-looking and enabling in order to be successful in urbanization. Thus, the city must also urbanize itself. It is as if the city has to re-design its skin all the time. If it does not do so, it will not guarantee its vitality either. In urban planning language it means continuous and renewed master planning. An essential part of the effort to strengthen urbanization is to create common, understandable goals and means to reach a feasible goal. But how is the goal achieved? How are the process of urbanization and urban policy objectives taken into account? How to really create a new city and what is a quality city?

Urban planning must be of high quality and its complexity must be managed in order to produce value. The traditional role of the city, the planning tasks and objectives assigned to it, and the will of the landowners must be combined. In addition, the existing city must be respected. Thus, the room for maneuver is very limited. But there is enough space when the process is managed properly. Urban planning, making a new city is often perceived as an enormously long and laborious process in general. Zoning is often perceived as slow and bureaucratic due to the authoritarian nature of the town planning monopoly status and legislation in Finland. From this perspective, complexity is about the correlation of power, knowledge and mutual trust, and often conflicting goals. The monopoly might only take into account the end result of one party. It can fill one perspective but miss several others.

Urban planning requires a new approach that brings together the private and public sector, residents, citizens, planners, builders and decision makers in a new way. Efforts must be made to achieve a quality city, planning and implementation within a reasonable time and at a reasonable cost. The operating model must be open, transparent and measurable in various ways. In this case, the model and the results of the process generate value for the residents, value for vitality by supporting being a city. Let's call this new model to a soft urban partnership model. What is new is how to make the operating model better serve value creation. The urban planning process is like a puppy dog that is squirrel around. Both, the master and the puppy are happier knowing what to do. There might be wisdom at either end of the leash – or not. The process and all its dimensions must be managed, not the other way around. The common goal must be clear as well as the means to achieve it.

Case Pihlajaniemi: The first capital of Finland, Turku, is on the verge of exciting new development. Turku is a city on southwest coast of Finland at the mouth of the Aura River. The City of Turku and Senate Properties (the real estate asset manager of the Finnish Government) are developing the new Pihlajaniemi urban district with a new attitude, focussing on softer values and better urban quality. At some 30 hectares the Pihlajaniemi area today consists of fields and some existing buildings, and a stretch of coast at the south. For the City of Turku, Pihlajaniemi is a real gem, as it's located just a couple of kilometres from the city centre. It will be a home for a thousand residents. Planning the district, there are two architectural practices, Ajak Oy and Gehl, with Urbanity Oy coordinating planning and planning process. The Danish Gehl has a lot of international experience in making top-notch urban environments with human appeal, while Ajak are the local design experts and Urbanity has a lot of experience about urban design management. Working together in the Pihlajaniemi district, this group are making a new city area with a new urban planning process model which combines a quality of a physical planning and quality of a planning process.

The main coordination of the urban planning process is made by Urbanity Oy, coordinating the whole process from planning issues to residential participation and interaction. Urbanity Oy is a strategic partner for Senate Properties and official zoning consultant for a City of Turku in case of Pihlajaniemi. ■



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Preparing for the AI era

Expert article • 2657

The rapid progress in digitalisation and AI is challenging countries and regions to ensure that they are equipped to succeed in the global race of meeting and shaping the future. Developing businesses and improving people's skills and competencies play a key role in preparing for the AI era.

Investing in innovation, education and infrastructure lays the foundations for success in the AI era. While the public sector has a significant role to play in terms of investment, considerable private investment is needed to generate adequate progress in both the development and uptake of AI in several sectors – be it transport, health, finance or manufacturing.

As AI is primarily based on data, ensuring the quality, accessibility, interoperability and smooth flow of data is pivotal for development, together with proper data protection and cybersecurity. An efficient market for data is increasingly important, as it is closely linked to the markets in goods, capital and services.

Business ecosystems, comprised of companies of different sizes and from different sectors and different parts of value chains, are necessary for the development and uptake of AI. This also highlights the importance of cross-border partnerships and networks, as well as broad-based cooperation between businesses, the public sector and other stakeholders.

Enterprises are preparing for the AI era through innovation and business development, but they also need a favourable policy environment that helps them harness the potential of AI. It is not a matter of “picking winners” but rather identifying challenges to be tackled. The goal should be to create and maintain the right conditions – covering taxation, regulation and the allocation of public funding – to exploit the opportunities of and minimise the risks inherent in AI.

Competencies and skills play a significant role as enablers of innovation and AI-related business development. There is a demand not only for specific “AI skills” but also for the skills to apply AI in specific businesses. While mathematical, scientific and technical competencies are most important, it is also becoming increasingly necessary to be able to combine different fields of competencies.

In addition to high-level talent, the AI era calls for a broad base of educated and skilled people. We need common AI knowledge for everyone to capitalise fully on society's overall potential and to keep everyone on board. This requires awareness, knowledge and understanding, as well as competencies and skills.

It seems that people are generally unaware of how AI can be useful, whereas there are many concerns regarding control over the machine. Awareness-raising is therefore needed about the opportunities presented by AI for society at large.

More knowledge and understanding of the nature and functioning of AI is also necessary to enhance people's trust based on their own critical thinking. This applies to entrepreneurs, workers, consumers and policymakers. Trustworthiness and competitiveness are closely interlinked: trust can yield a competitive advantage for businesses, while only competitive businesses can provide society with trustworthy products and services.

In the short run, the development of skills is to a considerable extent driven by the skills mismatch identified in the labour market. In

the long run however, it will be more and more difficult to anticipate future professions – or even every-day life – with any accuracy.

It is therefore important to invest in the competencies and skills that will always be useful: skills that provide added value over machines or skills that we need to retain. These include such basic skills as logical reasoning, critical thinking, creativity and interaction skills and, most importantly, the ability to learn.

The needs of the AI era must be considered in the formal education system at all levels, from primary schools to universities. However, it might be even more crucial to adjust the overall approach to learning and teaching. Upskilling, reskilling and life-long learning have been on the agenda for a long time but the AI era makes them even more important.

Besides being continuous, learning for the future must be seen to be centred on learners. This calls for “learning design” based on the needs of individuals. At the same time, supply and opportunities for learning must be developed accordingly. An essential part of this development is the fact that learning takes place more and more outside the formal education system – and not least in the context of work.

Fortunately, AI itself can be used in teaching and learning. It can assist in anticipating changes in education and training needs, as well as provide content and tools for learning. While creating new requirements, AI also assists us in preparing for the future. ■



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EU Interreg funding for smart ideas in blue growth

Expert article • 2658

Mussels farming, algae cultivating, blue biotech are no longer exotic words in the vocabulary of regional governments and private companies in the Baltic Sea region. Lately, they've been generating a lot of knowledge and experience in these sectors. And here projects, like those co-financed by Interreg Baltic Sea Region that provides grants for smart ideas, allow experimentation.

Such EU funded projects became an answer to the trend in the Baltic Sea region to embrace the latest innovation developments within the maritime industries and respond to the environmental concerns when the Sustainable Blue Growth Agenda for the Baltic Sea Region was adopted by the European Commission in 2014. Projects in Interreg Baltic Sea Region attract both public and private actors as they can develop solutions together getting expertise from ten countries around the Sea. The three examples below illustrate what can be achieved in transnational cooperation for sustainable blue growth.

St. Anna archipelago and Byxelkrok in Sweden, Musholm in Denmark, Kieler Meeresfarm in Germany, Pavilosta in Latvia, and Vormsi in Estonia are a few locations where regional and local governments worked together in the Interreg Baltic Blue Growth project with universities and private companies to see if blue mussel farming could become a profitable and sustainable business. They experimented during three years

to see how to set up mussel farms in the Baltic Sea and what the most determining factors on mussel production in the Baltic were: salinity, placement, a model of a mussel farm, and harvesting time. They proved that mussels could be successfully farmed in large parts of the Baltic Sea when farming methods were adapted to the local conditions. After farming, these mussels were used for food or producing feed for chicken. Further, mussel farms demonstrated positive effects on the environment by filtering the water and trapping excess nutrients.

In the Interreg ALLIANCE project organisations from around the Baltic Sea experimented on how to help novel blue biotech ideas to become market-ready products. For example, a Danish company that cultivated kelp started developing a natural organic sunscreen extract from this seaweed with two mentor universities from Denmark and Sweden. An Estonian natural cosmetics brand manufactured facial moisturizers with algae-based antioxidants in close collaboration with an Estonian biotechnology park and a German research and consulting company. Based on the experience of 25 different cases, the project built a network of mentors in the sector of blue biotechnology. The network involves now research and technology institutes, technology parks and innovation companies. After the project, the network will continue offering support to companies and municipalities in scientific

and technical inquiries, access to biological resources, legal advice, business and project development, monitoring and coaching, communication and lobbying.

A few of the regional administrations from the BSR tapped into their research and innovation smart specialisation strategies targeting the development of blue growth sectors (Blue RIS3), with the financial support of the Interreg Smart Blue Regions project. Such strategies set priorities to develop own strengths in research and innovation that match business needs. The partner regions – Southwest Finland, Pomorskie, Skåne, Ida-Viru, Schleswig-Holstein and Riga – reviewed implementation of their smart specialisation strategies and initiated improvements to better support their regional

industries. For example, Polish Pomorskie updated their Regional Strategic Programme introducing an entrepreneurial discovery process to manage regional clusters – a good practice that came from German Schleswig-Holstein. Southwest Finland, using the knowledge and best practices obtained in the project, created an internal plan for their Blue RIS3 implementation with a focus on responsibility, collaborative skills, accessibility and resource wisdom.

Another way to learn about new blue growth solutions but without being a partner in a project is to follow the development of the Blue Platform at <https://www.submariner-network.eu/blue-platform>. Supported by funds from Interreg Baltic Sea Region,

a few organisations from around the Baltic Sea that are experts in the field of blue bioeconomy set up this platform. It brings together results from Interreg BSR and other EU funded projects that allowed experimentation, developing new solutions and testing them. By autumn 2021, this knowledge of a few hundreds of organisations around the Baltic Sea will be structured according to several selected topics like mussels, blue biotechnology, aquaculture. Anyone from the public sector, business, research or NGOs who is interested in sustainable blue growth solutions is welcome to use these results.

If you are curious what kind of ideas were tested out in the region, visit our library at <https://projects.interreg-baltic.eu/>. We truly hope that these solutions will become common practice. ■



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Next bunker fuels for high seas

Expert article • 2659

While industrial products, especially within the automotive industry, as well as fuel oil qualities have been changing for decades, bunker fuel quality for larger vessels inside the Baltic as well as on open seas has remained relatively unchanged. In 2008, the International Maritime Organization (IMO) adopted some key amendments to Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) regulation. With the effective date of January 1, 2020, the IMO's new regulations (IMO 2020) limit the sulfur content in marine fuels that ocean-going vessels use globally to 0.5% by weight, a reduction from the previous limit of 3.5% established in 2012.

The global merchant fleet early 2020 consists of approx. 50,000 vessels for long haul overseas transport. By size of vessels (measured in dwt) the three largest consumers of bunker fuels are typical long-haul trade vessels like tanker, bulker and container carrier; approx. 2/3 of daily 6 mill. b/d are burned by these carriers, main fuel being 3.5% HSFO High Sulphur Fuel Oil.

The easiest source of low-sulfur fuel for ships are Low or Very Low Sulphur Fuel Oils (LSFO, VLSFO) or even distillates, named MGO marine gasoil. There are various qualities of distillates available in the market, and most of them is diesel-range material. As there is now a new trade-off between distillates for automotive versus global shipping, biggest fear over last few years was availability of sufficient low-sulphur distillate as bunker fuel for global shipping.

Diesel-range material is far more valuable than residual material because of its ability to blend into various qualities. Already in the past there was a spread of approx. 200 USD per mt from HSFO to MGO, and this spread has widened early 2020: Rotterdam bunker fuel prices e.g. for HSFO in 2018 oscillated around 400 USD/mt, with autumn peak of 480, and a winter low of 300 USD. In December 2019 the price reached low levels of 275,- USD/mt.

Rotterdam bunker fuel price for MGO oscillates around 580 USD/mt in 2018, and early 2020 the price slightly increases up to 590 USD. The gap to HSFO has been widened, but not because prices for MGO increases, but because of falling prices for residual fuel HSFO due to lack of demand. However, even with no change in current pricing conditions, switching to marine gasoil would significantly increase fuel costs for shippers.

Liquefied natural gas (LNG) is yet another alternative for shippers. But the high cost of engine and infrastructure conversion and the logistics of onboard storage (LNG tanks take up considerable space) will likely dissuade a critical mass of shipping companies from pursuing it, at least in the near term; and it is still fossil fuel.

Another – and still fossil – option could be using HSFO plus the installation of a so-called scrubber, a technology that removes polluting sulphur emissions from ship exhaust. This could be a viable choice, but retrofitting a vessel requires an investment of up to \$3 million USD. A low-cost scrubber version is the so called “open loop scrubber”, but this could prove to be a short-lived option, given environmental concerns about putting sulphur directly into the water. In 2019 several ports announced bans for ships with open loop scrubbers. As a matter of fact, there are only around 3,000 scrubbers installed early 2020.

Atomic, wind and solar are only theoretical non-fossil options because of security reasons or lack of reliability and availability. As supportive solution or for e.g. auxiliary engines wind and solar may be future options, but not as source of energy for main engine.

What is missing are real non-fossil options. Swedish ferry operator Stena Line operates since 2015 the “Stena Germanica”, the first vessel using Methanol as fuel. Other operator in Norway and Germany in the meantime use Methanol as bunker fuel for their vessel as well, because it requires only minimal retrofitting, and it can be handled similar to MGO or Diesel; i.e. most of the existing infrastructure can be used – this is the huge advantage compared with LNG.

Until today the Methanol used is so-called “brown methanol”, made of coal or petroleum gas, but the clear direction must be to produce “green methanol”, i.e. a synthetic fuel, based on electricity, water and existing CO₂. First installations, also in ports, are under way, and this would be the first real green alternative, also for long haul vessels on open seas. Green Methanol is a big step towards climate neutrality. The required power comes from renewables – and CO₂ is recycled intelligently.

Biggest disadvantage of methanol is low density, but for being really green and producing zero additional emissions, this is a price the industry has to pay. Methanol is a realistic alternative for next decades as it requires minimal changes in super- and infrastructure. And this time can be used to increase R&D activities in further optimistic options like ammonia and hydrogen. ■

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Transition is not a done deal

Expert article • 2660

30 years after the first post-communist election in Poland and the fall of the Berlin Wall, many ex-communist countries have made remarkable progress in terms of both economic and political developments. The transition process started somewhere between 1989 (like in Poland and East Germany) or a bit later in 1991 (when the Soviet Union was dissolved) and the first decade or so of transition until around the end of the 20th century was the most dramatic in terms of large changes in political systems and economic performance. The following two decades have certainly also included significant changes in the lives of people in these countries but in most cases in less dramatic fashion.

The Stockholm Institute of Transition Economics (SITE) at the Stockholm School of Economics also celebrated its first 30 years in 2019 and hosted several conferences on what we have learned from transition so far and we have summarized different aspects of this in research and policy papers. The following text is largely based on these writings and presentations at the conferences.

If we start with what happened to income in the transition countries, there is the overall picture of initial collapse and turmoil that saw incomes being cut in half in the average country coming out of the Soviet Union (FSU12 countries) and by a quarter in the Eastern European countries that were closer to the EU and eventually became members of the Union (EU10 countries). The ride down the income ladder lasted for around six years in the FSU12 group and only half as long in the EU10 countries. The length and severity of the downturn then of course also had implications for how long it took to recover income levels to pre-transition years, and while EU10 countries had to wait a decade to recover, it took FSU12 countries two decades to be back to where they started at the onset of transition. Of course the exact magnitudes of the drops and times to recover is crucially dependent on what the true income levels were at the start of transition, and there are many questions surrounding this data. However, the general picture of the relative fortunes of these country groups in the initial phase of transition is rather clear; the longer a country was from the EU, the more difficult was the initial phase of economic transition.

The political transition across the region was perhaps even more diverse than the economic. By most indicators (for example Freedom House, Polity IV project or the Varieties of Democracy project), all of the EU10 countries made significant progress towards full democratic systems in just a few years, while the democratic progress in the FSU12 group was modest at best. Only three or four years into the transition period, a very significant democracy gap had opened up between the countries close to the EU and the other transition countries. Although there were some initial signs of progress also in the FSU12 group, in most cases this was reversed early on in the transition process. As measured by the Freedom House indicator of political rights, the average EU10 country was rated 1.2 at the end of 1999 (close to the top score 1), while the average FSU12 country was around 5 (with 7 being the worst score).

After transition's first decade of rather turbulent and unpredictable developments, economic indicators and in particular economic growth have evolved more in line with what regular empirical models would predict for countries of this level of development and investments

in physical and human capital. In some natural resource abundant countries in the FSU12 group, international prices of oil, gas and mineral have added an extra dimension of both growth and volatility. This led to a prolonged period of growth averaging around 4 percent per year in EU10 countries and 5-6 percent growth in FSU12 countries with somewhat lower growth in the countries that do not export natural resources. The fortunes of resource exporters have then been muted in years of falling or volatile international prices, highlighting the need to diversify their economies and attract investment in non-extractive sectors. As in most countries in the world, the growth challenges in this region includes how to enhance productivity through education and research as well as an institutional framework that is susceptible to long-term investments and with a strong focus on environment and climate to make this growth sustainable.

The political transition has turned out to be even more complicated in recent years with several of the countries in the EU10 group making institutional and policy changes that negatively impact their democracy scores. Hungary and Poland have repeatedly made the headlines for attacking their own democratic and legal institutions. In particular, freedom of expression and information have come under attack as well as judicial and legal constraints on their executive. A few other EU10 countries have followed on a similar worrisome path and the other EU members need to ensure that the initial success of the democratic transition process is not undone in the years to come. On a more positive note, some of the FSU12 countries have seen recent movements towards democracy which is something that also deserves close monitoring and support from the EU.

In short, with transition countries still at income levels that are only 30-50 percent of the old EU members and democracy backsliding in several transition countries it is time to refocus our attention to this region. Transition 30 years after the fall of the Berlin Wall and post-communist elections in Poland is not a done deal, we in the EU need to keep fighting for it until it is! ■



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Russia's trouble with globalisation

Expert article • 2661

Despite its impressive gains during the 2000s and current standing as the one of the fifteen largest economies in the world, Russia today is ill-equipped to thrive in the 21st century global economy. This reality is not widely recognised among the Russian leadership or its elites. Russian leaders and foreign policy experts routinely acknowledge the need for Russia to modernise its economy. However, there is neither the understanding of the global economy nor the political will to transform the economy into one that can rival those of China, Germany, India, let alone the United States.

Russia's position in the global economy at first glance appears to belie this pessimistic assessment. Russia's leaders can rightly claim that their economy is the 6th largest in the world (in purchasing power terms) and is 28th in the world in the World Bank's Doing Business rankings. It has a highly favorable financial position, with little public debt, high international reserves, and a new macroeconomic policy to adjust the economy to the new era of lower oil prices. Its tax collection system boasts of a 1% gap between revenue owed and collected, in contrast to about a 10% gap in the United States. Its Reserve Fund, sourced from oil revenues, is almost replenished after its depletion to finance 2014-2017 budget deficits. Inflation and unemployment are low, and the government is acting to address weaknesses in connectivity, infrastructure and its aging population through increasing the retirement age and government infrastructure projects.

Yet the rapid growth of the 2000s, averaging 7%, when Russia was first classed as one of the BRICs, is a thing of the past. Russia underwent de-industrialisation in the 1990s and re-emerged as a leading petro-state in the 2000s. Based largely on high oil prices and the housing and construction boom that followed, prospects of such growth rates have vanished in the wake of the shale-oil-and-gas revolution and declining growth in China and Europe, driven in large measure by aging populations. The supply of oil and gas worldwide is set to rise over the near term, putting downward pressure on energy prices, even when global shifts towards renewable energies are not taken into account. Russia's own workforce is aging, depleting the human capital needed to increase productivity. In the wake of the Ukraine crisis, Russia has sought to shift its dependence on Europe for consumption of its energy exports to China, but the above trends bode ill for this approach. The Ukraine invasion has also turned Russia into a foreign investment desert. Russia's economy has stalled at less than 2% growth rates since 2010, even in the presence of high oil prices, and the World Bank forecasts that this trend will continue, failing institutional reforms.

In the areas of technological competition, Russia is falling farther behind and it has not put in place the institutions necessary to develop indigenous innovation and technological development, as the failed Skolkovo innovation hub shows. An average Russian's wealth is three times lower than that of the OECD average. Russia is losing its best and brightest, who emigrate abroad in increasing numbers. One fifth of the population, Gallup reported in 2019, to want to emigrate, with 44% of those between 15-29 years old wanting to leave Russia.

Russia's leadership has signally failed to make the needed reforms to bolster efficiency and competition even in the oil and gas sector, and to reduce the dominance of that sector in Russia's

gross national income and wealth. Its efforts to improve its economic position through greater integration of the Central Asian republics in the Eurasian Economic Union have faltered after its aggression against Ukraine.

Given all the genius and talents of the Russian people and Russia's immense natural resource wealth, why have Russia's leaders failed to create an economy that reflects and energises that human and natural wealth? The answers lie in the leadership's, particularly Vladimir Putin's, understanding of the world. The central lessons informing Putin's view of the domestic and global economy are the centrality of the state, and the imperative of sovereign independence.

Domestic stability and territorial integrity, on this view, require a strong centralised state to hold the vast Eurasian country together. From the 1990s, the Russian leadership learned that dependence on foreigners for financing and domestic prosperity threatens Russia's ability to independently chart its course and assert its international status as a great power. In response Putin put in place conservative macroeconomic and fiscal policies designed to allow Russia to weather downturns in the global economy and price of oil. These same policies are focused on ensuring the Russian government is not indebted to the West. This has required macroeconomic policies that place the burden of Russia's geopolitical aims on social welfare benefits, risking greater social protest, and financing from non-Western sources, increasing Russia's dependence on China for economic growth.

At the root of the disconnect between the Putin regime's understanding of the global economy and inability to modernise its own economy are its geopolitical understanding of the state and the peculiarities of Putin's bases of support. Putin's regime rests on the support of commercial elites in the extractive industries whose loyalty is rewarded with subsidies and privileges. They have no interest in the type of reforms necessary to diversify and modernize Russia's economy. Schumpeter's "creative destruction", so fêted in the global tech sector and the United States, is anathema to these elites as it directly threatens their personal fortunes.

In addition, on Putin's view, the state is the only actor that matters in world affairs and Russia as a great power does not have to play by the same rules as lesser states, nor concern itself with commercial non-state actors. As a result, Russia's companies and banks are viewed and used as tools to attain Russia's foreign ambitions. The results often backfire, as when the 2006 "gas war" with Ukraine led the EU to reduce its reliance on Russian energy or when the corrupt 2014 nuclear energy deal struck between Rosatom and South Africa's Jacob Zuma galvanised public opposition and the scuttling of both Zuma and the deal. More fundamentally, Putin and his team, unlike China, cannot seem to fathom that that non-state actors and their networks are critically important factors in the 21st century global economy.

The Russian leadership believes that the West is in permanent decline, and the distribution of power and economic dynamism has shifted to China. Accordingly, Russia simply needs to refocus its exports towards Asia, and its economic prosperity will follow. This perspective is dangerous for Russia's international influence and domestic stability of the current regime. Whether the global economy moves in the direction of three mega-regions (North America, Europe

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and East Asia) or continues the current form of globalisation and customisation of production, Russia is posed to lose out if it continues its present course. ■

The views expressed here are the personal views of the author, and do not represent the views of the U.S. government, Department of Defense or the U.S. Navy.

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ANDREW FOXALL

Russia's post-Soviet transition after twenty years of Putinism

Expert article • 2662

When Vladimir Putin became president of Russia, 20 years ago, the country was reeling from the aftershocks of the fall of the Soviet Union and the 1998 financial crisis. Over the course of the previous decade, the country's economy had almost halved in size, shrinking to be only the 21st largest globally. Poverty had soared, as life expectancy and incomes plummeted. Russia's enfeebled military had lost a war in tiny Chechnya.

Two decades on, Russia's economy is the 11th largest globally. Per capita income has nearly doubled in hard currency terms, from less than US\$ 6,000 to almost US\$12,000 today. Life expectancy has increased to 72.4 years, just below the world average. The country has joined the World Trade Organisation, and hosted a G8 summit, a Winter Olympic Games, and a World Cup.

But that is not the whole story. An increase in global energy prices, rather than astute policymaking, has been responsible for economic growth; between 1998 and 2008, oil prices increased six-fold. Russia is now more isolated than at any period since 1991, as a result of its foreign policy follies in Ukraine and Syria. Incomes have declined for five straight years. Rosstat, the state statistics service, said last year that 79.5 per cent of families had difficulties making ends meet.

Putin came to power promising to raise Russia from its knees. In his first speech as acting president, he vowed to "protect freedom of speech, freedom of conscience, freedom of the mass media, ownership rights, these fundamental elements of a civilized society". In reality he has created an authoritarian system in which elections and political institutions have been hollowed, civil and political rights have been eroded, and critical journalists and political opponents are killed.

This system is based on massive predation. In 2017, the Association of Chartered Certified Accountants, the global professional body for accountants, estimated that the "shadow economy" represented more than one-third of Russia's gross domestic product (GDP), or around US\$615 billion. This is greater than the entire GDP of Poland. Such predation is not a flaw in Putin's system, but is the basis of the system itself.

Yet there are signs that this system is starting to come apart. Economic stagnation over the past half-a-decade has been accompanied by political turmoil over recent years.

Despite draconian restrictions on freedom of assembly, last year saw widespread anti-government protests in all-but-two of Russia's regions. The political opposition is increasingly resilient. Grass-roots activism is on the rise. Russians now take to the streets to voice grievances about deteriorating public services. And the situation could get worse: one in four Russians is prepared to take part in mass protests over falling incomes, according to an opinion poll by the Levada Centre.

Putin's approval ratings received a boost after Russia's annexation of Crimea in 2014 and the launch of a subsequent 'rally-round-the-

flag' campaign, reaching an all-time high of 87% in August 2014. But the long-term trend does not bode well for the president. Upon his re-election as president in 2018, Putin's approval rating stood at 80% – the highest for any presidential candidate in Russia's post-Soviet history. Last year, this figure fell to 68%. More importantly, Putin's level of public trust fell to just 31% last year – its lowest level since 2006.

Putin's two decades in power provided him with almost unlimited financial and political resources with which to modernise the country. Instead, he built a grotesque kleptocracy. Russia is now the world's most unequal society. It is a country in which, according to a recent report by Credit Suisse, the richest 1% of the population controls almost 60% of the country's wealth. There are 110 billionaires in Russia and their combined wealth is greater than the entire population's savings.

Putin has spoken regularly over the last two years about the need to return Russia to economic growth. But the next four years of Putin's second second-term in office are likely to be characterised by greater stagnation and decline. He has implemented a highly ambitious six-year programme through to 2024, of state-led and state-financed 'national projects'. But these have run into difficulties. Bureaucratic and top-down, the individual projects provide plenty of opportunities for predation.

In reality, in order to achieve meaningful change and economic growth in Russia, it would be necessary to undertake systemic reform. This is the same situation Putin faced when he came to power, on the turn of the millennium. But now, as then, such widespread reform is seen as a threat to the country's stability and Putin's hold on power, and so it is out of the question. ■

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Vladimir Putin – a Russian nationalist?

Expert article • 2663

In the Western media, Vladimir Putin is often depicted as a “nationalist.” Everything from domestic power struggles to Russia’s posturing on the international scene is presented as the result of the Kremlin’s pursuit of a nationalist agenda. Putin has added fuel to fire: at the 2018 Valdai Conference, he declared himself Russia’s “most genuine and most effective nationalist.” But is Putin’s presidency really driven by a nationalist ideology?

The short answer is a definite “no.” Taking Putin’s Valdai “confession” as a starting point for analyzing his political ambitions is as misleading as relying on another oft-cited Putin quote: that the collapse of the Soviet Union was “the greatest geopolitical catastrophe of the century.” Such statements must be contextualized. As for the USSR, Putin has said “whoever does not miss the Soviet Union has no heart, whoever wants it back has no brain.” While he now claims to be a nationalist, this should not be taken literally.

For sure, official rhetoric has changed since Putin’s return to the presidency in 2012. Gone are many of the vestiges of Soviet political correctness, with the traditional “friendship of peoples” rhetoric replaced by a new emphasis on “Russianness” (*russkost*). The Russian language makes a crucial distinction between Russian as pertaining to the state (*rossiiskii*) and Russian in an ethnic sense (*russkii*). In recent years, Putin has shifted the emphasis from *rossiiskii* to *russkii*, that is, from the state to the nation. And in that sense, he may be said to have become more nationalist.

However, this “nationalism” is not a narrow appeal to ethnic Russians. That would be extremely dangerous, as it could easily spur countermobilization among the many ethnic minorities residing within the Russian Federation. Instead, the Kremlin appeals to the *russkii* cultural community. Ethnic Russians are accorded the role as “state-forming nation,” but the nation is defined in terms of cultural belonging, not shared blood and descent. Putin stresses the Russian language, Russian history and Russian culture as focal points for national identity. “Russianness” is not a question of being born into a community but about identification. One may learn to become Russian.

It is thus mistaken to see the *russkii* rhetoric as an expression of Russian ethno-nationalism. Quite the contrary: this shift can be said to be more about acknowledging the *russkii* core that has always been at the heart of the allegedly civic Soviet and *rossiiskii* identities: the double-headed eagle, bread-and-salt, the troika, Dostoevsky, Tolstoy... Instead of postulating a community based on state borders, the Kremlin has narrowed down the national identity to something immediately recognizable and meaningful for the majority population (over 80% of the population identify as ethnic Russian) – while at the same time keeping the borders of the in-group vague enough to make it possible for members of other ethnic groups to assimilate into an expanded “self.”

The redefinition of national identity is part of the broader values-based, conservative outlook that has permeated the Kremlin’s

worldview in recent years. In Russia, this is manifested in an alliance with the Orthodox Church; abroad, in the Kremlin’s attempts to recast Russia as a beacon of “traditional values” and family virtues – a “true Europe” in contrast to the Western “Geiropa” (“Gay-Europe”) plagued by moral decay. This values-based rhetoric seeks to enlist the support of the “silent majority” at home, as well as national-conservative constituencies beyond Russia’s borders (such as Italy’s Lega Nord or Hungary’s Fidesz).

Rather than being guided by nationalism, the Kremlin uses nationalism instrumentally. By laying claim to a monopoly on nationalism, Putin has managed to outmaneuver other competing identity projects. First, many of the rivalling sub-state ethnic nation-building projects within the Federation are now fighting an uphill battle against cultural assimilation. Second, the new emphasis on the nation’s “Russianness” leaves scant room for traditional Russian ethno-nationalists to mobilize. Third, with the emphasis on the nation and not the state, the in-group extends beyond state borders, embracing those who culturally identify as Russian – the vaguely defined “Russian World” (*Russkii mir*) – and allowing the Kremlin to steal some of the imperialists’ and Soviet nostalgics’ thunder.

By being ambiguous about the boundaries of national identity, the Kremlin has provided itself with room to adopt flexible responses in line with its broader policy interests: national identity may be invoked emphatically in Crimea, but de-emphasized in Donbas. Putin is not a nationalist – except if there are political dividends to gain. To return to the opening quote: Putin is certainly not Russia’s most genuine nationalist – but he may well be the most effective one. ■



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Social media in civic and political activism in Russia

Expert article • 2664

Social media applications have played an important role in uprisings from the Arab Spring to Occupy Wall Street and to the anti-Kremlin protest wave of 2011–2013 in Russia. In an authoritarian country with state-controlled national television, social media offers the most important tool for the opposition to mobilize nation-wide protests. The significance of such a mobilizing tool in Russia has grown with the proliferation of Internet access and indeed by the very size of the country, covering one eighth of the planet's land surface.

Social media applications allow the Russian opposition to organize and share information, but also enable the Kremlin to monitor citizens' opinions and behavior more closely than ever before. While the combination of social media data, cellphone logs and credit and paycard transactions let all states trace and locate individuals – whether consumers, criminals, terrorists or opposition activists – in Russia privacy intrusions are not balanced by strong and independent media.

Until late 2011 the Russian-language sector of the Internet remained largely free from state regulation and the ruling elite relied on nationwide television channels in implementing political control. This changed when tens of thousands of Russians gathered in the Bolotnaya square in central Moscow in late 2011 to protest against rigged elections and the swapping of chairs between Vladimir Putin and Dmitry Medvedev. Social media applications were decisive both in exposing the vote rigging and in mobilizing the protest.

Bolotnaya and the ensuing wave of opposition protests in 2011–2013 showed the power of social media and provoked a concerted Kremlin campaign to curtail civic freedoms and the freedom of Internet in Russia. Numerous bills were passed and actions taken to obstruct and harass opposition actions on- and offline. The campaign rendered protests risky, spreading an atmosphere of fear among Russian Internet users.

Yet the protest wave also raised to prominence the young lawyer Alexey Navalny, whose anti-corruption foundation published a YouTube video “Don't call him Dimon” in 2017, accusing Prime Minister Medvedev of corruption. The video gathered more than thirty million viewers, prompted another wave of nation-wide protests in Russia, and confirmed Navalny as the most credible opposition counterforce to Putin.

The ban from state television channels has forced Navalny to develop a multi-platform social media strategy. These platforms include his blog, Facebook, its Russian clone VKontakte, Twitter and notably YouTube. Navalny and his allies in the regional offices of the anti-corruption foundation publish weekly several videos commenting social and political events in Russia and exposing abuses of power by Russian officials and elites.

Another recent online challenge for the Kremlin has come from Pavel Durov, founder of the leading Russian social network site VKontakte. Compelled to sell his VKontakte share and emigrate,

Durov founded Telegram, a messenger application which is said to be immune to state surveillance. Despite the Kremlin's efforts to block the service, it remains accessible in Russia.

In addition to political online challenges, Russian grass-root activists commonly rely on social media to mobilize people around local conflicts. These range from social and cultural issues to environmental concerns such as protests against landfills in various localities in Russia. From the viewpoint of the Kremlin these conflicts risk being seen as results of bad governance and consequently becoming politicized.

The latest additions to the long list of Kremlin attempts to regulate Internet in Russia include preparations to isolate Russia from the global Internet in case of emergency, a bill to install state-made software in cellphones sold in Russia, and a plan to replace global platforms like YouTube with domestic solutions.

Thus the Kremlin tries to emulate the Chinese model of political control of the Internet.

The differing historical development of the Russian-language section of the Internet leaves the outcome uncertain. Unlike in China, Russian people and businesses have habitually used YouTube, Twitter and Facebook, for example, and depriving Russians of these popular applications may cause social and political unrest.

The struggle for control of social media in Russia is likely to continue both on- and offline. The increasing repression, police violence, and prison sentences imposed on street protesters and innocent bystanders have recently sent a clear warning to Russians. Whether they will obey remains to be seen. ■

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JADWIGA ROGOZA

Protests in Russia: Numerous yet dispersed

Expert article • 2665

The wave of protests in Russia has been on the rise since 2016, and environmental issues top the list of problems that spark popular discontent. Environmental protests started in Moscow oblast, a site for many large municipal waste landfills, where huge volumes of waste generated by the capital city are stored (8 million tons per year, plus 3–4 million tons produced by smaller towns). Moscow 'exports' waste outside the city limits, where it lands in landfills that are overloaded, poorly safeguarded and contaminate the adjacent towns. One of the first protests that resonated widely took place in Volokolamsk, a sleepy town with 20,000 inhabitants some 120 km away from Moscow. In March 2018, almost 60 children were rushed to a local hospital with symptoms of poisoning by fumes coming from the nearby landfill, which brought their desperate parents and other residents to the streets. In the subsequent years, environmental protests spread throughout the country, including big cities, regional capitals (such as Arkhangelsk, Kaluga, Yakutsk) and many small towns, from a remote northern Severodvinsk to Tuapse on the Black Sea coast.

One solution put forward by the government is the construction of large waste landfills in remote areas. However, this also creates resistance on part of local communities. One of those remote territories – Shiyes in Arkhangelsk oblast in northern Russia – became site of one of the largest and the most persevering environmental protests. Since summer of 2018, a large group of protesters supported by local inhabitants have been camping in tents and successfully blocking the building site, despite harsh weather conditions and harassment by the police and National Guard.

Another publicized environmental protest took place in Yekaterinburg in 2019, where local residents protested against the construction of a church in a small green park territory in city center. The locals were trying to save one of the few green areas in city center, but were also outraged by the decision taken by municipal government and the church, with no wider consultations. Following a week of protests and blocking the building site the local municipality abandoned the plans, and the park was 'saved'.

Increasingly more often, protests in Russia are driven by people's outraged sense of justice. Justice, especially 'social justice' is becoming a keyword embodying popular discontent. For example, the decision to raise the age of retirement in 2018 triggered lots of discontent: it was not only seen as financially adverse, but also as unjust, considering the ostentatious prosperity of the elites. People not only suffer from adverse effects of the authorities' decisions, they also have the feeling of being ignored and humiliated by the elites.

This feeling is reinforced by growing public awareness on the scale and 'faces' of corruption in Russia. Among other activists, Alexey Navalny and his Anti-Corruption Foundation have succeeded in showing Russians not only that corruption exists and is a pillar of the Russian state (that is no surprise to anyone), but that it has concrete faces and brings adverse consequences to the ordinary

people. Navalny named and shamed Vladimir Putin's cronies and their children, juxtaposed their luxurious estates and yachts (both in Russia and in the 'rotten West') with acute deficiencies in Russian healthcare, road and municipal infrastructure, social benefit system. In case of environmental protests, most of the people concerned are aware that concrete Putin's cronies manage huge waste landfills and incineration plants and make multimillion profits, leaving the side effects for the local residents.

The outraged sense of justice, along with falling interest in Russia's geopolitical agenda, have resulted in declining approval ratings of president Putin, which returned to the level prior to the annexation of Crimea. Russians are becoming increasingly focused on domestic problems – primarily on living standards, growing prices, poor and often inaccessible healthcare system. Often they are even annoyed with the state 'saving the world' and financing operations in Syria and Ukraine, instead of solving basic domestic problems.

Having said all that, one should not expect the social discontent factor to destabilize the Russian state and seriously affect Kremlin's policies. The protests have shown a steady dynamics since 2016 and have spread beyond Moscow and other big cities, but they still remain pretty much scattered. Lack of coordination, lack of awareness what a common social interest is, prevents them from achieving critical mass, making a lasting impact and introducing a systemic change. Thus, a catchy historic analogy with the environmental movement in the Soviet Union in the 80s that advocated political change, may be deceptive. ■



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From protests to the super years of Russian politics

Expert article • 2666

2019 was a year of protests in Russia. A total of 1,443 protests were registered in Russia in January-September, and their growth was steady throughout the year. Protests were related political rights, arbitrariness of authorities, landfills and ecological issues as well as multiple problems in healthcare. In general, it is difficult to find a sector of society where no protests have been or will be seen in the next few years.

In the light of the events of 2018-2019, many researchers have come to the conclusion that a qualitative change is under way in Russian society. Many of the available opinion statistics support these views. About 60% of citizens call for comprehensive societal changes to the present, the demand for more liberal values from the authoritarian present is on the rise, attitudes towards the West have improved, while trust in the state television has declined significantly in the last two years. The Internet is becoming an increasingly important information channel, which is much more difficult to control than traditional media.

On the other hand, more pessimistic estimates underline the Kremlin's ability to cope with difficulties, especially in the light of the regime's former difficulties. Many previous protests have demonstrated the weakness of civil society in terms of their further organization and coordination. Protests are unable to become structures that could mobilize citizens, largely because of citizens' general lack of trust in all societal organizations. In turn, the authoritarian regime is able to keep potential threats in a state of weakness with relatively little resources.

At the same time, the Kremlin's ever-tightening grip on the civil society shows that the regime is increasingly aware of the threats around it. Although the overall number of demonstrators is relatively small, the Kremlin's concerns are related to the number of protests, the prevalence and the range of themes. In other words, the regime is aware of their apparent potential and breeding ground. What was significant about the 2019 protests was the partial victories they achieved. The widespread protest seen in Yekaterinburg in the spring halted the construction of a cathedral planned for the city's central square. The loud organization of the Russian independent media field against the arbitrary arrest of journalist Ivan Golunov led to the dismissal of charges against him. Over a year's protesting against the plan to build a massive landfill for the waste of Moscow in Sheis in the Arkhangelsk region led Moscow's decision-makers to look for other alternatives, at least for now, for capital's worsening garbage problem.

For 2020 and beyond, these developments give some hope for a stronger civil society. They also indicate that the regime is not completely indifferent to citizens' demands. Nevertheless, the Kremlin has not shown any degree of flexibility on those issues where the requirements are related to citizens' political rights guaranteed by the current Constitution. Brutality of authorities against demonstrators in Moscow in the summer of 2019 was a clear indication of such

inflexibility. A new phenomenon was the fact that brutal measures mobilized thousands of people on the streets to protest against them, and the majority of the Russian population saw authorities' reactions in critical light. A new type of solidarity is emerging.

In this respect, the beginning of the new decade does not promise peaceful times for Russian politics. The regime may consent to relatively many demands here and there, but is not ready to allow any structural changes, that is, to allow real decision-making for lower levels. This equation is impossible in the medium, perhaps even in the short term. Putin's vertical delegation of tasks to the lower levels does not work. Regional authorities are in many areas incapable of solving problems that are accumulating ahead of them. Allowing citizens' political participation in order to ease the popular dissatisfaction would be the quickest and best solution. However, the liberalization of the political system is out of question, even at the local level. On the contrary, the Kremlin is increasingly seeing local demands politically threatening and has tightened its grip on regions even further.

As a result, the Kremlin-controlled party system is in crisis as the 2021 Duma election approaches. The credibility of all four Duma parties – the United Russia, the Communist Party, the Liberal Democratic Party and the Fair Russia – is eroding further and the number of consciously passive electorate (24% in December 2019) is close to that of the Kremlin's rubber stamp, United Russia. It is very likely that the party field will see changes as the Kremlin prepares for the 2021 election. The Duma election will be, in turn, a touchstone to the Kremlin's most important challenge: the maintenance of the current status of the elite around Putin after the presidential election in 2024. ■

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Russian strangeness

Expert article • 2667

The first time I was aware of something strange in the communication from Russia was when Russian state television presented underwater footage from “the arctic sea floor” claiming the video to have been filmed by a Russian sub-expedition – this in an attempt to assert that certain parts of the arctic belong to Russia. A Finnish teenager quickly discovered the footage was extra material from the Titanic DVD, James Camerons 1997 blockbuster movie. It was not the act of lying itself, but the clumsiness of the act that felt odd given at least the potential importance of trying to appear credible. The Russian TV-channel refused to comment upon the discovery of the falsification. This was around 2007.

Another time I know I reacted was during the downing of MH17 in 2014, when immediately after the shooting down of the Malaysia Airlines passenger plane Russia claimed the culprit was a Ukrainian SU-25 ground attack plane (which, anyone who knows anything about air combat, knows that cannot reach nor damage a passenger liner at the reported height.) They then supported the claim with a barrage of false statements. This time the disinformation, though obviously silly, was taken seriously enough to be reported as a possible scenario by respectable news agencies. Even people I know who otherwise are critical media consumers were suddenly sure it was a Ukrainian plane and not a Russian surface to air missile that had shot down MH17.

I will give a couple of more examples. One is a weapon camera video of a Russian air attack on ISIS-targets in the beginning of the Syria-campaign. The video, from a camera mounted on the supposedly attacking or targeting airplane, shows a couple of buildings that the weapon sight is pointing at. The bombs or missiles don't hit the target but explode in a nearby field. According to a Swedish air force officer commenting on the video for a Swedish newspaper, the weapon striking nearest to its intended target misses by at least 50 meters – which is a lot. To the casual eye the explosions look impressive, like the American footage from the Gulf War in 1991, but to anyone actually looking at what is happening in the video it is clear that Russia is not demonstrating an attack that has any precision, even though they claim otherwise.

There are related videos where Russian bombers over Syria make sorties with unguided bombs from considerable heights and from above the clouds, which means the crew cannot identify the target nor be sure civilians are out of the area – the accuracy for such attacks is measured in kilometres, not in meters, and would therefore be called terror bombings in the west (as such attacks were, correctly, called when US Air force committed comparable deeds in Vietnam). These videos were released by official Russian channels. Here the purpose seems to be a show of force, but again, to anyone actually reflecting on what is presented the videos we are seeing is showing a 1960s level of sophistication.

The strangest example is from the American director Oliver Stone's four part interview film with Vladimir Putin, The Putin Interviews from 2017. The interviews are filmed between 2015-17. In an odd scene in the third episode Putin shows Oliver Stone a video on an iPhone of what appears to be an attack from a helicopter. “Our aviation at work in Syria”, Putin says. People who are familiar with such videos have identified the clip as footage recorded by an American Apache Helicopter attacking Taliban forces in Afghanistan. The video was

published on an American website in 2013. The example turns even stranger when one considers there is an added Russian audio track to the video that Putin shows Stone. Worse still, the audio is suspected to be a recording of Ukrainian pilots conducting military operations over Donetsk.

Who is this video aimed at? Is it specially made to impress Oliver Stone and perhaps also his audience? Is Putin aware of what he is showing?

Other fumbles that comes to mind are the strange lying about the poisoning of the Sergei and Yulia Skripal where investigative journalism quickly made laughing stocks of the Russian “protein salesman” on a holiday trip in Salisbury.

A friend, a professor in the Russian language and literature, who travelled and lived the Soviet Union during the 1970s, explained away this clumsy lying behaviour as a Soviet relic. The lying is aimed at the domestic audience and the base assumption that overrides any remarks is that the state is always right. As this is the ground rule, the narrative presented doesn't really matter – it is not a question about true or false, it is a question of what the powers-that-be decide is the case.

What worries me is the effect this disinformation has on well-educated non-Russians. Surprisingly many seem to look for alternative narratives to the “western lying” and “naïve western media” when confronted by a story where Russia obviously is the culprit – as if it could be impossible that Russia was acting so blatantly brutal on a world stage. Suddenly conspiracies with byzantine intrigues are considered as serious alternatives to more straightforward factual reporting.

Except his fans few people take Donald Trump on his word, as his lying is simply too chaotic. But when obviously false narratives by Russian state officials are presented, they are for some reason taken seriously by people who otherwise are good at detecting falsehoods in official statements.

I am not trying to deny that “the West” would not be guilty of deceiving, lying and obfuscating the truth on a regular basis – but the standards between Russia and the west appear to be different. One difference is that in the west, the truth has a precise meaning, also on an official level – if you get caught lying you might have to resign and even face court. This difference might be eroding with people like Donald Trump and Boris Johnson in power. One can pray their reigns will be superseded by something better. And that the recent Iranian admittance of responsibility for the downing of the Ukrainian aircraft might make the Kremlin take a new look at its own policy towards the truth – although the latter idea is perhaps a bit too naïve yet to wish for. ■

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Should we trust Russian surveys?

Expert article • 2668

Social surveys have been an important part of social sciences ever since George Gallup successfully predicted the re-election of Franklin D. Roosevelt. They aim to represent the opinions of a population, so that politicians, scholars and ordinary citizens could get a grasp of what is going on in society.

With the development of statistical methods and the survey industry, the demand for social surveys has grown substantially. However, whereas surveys are thought to represent public sentiment somewhat accurately in a democratic context, there are more doubts about their reliability in undemocratic set-ups. Some critics maintain that surveys on non-democratic societies are unreliable and biased, because undemocratic political atmosphere is believed to distort opinion climate. As a researcher who studies Russia and uses survey data, I face the claim about biased and unreliable Russian surveys regularly, both in everyday and professional discussions.

In most cases, Russian surveys are criticized for fabricated or exaggerated numbers, preference falsification and unrepresentative samples. Firstly, some critics maintain certain sensitive questions akin to “do you trust Vladimir Putin” to cause fabrication of figures, because Russian polling agencies face pressure to fake the numbers in the Kremlin’s favor to bolster its legitimacy. Secondly, a state-controlled media environment is thought to prime the Russian public to express exaggerated support for the establishment. Thirdly, survey respondents are believed to misrepresent their true opinions because of the fear of adverse consequences for giving socially undesirable answers. Finally, general social apathy and distrust in the polling industry is hypothesized to lower participation in surveys, which leads to under-representation of some social groups in the Russian survey data.

The above mentioned concerns are relevant, but they do not establish adequate grounds for labelling the Russian survey data as unreliable and unusable. It seems unlikely that survey numbers are made up because data from major Russian polling agencies (FOM, VTsIOM and the Levada Center) often paint rather similar pictures on many social questions. Although FOM and VTsIOM have close ties with the Kremlin, the Levada Center is known for co-operating with respected international organizations and scholars. Public opinion data from afore mentioned organizations seems to also quite consistently follow the political trends and events in Russia. This indicates that it is unlikely that these numbers are simply pulled out of thin air.

Moreover, although the Kremlin has the means to mold public opinion, it is unclear how successful these efforts are. The state does own 90% of mass media in Russia, but the efforts to take control over the internet have been far less successful. At the same time, the penetration of the internet is widespread and every third Russian receives information about world events from online resources. Thus, although the Kremlin seeks to affect public sentiments through mass media, it cannot fully control how citizens consume this information and how perceptions are formed.

Concerns about preference falsification in Russian surveys are relevant. An undemocratic societal context causes a particularly gnawing doubt that respondents might hide their true opinions

while answering survey questions to conform social norms. Yet, as already noted earlier, Russian public opinion data seems to go quite consistently hand in hand with political trends. In 2018, for example, large-scale protests erupted across Russia in response to government’s pension reform, which points out that Russians are not afraid to speak out against policies they dislike. Moreover, a recent experimental study by Timothy Frye and others (2017) suggests preference falsification to be limited in contemporary Russia.

Regarding the problem of under-representative samples, it is true that low response rates may cause under-representation of some socio-economic groups; if only certain kind of people respond in surveys, the validity of the results becomes questionable. However, it is important to note that response rates in surveys are low globally, and missing data are replaceable to some extent by imputation techniques. Furthermore, many alternative data for studying public opinion – such as social media data – suffer also from the under-representation problem, and they can actually be even less representative than traditional survey data.

To answer the question posed in the title, it is obvious that we should not trust blindly Russian surveys. Yet, since alternative ways to study mass attitudes are limited, surveys maintain their functionality and relevance in public opinion studies. Naturally, it is possible that better methods to study public sentiments will occur in the future. In the meantime, however, traditional surveys serve as valuable tools in analyzing societies – including contemporary Russia. ■



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Corruption and business environment in Russia in the 2010s: Real improvement or make-belief?

Expert article • 2669

Russia has famously hiked its ranking in the influential Doing Business Survey by the World Bank by to 28th (of 190 countries) just ahead of Japan in 2020 while being ranked 120th (of 183) still in 2012. On the other hand, Russia still maintains a very low score in the equally influential Transparency International Corruption Perceptions Index (CPI) that is even below the Sub-Saharan African average and a ranking of 138 out of 180 countries (CPI 2018). Given these contradicting signals from prestigious surveys, what can we say about the development of Russian business environment in the last decade?

The World Bank and the International Finance Corporation (IFC) have in their Enterprise Surveys (ES) since the start of the 2000s surveyed the experiences of corruption and other problems of the business environment that firms face on the ground. Compared to the Transparency International's CPI, the distinction between experiences and perception is key here; CPI measures expert opinions, who may not even be based in the country in question. As I together with a co-author show in an article published in 2018 in the Journal of development Economics, actual experiences of corruption and their expert perceptions are not strongly correlated (40-52 % on average) and there are regions and countries where the perception is systematically higher than the experience (Russia, Sub-Saharan Africa) and vice versa (Latin America). This difference is not negligible as we also showed that these perception measures that are widely publicized and easily available have a strong correlation with inward Foreign Direct Investment (FDI) flows. These results show that often the choice of indicator can lead to very different conclusions on how much a problem corruption or some other informal practice is in a given country. The association between perceptions and FDI, however, breaks down and actual firm experiences matter when we focus only on green-field investment flows (foreign investment built from zero), whereas expert perceptions have statistically significant (positive) association for mergers & acquisitions type of investment.

However, in the case of Russia since the publication of the aforementioned study there are some visible concurrent results between perceptions and experience-based measures. Transparency International's CPI score for Russia has stayed relatively stable at slightly below 30 (max score is 100) with only marginal changes in the last decade. In the experience-based ES survey, where firms operating in Russia (large and SMEs) have been surveyed three times in the last decade (2009, 2012, 2019), there are some signs of corrupt activity increasing or not improving. From 2009 to 2012, there is clear indication of corruption incidence declining based on all the 13 indicators focusing on corruption in the survey. For example, the % of firms experiencing at least one bribe payment request in the

last year (so called Bribery Incidence) declined from 27 % to 14 % between 2009-2012 and the % of public transactions where a gift or informal payment was requested (Bribery Depth) fell from 22 % to 10 %. Also, firms that identify corruption as a major constraint decreased from 50 % to 33 % in 2009-2012. In the last seven years, however, this improvement seems to have been partly reversed but the specific source of the worsening corruption outlook is less clear.

Bribery Depth and Incidence measures in the 2019 survey fell nearly back to their shares measured decade ago (20 % and 27 % consecutively). However, at the same time the commonly corruption-prone encounters with state officials such as court cases, getting permits and licences and government procurement bids or water and electrical connections seems to be less prone to corruption and have improved below the European and Central Asian (ECA) averages with a notable exception of construction permits. In addition, the % of firms that identify corruption as a major constraint has fallen to 14 % (33 % on average for ECA). These changes suggest that the source of corruption in Russia may have shifted from the lower echelons of administration and everyday encounters to something else. In this sense, Russia's phenomenal improvement in World Bank's Doing Business ranking that measures administrative burden for business with simple technical criteria (number of days etc) is part of the same story. Russian state administration in a technical or technocratic sense, has become undoubtedly more efficient, which is what the Doing Business study also focuses on, to a large part through advances digitalization of public services that has been commended by the World Bank and IMF experts. Digitalization in money transfers leaves less room for graft. Also, anecdotal evidence from Finnish firms confirms that dealing with Russian officials on a everyday-level has become easier and their conduct has become more professional.

If the average petty official and administrator is more honest, what could explain the backlash in corruption depth and incidence? One explanation offered is that the security apparatus has more or less monopolized graft for itself and crowded out other officials. This has happened now as economic growth has been modest in the last five years and there is less of "loose" money available for grabs and only for those powerful enough.

As a conclusion, corruption in the lower ranks of public officials has been solved by the technical modernization as well increase in real wages. Now remains the much harder task of tackling the large-scale corruption institutionalized at the higher levels of society, ambiguous forms of reciprocity shaped also by Russia's historical legacies and the role of the security apparatus that is in charge of eradicating the very phenomenon. Russian business environment has thus, become less volatile and increasingly predictable (less random check-ups by

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officials) in conducting everyday business unless you manage to step on some big toes. For example, a recent survey by the independent Levada Center, shows that Russians expect more corruption scandals from 2020 than seen in 2019 that have already been plenty. The results presented above imply that Russia has probably lost the momentum for real anti-corruption gains during the current regime that is likely to reign beyond 2024 in some form or another. ■

Proxied by the Transparency International's CPI and World Bank's Governance Indicators Control for Corruption measure.

We also control for income levels, skill level, population, openness to trade, surrounding market potential and some geographical factors.

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STANISLAV USACHEV

Yegor Gaidar Foundation activities in the Baltic Region

Expert article • 2670

Only a decade ago independent actors such as NGOs, universities and civic initiatives in their international activities were heavily dependent on the political, communicative and often financial support of quasi-independent state agencies. Nowadays, these agencies cannot efficiently target their audiences and moreover be successful in their efforts without extensive support of the mentioned actors.

Yegor Gaidar Foundation launched its international program in the beginning of 2010s seeing the need to present to the foreign audiences a new modern Russia, to provide a fair and balanced overview of its recent history, economy, social life and civil society.

While developing its international strategy Yegor Gaidar Foundation in accordance with that new paradigm was not reliant on the support of state institutions. On the contrary, it focused on a self-managed initiatives evolving from the small bilateral local projects to partnership network programmes covering the whole countries, expanding both the scope and geographical coverage of the foundation's projects. The partnership was based on contacts with the leading foreign universities, independent research institutes and think-tanks, foundations and NGOs.

The countries of the Baltic Sea region were among the pioneers where the Foundation tested these approaches to developing successful international cooperation.

Finland was one of the first countries where Yegor Gaidar Foundation had implemented a number of initiatives that, due to their high level, would previously had been possible exclusively within the framework of state international institutions.

Publication of a book by Yegor Gaidar 'Collapse of an Empire. Lessons for Modern Russia' in Finnish become the main driver for the programme, which included:

- Meeting of the delegation of Russian experts with the President of Finland Sauli Niinistö, which emphasized the importance of the Gaidar Foundation's initiatives for the relations between our countries at the highest level;

- Presentation of the Finnish edition of E.T. Gaidar's book "Collapse of an Empire. Lessons for Modern Russia" at the Helsinki Book Fair;

- Expert Round table: 'Russia's Economic Prospects and Their Effects on Finland' led by Alexey Kudrin, member of the Board of trustees of Yegor Gaidar Foundation and currently Chairman of the Accounts Chamber of the Russian Federation.

In Germany Yegor Gaidar Foundation has built its program on engaging as a partner a foreign foundation with similar agenda - The Friedrich Naumann Foundation for Freedom, which is a German foundation for liberal politics, related to the Free Democratic Party.

A number of events organized by Yegor Gaidar Foundation in partnership with German institutions are held annually across Germany in Munich, Hamburg, Cologne and other regional centers.

The Gaidar Naumann Forum, which takes place annually in November in Berlin, is the highlight of the programme, traditionally attended by the speakers from the Bundestag and government bodies as well as large German businesses.

An interesting example provides Poland, where the Foundation's projects have been approved and supported both by the Russian Embassy in Warsaw and the Embassy of Poland in Moscow.

The cooperation started with a large publishing project - an issue of the oldest Russian magazine "Herald of Europe", devoted to modern Poland, which is still so little known to the wide Russian audience. Numerous meetings and interviews with leading Polish reformers, journalists, cultural and film personalities, as well as articles by Russian expert polonists allowed for a whole program of activities related to the presentation of the magazine issue in Warsaw, Krakow and Moscow. Relations formed with affiliated Polish institutions, despite the negative general political background, continue to develop in the format of annual conferences and round tables, which are held both in Warsaw and Moscow.

Yegor Gaidar Foundation is constantly adjusting its projects to the rapidly changing realities of international humanitarian interactions providing government agencies with an opportunity to get from cooperation the maximum outreach and impact on target audiences with a minimum of resource costs, while not focusing on possible inconsistencies in certain areas with a given country, which may exist.

It is worth mentioning the attractiveness of the Baltic region for projects of Russian NGOs in the area of civil society, education and academic communications. Geographical closeness and the fact that Russia is a part of and economically active player in the Baltic region allows building partnerships based on the practical interests of the institutions involved. The task of such an approach is, first of all, to preserve the dialogue in order not to lose the real understanding of the actual situation in the neighboring countries, to maintain openness and to foster mutually beneficial exchange of ideas. ■



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PIA KOIVUNEN

Putin's mega-event boom coming to an end

Expert article • 2671

During Vladimir Putin's years in power, Russia has hosted more mega-events than ever before in its history. We remember the USSR as a sporting superpower, being one of the top countries in almost every field, however, the Soviet list of hosting mega-events is simple and short. Before Putin's presidencies, Moscow had hosted only one such event: the Summer Olympic Games in 1980.

To compare with: in the 2010s, Russian federation has organized the Winter Olympic and Paralympic Games in Sochi in 2014 and the FIFA World Cup in 2018 as well as a number of smaller scale competitions, like world championships in a variety of sports, and the students' Universiades in Kazan in 2013 and in Krasnoyarsk in 2019. Russia has also once won the Eurovision Song Contest, which gives the right to host the competition next year, and finally, bid three times for the World Expo.

Mega-events, as defined by Martin Müller, are global gatherings, which come with large costs, attract huge numbers of visitors, have mediated reach and transformable impact. The history of mega-events dates back to the mid-19th century, when the world's fairs, the largest event at the time, gathered millions of people to familiarize themselves with the latest technological innovations and masterpieces of arts. During the 20th and 21st centuries, sporting games have grown the most popular and significant form of mega-events.

Russia's eagerness to host significant international events is part of a global trend, where mega-events have increasingly moved from North America and Europe to BRICS-countries, Eurasia and the Global South. For example, we will see the next Summer Olympics in Tokyo and the Expo in Dubai later this year, as well as the FIFA world cup in Qatar and the Winter Olympics in Beijing in 2022.

Throughout modern history, state leaders have embraced the idea of demonstrating their personal power with pretentious spectacles. In similar fashion, Putin has employed sports and other types of mega-events in order to show that the country has re-emerged as a great power after the devastation of the immediate post-Soviet years.

Unlike for many other countries, however, image-building and international prestige have not been the primary goals in holding mega-events. As many scholars have argued, Russia has focused more on domestic audience, cultivating patriotism and maintaining the current neo-authoritarian system of governance. For Putin, mega-events have served as a way to strengthen his grip on power and allowed his favoured elites to receive generous contracts in return for their loyalty.

Russian recent mega-events have typically channelled resources beyond the capital area. Mega-events, major events and political summits organized in cities like Sochi, Kazan and Yekaterinburg have accelerated urban regeneration, brought investments and made Russia beyond Moscow better known to the world public. At the same time, the gap between wealthy and underdeveloped areas has grown.

The Russian way of arranging mega-events has not been spared

from criticism. Corruption, mispending, violation of minority rights, poor working conditions of foreign labour as well as the accusations of the state-sponsored doping programme have left their mark on Putin's spectacles. Despite critical voices related to the arrangements of the games and to the recent military operations in Crimea, Ukraine and Syria, Russia's right to hold international events has not been genuinely questioned.

A radical change is now in view. The latest turn in Russia's doping scandal dating back to 2015 might be the ultimate game changer. In December 2019, World Anti-Doping Agency (WADA) suggested banning Russian federation from global sports for four years. In addition to keeping a large amount of Russian athletes out of the forthcoming Tokyo Summer Olympics and other global competitions, the ban would also mark an end to Russia's mega-event boom.

If the ban comes into effect, Russia cannot organize, bid for or be granted the right to host any major sporting games for four years. Whether Russia will be allowed to host the events already awarded to it, like the world championships in ice hockey and the Summer Universiade scheduled for 2023, remains to be seen. What is clear by now is that Putin's mega-event boom hardly ends the way he had envisioned it. ■

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The export trap of Russian import substitution policies

Expert article • 2672

Russia's geographical position looks very favorable for the development of its integration potential. The presence of large markets at different levels of economic development in the West and in the East is a unique situation that can provide great economic benefits when implementing a sound development strategy. Unfortunately, so far Russia has been able to benefit very little from this. Besides the natural resource sectors, very few industries have managed to explore the opportunities. Russian trade policy over the last 30 years has a few important flaws which make this potential difficult to realize.

One of the manifestations of the problem is the very unbalanced involvement of the Russian economy in Global value chains (GVC). On the one hand, the overall level of GVC participation measured as a share of the country's export which was either produced with imported inputs (backward GVC) or was exported to foreign countries for further processing and then exported to third destinations (forward GVC) is comparable to many OECD countries. However up to 80% of this score is defined by forward GVC involvement which is essentially the export of natural resources, both fuel and agricultural, to foreign countries where they processed and exported further. Very few Russian companies participate in more sophisticated backward chains, which involve importing inputs, processing and exporting them abroad. The benefits of this sort of GVC are two-fold. On one hand, input importing allows firms to achieve higher productivity compared to a situation in which they use domestic inputs. Russian importing firms are on average 60% more productive than non-importing firms of comparable size in the same industries. On the other hand, output exporting allows firms to reach larger markets compared to domestic sales only. The scale effect also contributes positively to firms' productivity and increases their competitiveness worldwide. Russian importing firms which also export enjoy 30% higher productivity on average relative to importing firms overall.

Obviously, trade policy which supports this kind of integration requires a balance between import liberalization and export facilitation. And while export facilitation policies are considered to be an important priority by the Russian government, the attitude toward imports is not that liberal. The protectionist nature of Russian economic policy has many shapes. Import substitution is the most obvious one, which implies some support of inefficient producers at the expense of Russian consumers and more efficient domestic firms. However, there is little objective justification for import substitution policies in Russia.

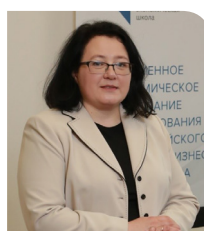
From a macroeconomic perspective, Russia consistently enjoys a trade surplus. Since 1990, Russia has never faced a trade deficit, while a trade surplus has been recorded as high as 20% and 10% of GDP on average. Unemployment in Russia also is low, and demographic development makes the scope for its increase even less probable. From a structural point of view, the composition of Russian imports is quite diversified and not significantly different from other

countries in the world.

So, while both import volume and its structure do not present a problem for the Russian economy, it is export structure which constantly presents a threat to its macroeconomic stability. Low export diversification due to the very high share of natural resources and volatile resource prices is the main source of external vulnerability for the Russian economy.

Can import substitution policies help resolve the low export diversification issue? Hardly, in view of the discussion above. Policies which make the import of inputs and equipment more costly undermine an important source of firms' competitiveness and result in a low level of economic involvement in backward GVCs. So, not only are imports substituted by domestic output, but potential for export sales is threatened as well.

Unfortunately, both the structure of the economy and the political economic landscape in modern Russia strongly support the import substitution in economic policies. Politically strong traditional sectors dominate manufacturing, contributing to its inefficiency and requests for protectionist policies. At the same time, in the political sphere, national security concerns and geopolitical considerations totally dominate economic and development policy objectives. So, there are neither strong economic agents nor political forces to call for the subordination of economic policies to the priorities of foreign economic integration or to use foreign policy instruments for the interests of developing the international trade of the country and not vice versa. However, without revisiting the principles of foreign economic policy, both non-resource export expansion and long-term sustainable growth of the Russian economy in the world seem unattainable. ■



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Will new gas pipelines bring a boost to the Russian economy?

Expert article • 2673

During the last years Russian Gazprom has invested heavily into construction of new major gas export pipelines, all of which are now nearing completion. Huge investments into both pipelines and Novatek's gas liquefaction facilities have boosted fixed investments especially in Urals and Far East. The construction of two new large gas fields designed to fill the Eastern pipelines will continue to support investment volumes in the Russian Far East still at least in 2020-2024. But will new export connections also lead to increased export volumes and thereby increased budget revenue and higher GDP growth?

Given that the Russian GDP grew by less than 1.5 % annually in 2014-2019, faster growth would be more than welcome. Most experts, Russian Accounting Chamber included, estimate Russian potential growth rate to be only around 1.5 % annually. This implies that with current economic structures Russia is stuck being a middle-income country with growth rates of a high-income one. Could new and improved export options help the situation and have a positive effect on the economy?

New and existing pipelines towards the EU market

Russia's natural gas exports to customers outside of the former Soviet Union averaged 175 bcm annually in 2014-2018. Close to 80 bcm of these flows transited via Ukrainian transit corridors annually. The rest goes via Belarus-Poland (Yamal-Europe), NordStream and Blue Stream pipelines, plus the small volumes sold directly to Baltics and Finland.

The option of bypassing Ukrainian transit routes has raised concern in many EU member states as well as in the US. As a response to these concerns, and to support its own LNG exports, the US Congress decided to sanction vessels constructing the NordStream2 (the new pipeline under the Baltic Sea). As a consequence, the fate of the pipeline is currently unclear and close to 1100 km of gas pipes lay idle in the Baltic seabed. While NordStream2 stuck in sanctions row, transit via Ukraine will continue. The new 5-year agreement concluded on Dec 31, 2019 foresees a minimum of 65 bcm of gas transit in 2020 and 40 bcm in 2021-2024.

TurkStream, the new pipeline from Russia to Turkey, however, was officially opened on Jan 8, 2020. It consists of two pipelines of 15.5 bcm each, one of which could serve the Turkish market while the capacity of the other would be available to serve markets in South East Europe, like Bulgaria and Serbia. If the necessary interconnecting pipelines are finalized, gas could potentially flow via Turkey also to Central Europe or even Italy.

Neither of these new export routes will help increasing Russia's gas export volumes. Gazprom could significantly increase exports if only there was increased demand for natural gas in the EU. At least in the short term the only economic benefit from the new pipelines

is likely to come via increased efficiency and potential reductions in transit costs. These are highly unlikely to have any significant macroeconomic effect.

Power of Siberia or power of China?

On the contrary, the new gas export route to China, the Power of Siberia pipeline, will open a fully new export market for Russia. The planned capacity of 38 bcm should be reached in 2025, when exports to China could equal 15%-20% of total pipeline exports. The stepwise commissioning of the pipeline may increase Russia's gas exports by some 3 % annually in 2020-2025.

This should support volume growth in total goods exports, but precariously little information on export prices and total costs of the additional exports is available. Given that the agreement with China was concluded in summer 2014, when Russia's negotiating position vis-à-vis foreign powers was not particularly high, the profitability of the huge investments has been questioned. Even the full capacity will not make Russia a key import source for China. In 2018 Central Asian countries (mainly Turkmenistan) exported close to 50 bcm natural gas to China. Europe will remain by far the most important export destination for Russia.

Uncertain future

New pipelines will make export routes more diversified and therefore decrease risks associated with any single actor. The western pipelines, however, will not increase export volumes and when completed will no longer boost GDP growth. The pipeline to China will increase export but with uncertain profitability.

On top of new gas pipelines, the commissioning of Novatek's Yamal LNG more than doubled Russian LNG exports in 2017-2019. The project has benefitted from various tax breaks, government funded investments and continues to enjoy exemption from export taxes. It is impossible to know if public funds invested in gas production and exports generate higher benefits than any alternative use of public funds. We only know that to support economic growth in the long term Russia would undeniably need more investment in e.g. education or health care. ■

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Energy security developments in the Russian gas sector

Expert article • 2674

Energy security for an exporter state. Energy security as a definition is subjective and lacks commonly accepted meaning. Often times the discussion and studies focus on the energy security of energy importing countries. I argue that it is just as important to critically assess the energy security of exporting countries. There are numerous ways energy exporting countries are able to increase their level of energy security. Russia provides an interesting example in terms of increased resiliency in its gas sector.

Russian economy relies on its crude material exports. With fossil fuels accounting as much as 65% of Russia's exports in 2017 and contributing 36% of the country's federal budget in 2016, Russia can be considered as a raw commodity provider in the global energy sector. Even though the country operates on the global oil markets, up until now its gas sector has been considerably geographically bound to Europe. However, there have been some decisive changes to Russia's strategy in the gas sector in recent years.

Diversification of routes. During the Cold War, European companies built a network of pipelines from Russia to Central-Europe in exchange for free gas. The main transit pipelines went through Ukraine and Poland. In addition, Russia's biggest gas company Gazprom has built additional capacity in the form of Nordstream I and soon II, as well as the Turkstream through Bulgaria. These have enabled the company to reroute gas transit and possibly avoid transit fees from countries between Russia and its main market, Germany.

Diversification of market players. Gazprom's role as a natural gas producer has decreased from a 90% of market share among Russian companies in the early 2000s to around 68% in 2017. It still has a legal monopoly on pipeline exports, which constitute the main bulk of Russian natural gas exports. The adjustment of Russian portfolio diversification in the gas sector was put into action by granting Novatek, Rosneft, and other smaller players, rights to sell gas in the Russian internal market as well as export LNG (liquefied natural gas).

Diversification of markets. In 2018, Gazprom alone exported 200 billion cubic meters (bcm) of gas to Europe. This amounted to around 40% of the company's total extraction capacity. However, the recent developments with the Power of Siberia pipeline to China and Novatek's LNG development show that Russia has diversified its customer base globally. Power of Siberia is set to export 38 bcm annually from Irkutsk and Yakutia to China. However, that is less than 35% of the capacity of NS I and NS II combined.

Introducing global foreign investment in the supply chain. As technologies develop and the US and the EU sanctions are in place, Russian companies have resorted to international funding for upstream development through examples such as Chinese investment vehicles, Japanese, and Indian companies in addition to long-term partners such as the French company Total in both LNG and traditional gas fields.

Innovative investment solutions. Russia has started to diverge

away from dollar-traded deals towards more euro and rubles –based trading. Part of this shift has been to protect the Russian economy from the US sanctions. It has also partnered up with foreign investors in its downstream projects, such as the five European utility companies providing financing for NS II.

Expanding the trading portfolio. Instead of relying entirely on long-term oil-indexed contracts, Russian companies have increased their trading option in the recent years to include more hub market priced, short-term contracts, as well as introducing a gas trading platform in St. Petersburg. It wouldn't be completely out of the question to see gas traders starting to trade European-destined gas in the St. Petersburg trade hub instead of the European market places. Arguably, most of these changes have happened only because Russian companies have had to adjust to the increased energy security steps the EU member states have taken.

Russia has read the new rules of the game, and complies while waiting for its next advantage. The developments the EU has taken to increase its energy security in the last decades have been tremendously effective, but they were implemented for a time when Russian gas equaled to bilateral, long-term, and oil-indexed pipeline contracts with Gazprom. Russian gas sector has taken decisive steps to mold itself to become more diversified, agile and international since that. The interdependency Europe and Russia have had in gas trade will decline in future years, as LNG and additional pipeline connections take more precedence. On the other hand, developments both in the EU and in Russia have provided an ample opportunity to approach gas as a commodity traded in various forms, with various financial instruments and platforms, rather than as *molecules of freedom* or as *an energy weapon*. ■



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The OPAL gas pipeline: A test for EU energy solidarity

Expert article • 2675

The Nord Stream 2 natural gas pipeline project has as of late become synonymous with a collision of geopolitics and energy policy. The disagreements between EU member states over the pipeline, which will bring additional gas from the Russian Federation to Germany through the Baltic Sea, as well as US sanctions imposed in December 2019 against construction companies involved in the project, have attracted a lot of media attention. Despite the obstacles the project is facing, Nord Stream 2 is expected to become operational later this year.

Given the high level of interest on Nord Stream 2, it is perhaps surprising how little attention has been paid to a significant recent development regarding one of the on-shore connectors of Nord Stream 1 in Germany, namely the OPAL pipeline. In fact, a recent judgment by the General Court of the European Union (GCEU) on the operation of the OPAL natural gas pipeline might have significant consequences for Nord Stream 2, as well as for the principle of energy solidarity within the EU.

The GCEU ruling on the OPAL pipeline

The OPAL-pipeline (German: Ostsee-Pipeline-Anbindungsleitung) is one of the two on-shore connectors of the Nord Stream 1 pipeline. This already existing twin pipeline of Nord Stream 2 has been operating since 2011 and can transport around 55 billion cubic meters (bcm) of natural gas per year from Russia to Germany. OPAL transports the gas coming from Nord Stream 1 through Germany to the Czech border, while NEL (Ger: Nordeuropäische Erdgasleitung), the second connector, transports the gas westwards to supply Northern Germany. Due to OPAL's technical configuration, it can currently only be supplied by Nord Stream 1, with an annual maximum capacity of 36 bcm.

According to EU gas market rules, to ensure competition one single provider is not allowed to exceed 50% of the capacity of a pipeline located on EU soil. Thus, originally Gazprom was allowed to use only half of the capacity of the OPAL pipeline. Supported by the German market regulator, an exemption to this limit was approved by the European Commission (EC) in 2016, allowing Gazprom to use most of OPAL's capacity in the absence of other providers.

Poland, supported by Latvia and Lithuania, challenged this 2016 decision by the EC. On September 10, 2019, the GCEU ruled that the 2016 decision by the EC was adopted in violation of the principle of energy solidarity, and thus annulled it, citing that the EC had not sufficiently considered the impact on Poland and other EU member states in its decision. The OPAL gas transporting company has complied with the judgment, reducing the OPAL capacity for Gazprom by around 12.8 bcm. Gazprom thus needs to find an alternative route for this amount of gas, with the existing on-shore pipelines through Ukraine (Brotherhood) and Poland (Yamal) being potential options.

The surrounding web of interests

The different interests concerning the gas trade and the OPAL pipeline in particular are manifold, with the EU itself, Germany, Russia, as well

as several other Central and Eastern European countries holding stakes.

One fourth of primary energy in the EU area is generated using natural gas. In the second quarter of 2019, Russian pipeline gas amounted to 45% of all gas imports to the EU, with the EU importing more than 70% of its gas consumption. The main objective of the EU's energy policy is to secure energy supply by diversifying sources and reducing dependency on single producers, as well as by ensuring a competitive market. However, there are considerable differences among member states in their respective dependence on gas imports and their relative positions on the gas market, resulting in oftentimes differing interests.

Germany is the largest buyer of Russian gas within the EU and thus holds a relatively strong bargaining position. Germany has an interest in maintaining Gazprom's unrestricted access to OPAL, as the investments made to the infrastructure are to be covered by sales revenues. It therefore does not come as a surprise that the German government has challenged the court ruling in November 2019. However, a final decision on the appeal might take several months.

Poland, on the other hand, with a strong dependence on gas imports from Russia, is concerned about Russian dominance in the gas market and thus opposes increased pipeline capacity for Gazprom through OPAL. This is most likely also linked to the fact that Poland benefits from transfer fees for the Yamal pipeline. A reduced capacity in OPAL might prompt Gazprom to redirect some volumes through Poland and could thus increase its revenues and improve its bargaining position in future transit negotiations.

Changing dynamics in the EU gas market

The case of OPAL interestingly showcases the challenges of the gas market. When it comes to natural gas, once a pipeline project has been completed, both the seller and the buyer are locked into a geopolitical reality, which is to a degree centered on the pipeline. Even if legislative changes are made, the physical reality of the pipeline grid cannot be altered in the short or medium-term. Potential other sellers will not suddenly appear on the access point of a pipeline. Thus, in the event that the GCEU ruling is not overturned, the likeliest scenario is that the pipeline will be operated at under-capacity.

Natural gas is gaining new relevance as an – at least interim – alternative for hydrocarbons with a heavier carbon footprint, such as coal and oil. At the same time, the realities in the European gas market are changing. While Russia at the moment remains the main supplier of natural gas for the EU, the development of new technologies, such as liquefied natural gas (LNG) are altering the playing field in Europe. LNG, which is transported via ships, not only offers additional sources of supply but also alters the buyer-seller relations, with traditional trade via pipeline locking in both sides into a long-term and relatively inflexible trade relation.

In addition to that, two new projects, financially supported from the Connecting Europe Facility, are altering the existing network of pipeline trade. Firstly, the Baltic Pipeline, transporting a

capacity of 10 bcm of natural gas from Norway to Poland under the Baltic Sea, is set to start delivering gas in October 2022. It will significantly reduce Poland's dependence on Russian gas. Secondly, on January 1, 2020, a new bi-directional pipeline linking Estonia and Finland, the Balticconnector, was taken into commercial use. It ends Finland's isolation from the European gas market, removing one of the last gas monopolies within the EU.

These new projects, along with the decision on OPAL and its potential repercussions are manifestations of increased energy solidarity within the EU. The application of this principle seemingly has the potential to weaken Russia's ability to use its bargaining power vis-à-vis individual – especially smaller – EU member states. The agreement reached after months of negotiations between Ukraine and Russia late last year on continuing gas transit beyond 2019 is likely to have been affected by the OPAL ruling as well, as it reduced Gazprom's capacity to circumvent Ukraine.

It remains to be seen whether the necessity to apply the solidarity principle on energy policy decisions, affirmed by the GCEU ruling, will also affect Nord Stream 2 and its German on-shore connection, EUGAL (Ger: Europäische Gas-Anbindungsleitung). In any case, the ruling concerning OPAL is a signal to trading partners that the EU is increasingly following through on its principle of solidarity among member states. ■

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HILMA SALONEN & SOHVI KANGASLUOMA

New energy trends in the Russian Arctic: Could Russia lead the way in becoming a climate leader?

Expert article • 2676

Climate change and Russia

Climate change is the biggest challenge of our times, also for Russia. As an Arctic country, Russia feels the effects of climate change in an acute and very concrete way. However, in a country where climate denialism is still strong and the fossil fuel industry has a significant lobbying power, actors pushing for any kind of change face several barriers. Therefore, it is still uncertain how much will change even though Russia ratified the Paris agreement in the fall of 2019 and has internationally committed to limiting its CO₂ emissions. Recent environmental protests regarding the Siberian wildfires or waste management problems, for example, demonstrate that people pay attention to the changes happening around them and that the state cannot ignore the issue forever. In December 2019, a national action plan for adapting to climate change was released by the government. The document lists measures needed in order to mitigate the effects of the warming climate, as well as opportunities that are expected to arise in the new era. These opportunities include the lower energy utilization in the Arctic, as well as the possibilities linked to the opening of the Northern Sea Route. In the current climate crisis, however, Russia cannot focus only on the opportunities presented by climate change without ambitious efforts to mitigate it. Achieving this would require a rather radical shift on the political level, but as several studies already point out, the change must happen sooner or later.

Since the Northern regions warm faster than other regions of the world, many radical changes are already visible in the landscape of the Russian Arctic. As the ground melts, so does the permafrost, releasing methane into the atmosphere and causing buildings to collapse. The unpredictable problems caused by the warming climate also pose a risk to many traditional livelihoods. Energy, specifically fossil fuels, are at the core of Russian economy as their revenues make up a lion's share of the state budget. The production of hydrocarbons is the heart that keeps the blood circulating in the country. Since the Arctic is where most of the Russian hydrocarbons are located, the effects of the "Arctic paradox" are especially strong there. The term refers to a situation where the warming climate makes it possible to exploit new energy resources, which then further speeds up the climate change.

Arctic "exceptionalism"

In the Russian context, the Arctic has a special status. Russia has by far the longest coastline on the Arctic Sea, granting it a lot of leverage on Arctic issues in international arenas. Most of the country's energy production happens in the Arctic since its resource base consists of 90% of Russian natural gas resources and 70% oil. Large-scale energy projects bring along investments, high technology, and good

salaries, but only in very limited areas. Most of the region struggles to attract any money from the state, yet is affected by the emissions of fossil fuel and mining industries. It is thus important to remember that the Arctic is not solely a fossil fuel production base and that its regions are not equally rich in energy resources.

Instead, dozens of remote settlements located outside bigger towns are transporting their fuel from thousands of kilometers away, a process which may take up to two years to finish and is becoming increasingly expensive to maintain. Some regions have begun to explore the possibilities of alternative, renewable energy sources. The Russian Arctic has significant potential for wind and solar energy production, and even for utilizing biomass resources, and some pilot projects are already being tested out. The spread of renewables in the Russian Arctic is slowed down by the fact that communities that would most profit from their use often have the least resources for doing that, while the federal resources are targeted at certain carefully selected pilot projects.

One important pilot project is the expected opening of the Northern Sea Route, which is planned to become a major transportation route between Europe and Asia as its ice cover melts. Growth of international transit in the Russian Arctic is expected to help boost the socio-economic development of the region and connect it with global trade. It is worth noting that most plans do not note the possibility that severe weather conditions deter shipping companies from utilizing the route also in the future, despite its shorter duration. Projects like the Northern Sea Route, with the new energy and transport infrastructure involved, are a good example of the exceptional status that the Arctic has in Russian national politics, and of the current Arctic interests of Moscow. Small, grass-root projects such as renewable energy development or the energy needs of small municipalities cannot compete with these priorities.

Hopes for the future

As the global climate movement has expanded, as well as the effects of climate change have become more visible, it is becoming rather evident that no country can overlook the implications of climate change. Even as Russia's focus in the National action plan focuses on the adaptation to climate change and prepares to reap the benefits of the opening Northern Sea Route, some observers point out that Russia continues to have all the potential (renewable energy resources, skilled workforce) to become a forerunner in action against climate change. Investing in decentralized, smaller-scale projects would not necessarily entail economic losses or less international prestige. This direction seems rather unlikely in the context of the current fossil fuel regime, and there is no reason for heedless optimism. However, it will

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be interesting to see how the objective to adapt to climate change without making radical changes in the current socio-economic system will hold in the future. ■

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OLGA GARANINA & ANNA ABRAMOVA

Russia under the sanctions: From energy sector to digitalization

Expert article • 2677

For the last 5 years Russian economy is developing under the sanctions. Economic sanctions following the conflict in Ukraine imposed significant constraints for country's economic development as well as business internationalization strategies. The sanctions have been introduced in several rounds since March 2014 by the US and were supported by the EU as well as some other countries. The most important limitations concern financial sanctions (bans on long-term credits to a list of Russian companies) as well as sectoral technological sanctions which target the oil and gas industry (bans on supplies of specific types of technologies and equipment, in particular applicable for Arctic and shale oil and gas projects development). Direct impacts of the sanctions are amplified by a wide array of indirect effects adversely influencing the business environment. Internationally, the sanctions negatively affect Russia's ties with third countries as they inflate the Russian risk. For example, pressed by the role of the US in the global arena, Chinese banks may limit transactions implemented on behalf of Russian counterparts. In a similar way, domestically, various industries in Russia including those which are not directly targeted by the sanctions have to deal with the degradation of the economic climate and represent higher risks for their counterparts.

Energy sector is Russia was chosen for sectoral sanctions because of its significant role in national GDP and exports. While most attention in literature is devoted to the negative impacts of the sanctions, several points need to be discussed.

Firstly, it is difficult to presume the effectiveness of the sanctions, either from the political (i.e. change of Russia's foreign policy course), or from the economic point of view (i.e. constraining international expansion of Russian companies). In today's globalized economy, business strategies exert a moderating role which means softening the limitations imposed by the sanctions. For example, western sanctions catalyzed the expansion of Russian oil and gas companies towards rapidly growing markets in Asia. Sanctions also stimulated reorganizing partner relationships along the value chains to circumvent the legal constraints i.e. through shifting towards partners from the countries outside the western bloc.

Looking at the case of the energy sector, we can observe that Russian oil and gas industry showed a robust performance during the sanctions. Russian companies increased crude oil production. Russia also increased its market share in the EU gas market and expanded oil and gas supplies to Asia. Under the sanctions, the pipeline map of Eurasia has been complemented with the second line of the Nord Stream, the TurkStream and the Power of Siberia gas pipelines being put in service or under construction.

Secondly, sanctions have substantiated the economic modernization challenge. Essentially, sanctions have catalyzed the import substitution policy. Yet, Russia's economy remains dominated by the primary sectors, and the short time horizon impedes conclusive statements.

Finally, sanctions seem to be driven not only by political motives, but also by commercial motives of the sanctions imposing states, as demonstrated by the recent sanctions against the Nord Stream 2 pipeline which correspond to the interests of the US gas exporters. In this sense, the sanctions exacerbate competitive pressures in global

economic environment.

However, while at the macro level diversification policy is pending on the progress of institutional reforms, at a micro level several companies have been upgrading their role in global value chains. Sanctions pressurized companies to increase their operational efficiency, to expand to new product markets and to develop innovative products.

Current modernization and innovative midterm development are relying on digital transformation. Russia having highly competitive IT sector is in the search of optimal pathway for diversification. Demand for ICT innovations especially in the data science is fast growing even in the conservative energy sector. Russia has consistently been working on information society development, having midterm state programs since the beginning of the century. The economic sanctions stimulated concerns on national information security and software import substitution plan implementation just after the first wave of sanctions. After 5 years of enactment it has become obvious that it didn't become the main trend for national ICT industry development. Moreover, Russian market is seeing the growth of imports and collaboration enlargement with Chinese business. Digital transformation at the state level is supported with Digital economy state program started in 2017 for the midterm period up to 2024. The program is aimed to create the ecosystem for the digital economy, supporting institutional and infrastructural changes for wider use of ICTs, improving the country's competitiveness in the global economy through digitalization. The Program is also contributing to the National Technological Initiative (NTI) focused on Russian technological development for long term period – till 2035. The Initiative is prioritizing digital technologies highlighting big data, artificial intelligence, distributed registry, and wireless connectivity as basic ones at the first wave of implementation.

However, economic diversification patterns having as a core pillar digitalization are not substantially influenced by economic sanctions. Russia is still enjoying the position of technological leader in software and computer services that are essential for data-driven economy. The growing collaboration with Asian markets makes it less dependent from ICT goods from USA. But the floor for further discussions is open in case of energy sector digitalization – is it enough for the industry long-term development seeing the technological sanctions focused on the reduction of supply. ■

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The Russian IT market: Current trends

Expert article • 2678

The Russian IT market has been developing dynamically since its beginning at late 1980s. It became a separate sector of the Russian economy that was integrated into the global market to a greater degree than any other industry or service sector. During past three decades, the market structure has been naturally evolving and a circle of key players was formed. The state represented by the legislative and executive power institutions acquired the necessary skills to regulate the market.

Still, the structure of the Russian IT market is different from most other developed countries. For example, in Russia, more than 55 percent of the IT market volume is hardware sales, and the majority of that is foreign technology. This dominance of foreign hardware sales leaves little opportunities for domestic companies to develop software for this equipment. Software outsourcing contracts by foreign customers is the exception. However, in these cases, Russian programmers are creating foreign technologies because all IP rights belong to a foreign customer.

Although the Russian ruble has been recently devalued twice against the US dollar and Euro, the average price level in the country, as well as the level of wages in IT industry, has risen significantly less. Exchange rates dramatically affect the assessment of the size of the market (for example, software and services are sold in Russia for rubles while the market size is estimated in US dollars), and it makes export-oriented business in Russia extremely profitable («earn dollars — spend rubles»).

Current dominance of hardware sales in the structure of the Russian IT market leads to the fact that the share of IT services in Russian GDP is only 0.16%. On the one hand, this figure demonstrates the underdevelopment of the Russian IT market. It indicates on large growth potential notwithstanding the background of the slow growth of the Russian economy.

The real assessment of the volume and competitiveness of the Russian IT industry is still approximate. In 2019 there were about 3,000 software companies in Russia, of which more than half have revenues from foreign sales. There are about 500,000 professionals in the Russian IT industry who are connected with the development and operation of software in one way or another (compare to about 4 million in the USA). 200,000 of them (40%!) are developing their own software. The rest are engineers or consultants who are engaged in software maintenance for various companies and factories, maintain networks and other infrastructure, or provide information security. Curiously, the data about the share of pure software development in the software segment perfectly correlates with the figures on the low share of IT services. According to experts, the volume of orders for software development in India and Russia is the same. But companies in India make money by selling IT services (BPO, maintenance, etc.),

which Russian players still cannot do.

There is some data available characterizing the Russian segment of Internet (Runet) and its economy in 2018:

- The audience of Russian Internet users is 90.1 million people (75.4 percent of the adult population of the country);
- The volume of advertising and marketing in Runet exceeded \$ 3,2 billion;
- E-commerce has reached \$27,3 billion;
- Mobile traffic in Russia is one of the fastest and cheapest in the world. Mobile access to the network in Russia is ten times cheaper than in the USA and three times cheaper than in Germany;
- Russia is the fifth country in the world in the number of downloaded applications; Russian users spend about \$ 500 million a year to buy mobile apps;
- The volume of the Russian market of the economy of joint consumption is \$8,1 billion;
- The volume of the digital content market in Russia is \$1,2 billion.
- The Internet of Things is one of the fastest growing segments of the Runet.

The problem of import substitution is acute for many developing countries today. Players in the Russian IT market are aware of the technological threats of import substitution policies. Among its consequences are significant backlog of products manufactured in the “import-substituting” country from modern technologies that conquer the markets of global economic leaders. In 2014 Russian Government proclaimed import substitution as a national security issue, and since that time the country's budget and government-controlled state corporations are spending billions of rubles annually on achieving the import substitution goals. The Russian IT business has joined this game and sees participation in it as reasonably attractive.

It should be noted that in many developing countries the exclusion from the market of foreign information products and services (import substitution) is understood as a replacement for Western (primarily American) software for Russian, Indian or Chinese, due to the relative weakness of their own software developers. There are already known cases when Egypt, Iran and other countries turned to Russian companies with a request to develop equipment and software to replace well-known world brands because of total distrust and fear of “bugs” in currently used Western software.

Russian strategy of import substitution, which has become the center of the state industrial policy at present, has been developed in the IT sphere since the 1998 crisis and the fourfold devaluation of the Russian ruble. The economic sanctions of the USA and EU against Russia, which were imposed in 2014, have only intensified Russia's policy of import substitution. Growing share of domestic IT solutions in Russia in the 2010s went on a forward path regardless of the

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decisions of government officials. Nowadays, the main driver of import substitution is the motive of creating and improving Russian solutions compatible with unique features of expanding national market and convenience of domestic users. ■

Recently Andrey Terekhov and Stanislav Tkachenko have published monograph: Terekhov A., and S. Tkachenko. 2019. Political economy of ICT: Russia's place at global market. Moscow: Higher School of Economics.

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MARIËLLE WIJERMARS

The stakes are high for Internet freedom in Russia in 2020

Expert article • 2679

The year 2019 was an eventful one for Internet freedom in Russia. While online privacy and freedom of speech have seen a steady decline over the past decade, a series of new laws indicates that the coming year may well be decisive for the role the Internet plays in Russian society. For example, the 2015 data localization law, which stipulates that all data on Russian citizens should be stored on servers located on in Russia, was strengthened by significantly increasing the fines for violation. Data localization makes it easier for, for example, the Federal Security Service (FSB) to access communications and identify (social media) users. Whereas Facebook and Twitter were fined a mere 3000 roubles (around €42) for non-compliance in 2019, the fine for legal entities has now been increased to one to six million roubles (approximately €15.000–85.000). On 31 January 2020, Roskomnadzor, the federal agency charged with enforcement, initiated renewed administrative procedures against Facebook and Twitter for failing to demonstrate their compliance with the data localization requirement. While some international companies have previously complied (e.g. Viber), others have been blocked for their refusal to do so (most notably, LinkedIn).

Roskomnadzor also warned major VPN providers, whose services enable users to encrypt their Internet traffic, that their continued failure to block access to sites that are banned in Russia may lead to their own services being blocked. If enforced, this would limit the ability of Russians to circumvent the website 'blacklisting' system. At the same time, Google has been fined for a second time for including hyperlinks to banned websites in its search results.

In parallel to these restrictions on privacy and online anonymity, the list of categories of speech that are prohibited online – which already comprised extremism, the promotion of suicide and offending the feelings of believers, among others – was expanded through the adoption of laws prohibiting the spread of fake news and expressions that exhibit "blatant disrespect for the society, government, official government symbols, constitution or governmental bodies of Russia". These additions may further stifle the opportunities for political debate, critical journalism and activism via online platforms.

The most important trend, however, concerns the push towards 'nationalising' the Russian Internet. In the software domain, all smartphones, computers and smart TV sets sold in Russia will be legally required to come with pre-installed Russian, rather than foreign, software from July 2020 onwards. The law was introduced as a measure to strengthen the relative competitive position of Russian tech companies and software developers, e.g. vis-à-vis Apple and Google, and to better serve the needs of Russian customers (for example, elderly citizens). On the infrastructural side, the 'Internet sovereignty law', which came into effect on 1 November 2019, calls for the restructuring of network infrastructures to enable the Russian Internet to function independently from the global Internet in case of a threat to its integrity.

While Russia has reportedly already conducted the first tests,

critics question its ability to successfully implement the Internet sovereignty law by 2021. The circumstances under which the law allows the government to 'disconnect' the Russian Internet are strict; therefore, a complete severing of ties does not yet appear imminent. Yet the creation a sovereign Internet serves other purposes as well. For example, the restructuring will increase the ability of to enforce Internet regulation, e.g. to finally block the banned messenger Telegram.

The introduction of measures that aim to impose national boundaries onto and increase state control over the physical infrastructure and application layer of the Internet is indicative of the shifted understanding of the neutrality of technology, software and apps – also beyond Russia. Whereas the digital domain was long framed in technological or economic terms (e.g. competition), recent years have seen a distinct hardening of the debate and resurgence of geopolitical narratives. Even seemingly harmless apps that were previously seen as entertainment only (for example, the globally popular Chinese video sharing social media platform TikTok), can now quickly become securitized.

Examples of the conflation of economic, technological and national security spheres abound. Consider, for example, the US government decision of 2017 to prohibit government agencies from using cybersecurity products and software developed by (Russian) Kaspersky Lab or the current controversy in Europe and the US regarding the involvement of Chinese company Huawei in the development of 5G networks. The responses to the perceived digital threats emanating from foreign powers and their presumably aligned private actors shows a tendency towards territorializing the digital domain – imposing national conditions and restrictions, as well as assessing threat levels based on geopolitical criteria – and reaffirming state control. While there continues to be a great measure of differentiation among states and regions in this respect, the shift in imagination is already being translated into actual policy. Russia's move towards establishing its 'digital sovereignty' may well sketch the first contours of a territorially defined and divided digital future. ■



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The Russian sovereign Internet

Expert article • 2680

The Russian state has from the beginning of Vladimir Putin's third term tried to acquire control over the national Internet. Although this policy seems to have originated as the regime's reaction to the demonstrations of the Russian opposition in 2011-2012, it is not only a project to control the society and the political opposition. It is in fact an effort to create a closed national network based on Soviet era ideas which could transform the Russian society and provide Russia a strategic asymmetric advantage in the future.

In 2014 the Russian Security Council announced that Russia would seek to create an ability to disconnect Russia from the global Internet. This decision was followed by the Information Security Doctrine in 2016 which stated that Russia would protect its sovereignty in the information space and develop a national system for the management of the Russian segment of the Internet. In 2017 Russia adopted a Law on Critical Information Infrastructure which made it mandatory to protect certain critical objects of the Internet residing on the Russian territory. A National Program of Digital Economy adopted in 2017 declared that Russia would achieve 'digital sovereignty' in 2024. Finally, in 2019 president Putin signed a so-called Law on Sovereign Internet which took effect in December 2019. If fully implemented, the law will create a truly unified, resilient, and secure national segment of the Internet which can be disconnected from the global Internet by government decision.

The Russian idea of creating a closed national network and the strive for digital sovereignty has its roots in the Soviet-era cybernetic thinking. Although the Soviet Union failed to create an all-state command and control network, the ideas about the cybernetic control of society and economy did not perish with the Union. In the early 2000s the ideas coalesced in the writings of Russian scholars into a system of national information security. Theoretically, this system would enable state control over the national information space and protect it from inside and outside threats. As president Putin began his project to rebuild the Russia's allegedly lost great power status, the ideas of information scholars started to interact with ideas of military scholars who at that time were discussing strategic deterrence, asymmetric response, and information superiority – ideas which also had their roots in the Soviet times. Therefore, the 2014 decision to build the ability to disconnect the national segment, viewed in the context of threatening Western sanctions, was a product of historical continuity interacting with new technology and a novel challenging strategic environment.

Disconnecting the Russian segment from the global Internet is based on imposing top-to-bottom control through a centrally controlled system upon an independently developed Russian Internet. According to the official Russian documents, a closed national network will be controlled by the FSB and other federal agencies through cyber security and defence systems which can counter cyber threats and monitor, filter and drop data traffic inside the Russian segment and at its borders. These systems are supported by mandatory state-controlled encryption and authentication, targeted and mass surveillance systems, censorship and blacklisting, and domestic software and hardware production. Moreover, the Russian critical information infrastructure is already being catalogued, and its owners are obligated

to protect it under the threat of penalty. Additionally, state corporations have acquired some important elements of the infrastructure and will duplicate some of them to maximize the resiliency of the national segment. The legal categorization and ownership of the infrastructure creates de facto Russian borders in cyberspace. This delineation of cyber borders is supported by Russia's efforts to promote information sovereignty in the UN.

When the above-mentioned policies and systems are viewed as a state-controlled whole, they form a system of systems of national information security and defence like the one envisioned by the Russian information scholars. The system could be used to control the society and economy and to protect Russia against internal and external threats, ultimately turning Russia into a kind of digitalized version of the Soviet Union. Moreover, Russia would be able to defend itself from outside and inside cyber and information attacks better than states which leave their networks open. Its networks could be more resilient through state control and coordination. Russia could attack other states pre-emptively or in retaliation through proxy actors from behind its closed borders. Altogether, Russia would gain an asymmetric offensive and defensive advantage in cyberspace. It is tempting to perceive a closed national network as a 'utopian project' and to dismiss Russia's government policies as unfeasible, backward, and authoritarian. However, we should not dismiss the strategic implications of the 'sovereign Internet'. ■

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Collective environmental security: Geopolitical links between the Baltic, Black, and the eastern Mediterranean Seas

Expert article • 2681

As I taught a course on environmental politics in Madrid, Spain, I straddled the lines between the climate protesters and the UN climate talks here, the Conference of Parties (CoP) 25. The talks ultimately resulted in one of the worst outcomes in 25 years of climate negotiations, failing to commit to any substantial consensus on this global threat.

The failure of the Madrid talks and the American abnegation of the Paris Accord should not prevent other nations or international organizations from taking the initiative in preemptive climate mitigation and planning, particularly the Baltic Rim countries, as they will be adversely affected by a rise in sea levels, as well as by the geopolitical implications of the melting of ice sheets on the Arctic Ocean.

With the retreating ice sheets, Russia has already begun to posture over the Arctic, part of a larger strategy to project naval power over waterways from the North Pole to the Baltic Sea, from Ukraine, Crimea and the Black Sea to the Caspian, and ultimately Syria and the eastern Mediterranean.

As ice sheets melt due to climate change, the Arctic Ocean will emerge as a contested theater of military and diplomatic maneuvers, a prelude to a geopolitical contest, or an example of what Cleo Paskal called in her book *Global Warring*, where environmental, economic, and political crises become interlinked.

From the Mediterranean to the Arctic

While the US faces wide open seas on both the Pacific and Atlantic to project its naval power, Russia's navy is hemmed in by narrow straits. To reach the Atlantic the Russian naval fleet has to depart from the Baltic Sea, then through the Danish Straits chokepoint. To reach the Mediterranean from Crimea, Russia has to navigate two chokepoints at the Bosphorus and the Dardanelles Straits. In a future conflict scenario, Moscow fears that NATO forces will deny Russian naval access through these chokepoints, essentially trapping the Russia's navy in both seas.

Climate change offers Russia an opportunity to navigate the Arctic through a Northeast passage, weaponizing this body of water, but this will not translate into open seas for Moscow immediately. The lanes that are navigable are still constricted by the remaining ice sheets and resulting icebergs. Theoretically its vessels could navigate this passage on the roof of the world, however, to reach the Pacific it would have to navigate another chokepoint at the Bering Strait across from Alaska.

Examining Russian geographic constraints from Moscow's

perspective demonstrates how even events in the Arctic are indirectly linked to the Turkish and Danish straits. Environmental changes highlight the zero-sum game of realist politics. A warming Arctic would be victory for Russia, but not for the Baltic rim countries that are members of NATO, as it would open up another arena for geopolitical rivalry.

From naval to missile power over the seas

In late August 2019 Russia ostensibly launched missiles from the Arctic Ocean to send a message to Washington, as that is the shortest path of a nuclear weapon to reach the US. These launches were preceded a few years ago, as even then Russia sought to demonstrate the far reach of its missile to the European members of NATO, but using the skies of Syria instead.

From fall 2015 to the summer of 2016 Russia fired its long-range Kalibr cruise missiles from naval vessels in the Caspian Sea towards Islamic State (ISIS) targets in Syria. Russian planes stationed in Syria would have been more accurate and effective in targeting ISIS, not to mention cheaper than using costly cruise missiles. However, an air raid would not have delivered the same political message.

The range of the cruise missiles demonstrated to the US and NATO the advances in Russian military technology, related to Moscow's posturing over Syria, but also over Ukraine and NATO's presence in the Baltic states and the Arctic.

NATO, the Baltic Rim, and climate change

Climate change can only be mitigated by multilateral efforts, yet the conference in Madrid demonstrated that while UN can generate norms to offset climate change, it does not have the collective political will to proactively deal with this threat. A good number of member states see climate change mitigation efforts as an impediment to their economic growth, without imagining the security threats it poses. Now, it is imperative that other international organizations and regional security structures deal with this threat.

If the Cold War led to the formation of NATO as a collective security organization, this "Hot War," or rising global temperatures demonstrates that the Alliance needs to reinvent itself as a collective environmental security organization as well.

Ideally, to allay Moscow's fears, the Organization of Security and Cooperation in Europe, of which Russia and the Baltic Rim states are all members, would adopt a policy on climate security threats, but the precedent of its constituent parties managing the conflict in Ukraine

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has been lackluster. NATO on the other hand has established precedents for securitizing climate change risks. It has deployed forces to deal with floods in the Balkans and efficient water management in Central Asia.

Climate change will disrupt power relations in the Arctic, the Alliance's northern flank, while leading to desertification and climate refugees in the Middle East, its southern flank. The current presidential administration in the US, a key player in NATO, sees climate change as a hoax and its noncommittal stance is one of the reasons as to why the Madrid talks failed. Ideally, going into 2020, and with the possibility of a new administration in the US, NATO will develop a comprehensive security doctrine to handle climate threats in both regions in the light of the failure of the international community to do so as of yet. ■

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KAROLIINA RAJALA

Innovation in the Russian space industry: A military perspective

Expert article • 2682

In a statement made on the 24th of December 2019, Russian Defence Minister Sergei Shoigu listed the Russian military industry's main achievements of the year. According to Shoigu, the share of modern weaponry, that Russia's state armament program, GPV-2020, aims to raise to 70% by the end of 2020, had risen to an overall of 68,2%. However, whether this percentage reflects reality, is debatable.

The theme of innovation potential in the Russian military industry has drawn significant attention ever since Russia's President Vladimir Putin made his annual address to the Federal Assembly on the 1st of March 2018. Over recent years, President Putin has repeatedly called for new and revolutionary innovations that could be used to modernize the Russian military, and today the Russian political elite continues to see the defence industry as a locomotive for economics, politics and society.

One of the areas that Russia's state armament programs, GPV-2020 and GPV-2027, have put special focus on is that of the Aerospace Forces. Historically, space capabilities have played a key role in establishing Russia's role on the world stage. The Soviet space program, that was in operation from the 1930s until 1991, brought about major achievements, such as the development of the first intercontinental ballistic missile and the launch of the first satellite. During the Cold War, the Soviet Union was the world leader in the number of orbital launch attempts and the space industry was the most prestigious sector of the economy.

However, following the collapse of the Soviet Union and the economic turmoil of the 1990s, the funding of the space program declined by 80% and the industry lost a significant part of its work force. Later the state of the industry continued to deteriorate due to decaying equipment, severe mismanagement and rampant corruption. It was only in the mid-2000s that recovery began among the introduction of a new federal space program and a notable increase in funding to the sector.

Today the Russian space program can be said to have resurged in both the military and civilian sphere. At present, the Russian space industry comprises around 75 design bureaus, enterprises, and companies that carry out research, design and production in the field of space technology. The main actor in the field is the Roscosmos State Corporation that was created in 2015 as a merger of the Federal Space Agency Roscosmos and the United Rocket and Space Corporation.

Recent achievements in the space sector have included for example supplying the Aerospace Forces with a new type of laser weapon for anti-satellite missions and the third Kupol early warning satellite. According to a 2019 Pentagon report, currently Russia is working on developing its jamming and cyberspace capabilities, directed-energy weapons, on-orbit capabilities and ground-based anti-satellite missiles. Russia is also interested in creating dual-use technologies and has been working on robotic technology that could

be used to fix satellites and remove space debris as well as serve military goals.

When discussing Russia's space capabilities, it is also important to note that, over recent years, Russia has had the chance to gain operational experience in employing space know-how. The proxy war in Eastern Ukraine and Russia's campaign in Syria have served as optimal test sites for incorporating a stronger space component into military operations, with satellites being used for reconnaissance, communications and navigation.

Nevertheless, the rebuilding of Soviet space capabilities has turned out to be more difficult than modernizing any other area of the military. Today the space industry continues to be troubled by a lack of expertise, high-tech components and quality control. Corruption is one of the core issues that the industry struggles with, and recent years have made the Roscosmos State Corporation a target of massive investigations. In addition, Western sanctions and the economic downturn that followed the Russian annexation of Crimea in 2014 have brought about further challenges.

In the future, the normalization of space as a war-fighting domain will continue as the use of satellite-supported information networks increases. The 1967 Outer Space Treaty prohibits placing weapons of mass destruction in orbit or on a celestial body as well as the use of celestial bodies for military bases, testing or maneuvers. However, there is no clause prohibiting the development of anti-satellite technology or using the space between celestial bodies.

Post-Soviet Russia is not a military space superpower and has been losing its advantage as space capabilities continue to proliferate. Nevertheless, the Russian military doctrine emphasizes that obtaining supremacy in space will be a decisive factor in winning future conflicts and Russia is up for the challenge. What should be noted is that competition on the space arena could risk launching a space-based cold war. ■



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Reasons for poverty in Russia

Expert article • 2683

After increasing throughout the 1990s, poverty in Russia fell in the early 2000s. In 2014–19 poverty has increased again. A large part of Russian families is close to the edge of poverty, the younger families and families with many children are closer than others. Following the initial shocks in 1991–92 immediately after the Soviet Union collapsed, a major financial crisis in 1998 and the international economic crisis in 2008–09 represented setbacks to households and enterprises in Russia. Also the economic crisis in Russia in 2014, following the falling price of oil and economic sanctions due to the Crimean annexation, has had consequences.

In the Soviet Union there was a system for administering wages and benefits, there was officially full employment along with centrally set prices for goods and services. Transition implied a dramatic decline in living standards for most people in Russia. The increasing incidence and severity of poverty was associated with the significant fall in real money income. Furthermore, wage adjustment was not uniform across sectors and regions. Sectors financed by the state were hit hard by real wage declines, while other sectors were less affected. Adjustment in the labour market has taken place in the form of declines in employment, and increasing numbers of people on short-time work and involuntary leaves, and the real wages of the poor were eroded as wage arrears were quite frequent in the aftermath of transition. Wage distribution was widened, an increased number of households faced the situation that their wages were even lower than the subsistence level. This was possible as the minimum wage was set at a level lower than the minimum pension and lower than the subsistence level. The inconsistency was particularly serious as it implied that those who had a decent situation in the Soviet time, working full time and managing households with children were entering vicious circles that were very difficult to get out of. With wages not possible to live on, they took on a second or even a third job leaving no reserve for outside changes. The smallest backlash could cause ordinary households to fall into deep poverty. This kind of phenomenon can still be seen some 25 years later.

The high number of working people earning low wages is clearly an important characteristic of everyday life. Income inequality has increased, but wealth inequality has increased even more. While wage inequality has increased, major departures from pre-transition structures of wage differentials have been limited. The low wages that were paid in non-priority sectors in the Soviet economy have persisted, along with a heavy reliance on the extraction of natural resources as a source of national wealth. This situation has been caused by a failure effectively to manage the economic system, inasmuch as the system has been unable to promote the significant development of the non-oil economy, in which a large part of the population is employed, and thus to increase the capacity of those sectors to pay decent wages. Continued low wages and a loss of social welfare services have led to a society where living expenses are often higher than income for ordinary people, trapping large sections of the population in a vicious circle of poverty.

In effect, some features of the Soviet system have survived the reform measures of the 1990s, which also explains the lack of progress that has been made in manufacturing. Two different kinds of

reasons can be identified – those that are connected to state policies and the working of society on the one hand, and those that are related to attitudes and behavioural patterns on the other. In the first case, the prevalence of soft (negotiable) budget constraints has meant that there are fewer redundancies than there would have been otherwise. This has saved jobs at the expense of higher wages, and explains why a large part of the workforce is still employed in unprofitable large-scale enterprises. The phenomenon of 'over-employment' has survived, while a large proportion of the population in the region is paid wages that are barely enough to cover basic expenditures. The issue of low salaries that are paid in certain professions, such as to teachers and doctors who are employed in non-commercial organizations, has also persisted since Soviet times.

In order to handle the gap between expenses and income people have used whatever resources they have, which means that some of them have exhausted their resources. Losses of wealth among the poorest is a tendency which means that quite a few are losing a buffer they have had for possible future difficulties. What is left is your own labour power, and a tendency to work more and more in order to cope with a difficult situation. What is even more worrisome is that reaching this point makes people highly vulnerable. If something happens, it might easily start a downward fall. ■



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The universality of universal health coverage in the Russian Federation

Expert article • 2684

The World is in the spotlight of Sustainable Development Goals (SDGs) for the “Agenda 2030”. Population health is both an outcome and a driver of economic and social progress. Universal Health Coverage (UHC) is recognised as the cornerstone of “Equity”, “Inclusive Development” and “Prosperity for All”. UHC is a political choice and also acknowledged as the human rights. A High-Level Meeting of United Nations General Assembly has adopted UHC as the right of every human being everywhere to have the access of quality and affordable healthcare services with financial protection.

Following disintegration of the United Soviet Socialist Republics, the Russian healthcare system has undergone significant changes – decentralization of management, introduction of mandatory health insurance system and institutionalization of user fees for certain healthcare services in addition to or instead of free-of-charge services.

The compulsory (non-competitive and “universalist”) medical insurance guarantees (Article 41, Constitution of the Russian Federation) free primary, secondary and tertiary healthcare at the point of service consumption within the regional health system of the Russian Federation. However, the demand often exceeds service provision at the health facility level (polyclinics and hospitals) and also each health facility is limited with the fixed quantum (rationing) of money (payment for volume of services rendered) available from compulsory insurance fund for each year. Further, the regional ability to invest in health infrastructure development and often to meet the ongoing expenses at the health facility level are limited. Such constraints compel citizens to pay of their own at the point of service consumption if the citizen need/wants immediate service and/or health facility is compelled to meet the expenses by utilising the available capacity to the best possible extent. Although the individual contribution to compulsory medical insurance fund is uniform, substantial differences exist for services on payment at health facility(s) across regions in the decentralised health system of the Russian Federation. Payment (unofficial) to the individual service provider (nurse and doctor) for receiving attention in regard to quality (as perceived by the individual citizen) and to prioritise (documenting clinical need of service provision) care is not uncommon.

Thus, rationing of payment to health facilities, regional differences in the ability to invest in health system, and prevalence of unofficial and official payments often deny worse-off groups from the needed healthcare services compared to better-off Russians though the former's health status is often worse. People from worse-off groups, and poor health also consider coverage of compulsory health insurance inadequate. The better-off Russians are also not totally insulated from denial of access to healthcare services attributable to financial affordability when individual behaviour in public realm influences position and acceptance of the individual in the society with a hierarchical social structure.

Hence, the commitment for universal health coverage with legislation is in perpetual conflict with the prevailing out-of-pocket payment that is not adjusted to the household income, and discretion of the service providers determining service availability. Such a situation of inequitable access to the healthcare services associated with often, the denial of needed healthcare services for the Russians

guides policy responses for (1) defining boundaries between free and chargeable healthcare services that is often blurred, (2) eliminating variances in substitution between formal and informal payments across regions, and (3) addressing gap between population entitlement and available provision of healthcare services.

Further, a year-on-year fluctuations in financing of the health system from the federal compulsory health insurance fund are common phenomena in the Russian Federation. Such phenomena are the result of an economy that is highly vulnerable to the currency fluctuations in the external market, and that is also susceptible to export fluctuations. The continually increasing disease burden not only demand more investment in health for UHC but also stability in financing that meet the need of the population for whom the health system is designed for. Moreover, a significant proportion of Russians (67.7%) believes that it is unfair that people with higher incomes are to contribute higher for a better health system and improve the level of healthcare services for all people in the country. But health cannot be left to the free market for the better-off to access services, while the worse-off are plunged further into intergenerational poverty. UHC can only be achieved through public investment and that requires more domestic resources mobilization in a sustainable manner.

Population health is an outcome of interactions between and within different determinants like level of environment pollution, quality of housing, neighbourhood hygiene, social support system, efficiency of public transportations, and so on. Decentralised characteristics of healthcare service provisioning in the Russian Federation demand identifying interlinkages and interdependence among the SDGs targets and defining areas for potential multisectoral policies that is issue based at oblast level. In addition, embracing a vertical integration for the “Whole of Government” in the governance approach that involves federal, regional and local governments for assessing policy interactions and policy effects would foster synergies of interventions, identify trade-offs between the SDGs targets and address spill-over effects, and thereby, minimise policy conflicts. Thus, adoption of these strategies shall enable the Russian Federation to avoid duplications of resources allocation while optimising available resources in a sustainable manner, and simultaneously, a better risk pooling of the federal compulsory health insurance fund for realising allocative efficiency.

A balance between equity and efficiency trade-off in public policy performance is the necessity for bolstering Russian economy, and achieving UHC shall act as the catalyst for that progress to sustain on economic, social, and environment milieu of development. ■

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Human capital in post-transition Russia: Some critical remarks

Expert article • 2685

The year 2020 marks the 30th anniversary for the post-soviet transition of Russia, and the post-soviet transformations have been spectacular. The dissolution of the Soviet Union in the early 1990s led to a rapid depreciation of human capital at state-owned enterprises and caused a major crisis throughout the manufacturing and services industries. Market reforms took place that were premised on the idea that they should become fruitful ground for further socioeconomic development, and in particular, for the transition to a new information age represented by a fully-fledged knowledge economy. The economic growth of the early 2000s was expected to facilitate this transition. Are there any achievements now to celebrate?

If there are any, they are few. Russia completed its post-communist transition in the mid-2000s, and it now faces the challenges of its post-transition phase. We have shown that Russia has succeeded in becoming a knowledge society; however, it has failed to build a knowledge economy. Investment by Russian workers in human capital is minimal, as the returns on human capital are two to three times lower than that on residency. Moreover, returns on human capital investments have been falling since the second half of the 2000s. Conversely, the post-transition period was a time of expansion for higher education in Russia. The incidence of training in the new Russia, however, has remained low (involving less than 10% of the working population) – and even declined – over the past 15 years. In other words, the contradictory nature of human capital in post-transition Russia is revealed in the great contrast between the acquisition of formal education (which is expanding) and acquisition of training (which is decreasing).

Recent literature on lifelong learning explains this phenomenon as 'training poverty'. The main reason for the low level of training in post-transition Russia is a reluctance from parts of the labour market and among large swathes of occupations – specifically, in the area of generic labour – to upgrade skills and innovate. The situation of the disadvantaged occupational classes appears to have a more powerful negative effect than individual traits that are in demand, such as employability and a strong educational background. In other words, the negative effect of social forces is much stronger than the positive effect of individual merits. This disparity is one of the reasons formal training is used only in confined areas of labour markets and therefore appears to be an inefficient mechanism for fostering employability and adaptability for the majority of the labour force in Russia.

Disadvantaged occupational classes – such as generic labourers – comprise up to 70% of the Russian labour force. The deindustrialisation of Russia over the past 30 years has been accompanied by widespread deskilling. About a quarter of professionals have no higher education at all; moreover, for about half of them, their day-to-day work corresponds neither to their major speciality nor to an adjacent one. The situation with the human capital of manual workers is much worse; for the most part, workers in this sector have not obtained vocational training courses in line with their work specialisation, and only in exceptional cases do manual workers receive on-the-job training. Notwithstanding deindustrialisation and recent educational expansion, Russia remains a country of what could be considered bad jobs, which have been retained by

institutional arrangements supporting low-productive enterprises. Overall, the socio-demographic disparities within the occupational structure have not yet been overcome. Further to this, women are still more likely to be employed in mid- to low-paying jobs, and they remain underrepresented in the managerial class.

Our studies show that access to good jobs is a more important contributor to a boost in incomes than access to good human capital. At the same time, most of these good jobs are primarily concentrated in confined niches within state-owned enterprises and skilled industries. These findings support the optimistic view that Russia is a normal country on its way to marketisation and a private sector. However, these achievements, which could be considered slight, might soon be diminished by the growing social exclusion in prestige education and universal healthcare. This new – and thus, poorly studied – challenge to the new Russia exposes a crucial challenge for human capital accumulation, upward occupational mobility, and middle-class expansion in the post-transition era. To successfully counter this headwind, the Russian government can facilitate market competition driven by private-owned small and medium enterprises and create institutional incentives for international business to expand their enterprises in Russia. ■



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PETER HOLICZA

Characterization of Russian youth

Expert article • 2686

Russian youth remains a major group that is insufficiently understood and referred to in current views of Russian (and international) politics and society. Changes in contemporary Russian youth lifestyles are some of the results of globalization, economic interdependence, intensification of migration flows, cultural unification and global connectivity, which are evident in other countries among this population as well. The positive effects of these global processes, such as spread of knowledge and modern technologies, are often challenged by issues that inevitably occur, such as increased inter-ethnic tension and changes in national identities. Some scientists consider globalization as national identity weakening force, while others perceive it as national feelings intensifier.

The Russian governmental institutions are putting more efforts into reconstructing national identity, perceived as crucial factor of state integrity, which has been challenged due to Russia's specific geopolitical disposition, its historically determined multinationalism and political and economic reforms consequences from the past. In these processes, young people become most exposed and sensitive to global tendencies and political elite ideological pressure, national identity becomes controversial and produces social practices transformed under contemporary influences of the internet, social media and global trends.

Regarding the above-mentioned government efforts to preserve national identity, the role of youth and their perception of identity is one of the key factors of the whole process since they are the future of nations. Latest research results on Russian youth attitudes, beliefs and values show the extent to which new generations are impacted by overall globalization: out of 2400 participants, 89% defined themselves as Russians, but only 59% of respondents gave priority to the state identification over regional, soviet, supranational or ethnic identification. Notable that young people with higher education level highlighted the importance of knowledge of history, culture and traditions as rational justifications of patriotism as opposed to abstract and more uncritical love for the Motherland. Despite the multiple difficulties they face in their everyday life, such as economic and social crisis or political instability, national identification still takes the central place in their identity.

Accustomed to economic uncertainty and volatility, Russian youth value short-term enjoyment, achievement and products over potential gains down the line. However, not all of them are convinced about the value of renting or having something for a short period of time. Material values such as cars and apartments still matter as they represent stability and social status. Similarly to the rest of the world, Russian Millennials live in big cities, overwhelmed by their daily routines. The work-life imbalance is a usual phenomenon, but they have embraced the trends of healthy lifestyle and community building to connect with like-minded people and engage in activities that don't require too much effort.

The majority of Russian young people would stay and live in Russia; however, their emigration intention is continuously growing. According to national statistics, approximately 40% of the Russian youth aged between 18 and 24 are planning to leave the country because of the above-mentioned conditions. Their top target countries

are Germany, the US and Spain. On the other hand, the 37% will not leave, 16% will probably stay as well, while 6% is uncertain. This group of youngsters is either lacking the realistic opportunity to move abroad or stay because of claiming themselves patriotic.

Despite the various governmental initiatives, these traditional values among youth are matched with low civic and political participation. Generally, inactive young people who do not have role in such activities and processes can be divided into two groups: passive ones who show apathy and indifference towards these affairs, and secondly the ones who have strong, often negative emotions and clear attitudes on most events and processes, but remain inactive. Their negative emotions could potentially be turned into very resourceful and proactive activism – this utilization can also serve as a mean of radicalization prevention.

Ultimately, their representation based on media propaganda largely differs from their self-image of citizens and patriots. The increased involvement in future narratives, political processes and conflict resolution would contribute to better understanding, active citizenship, trust and overall societal progress as also addressed and supported by the United Nations Security Council Resolution 2250. ■



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Children changing politics

Expert article • 2687

On September 23, 2019, the teenage Swedish activist Greta Thunberg delivered an emotional speech at the UN Climate Summit. She summarized the main causes of global warming and accused an older generation of failing to act in response. Her performance provoked huge public debate. The Guardian compared her speech with Lincoln's famous address at Gettysburg. Fox News called Greta "a mentally ill Swedish child who is being exploited by her parents and by the international left." It is telling that the public was less interested in the content of the speech than in the fact that a political speech was given by a child. What we saw was a child giving a lesson from the UN's stage instead of answering her lesson in the classroom, as most children do.

The reason why so many people were concerned with Thunberg's performance is that at least since the 17th–18th century, we have viewed childhood experience and politics as incompatible. Childhood is associated with innocence, while politics is considered to be something 'dirty.' Children are portrayed as not fully developed, while participation in contemporary political systems is cast as requiring 'mature' cognitive abilities. However, with more and more minors starting to participate in protest politics across the world, cultural beliefs about the incompatibility of childhood and political experience are drawn into question. In the West, children strike against climate change. Former Soviet republics, including Russia, are usually not prone to the international waves of protests, however, children's level of participation in protest politics has been increasing for the past several years here as well. Does this global increase signify a new historical change in our perception of either childhood or politics? Does it mean that childhood experience and politics are no longer viewed as incompatible?

Let's look at three recent protest movements where high school aged children took an active stance and see how children themselves framed and justified their political participation. Do politically active minors consider their youth as something which makes them 'better' democratic actors, or do they view it as rather complicating their protest participation?

In the "Fridays for future" international campaign, high school aged children are the most visible actors. Even if this campaign truly deserves to be called world-wide, I suggest we focus on one of the prominent European mobilizations, the UK campaign. It is telling that young UK protesters do emphasize their age and status ('kids' or 'schoolchildren') while speaking publicly. They present their youthfulness as something which gives them a special right to protest. In their narratives, being a child is associated with possessing the future and thus makes their claims about the necessity to prevent future effects of global warming legitimate. "I'm here because global warming is ruining our planet and us kids aren't going to have a very good future," says 10 years old female protester in London (Lawton, 2019). Quite often, youthfulness is also understood by young protesters as something which gives them passion and awareness the adults lack. As one of the young leaders of the UK climate change movement put it, "It goes some way to proving that young people aren't apathetic, we're passionate, articulate and we're ready to continue demonstrating the need for urgent and radical climate

action." (Taylor et. al, 2019). In a way, the movement promotes a different understanding of both childhood experience and politics. Childhood is viewed not that much as the time of dependency and immaturity but rather as a time of open-mindedness and passion. The political act requires not that much the ability to understand and resolve complicated issues as the collective will to say a word about the future of society. In this model, the 'innocence' of childhood enriches democratic political participation rather than contradicts it.

However, the very fact of minors' participation in protest politics does not necessarily mean that a new understanding of childhood and political action is developing. In 2011-2012, a big nationwide movement against electoral fraud during Parliamentary election took place in Russia, and minors participated in this movement as well. Like their UK counterparts, high school aged protesters in Russia explicitly invoked their young age when talking about protest participation in interviews. However, in their narratives, youthfulness was directly connected with immaturity, lack of necessary experience, and dependency from authoritative adults. For example, when asked what he usually does as a member of an activist group in St. Petersburg, 16 years old boy responded: "I usually do something small like the distribution of leaflets or sending emails on the Internet to somebody... I cannot do something significant because of my age" (interview from the author's archive). Politically active children in Russia of 2012, as well as their counterparts from the contemporary UK, opposed their experience to the adult one. However, by opposing it, they created an image of a child-protester who is worse than an adult protester. Despite the fact, that high school aged children visited protest rallies in 2012 Russia, they did not view themselves as full-fledged political actors. The movement relied on and reproduced traditional understanding of both childhood experience and politics where the two of them are barely compatible.

The anti-corruption protest wave which emerged in Russia 6 years later, however, may truly remind us of anti-climate change mobilization in Europe. High school children's participation in the anti-corruption rallies attracted media attention and the movement was often called the "protest of school children". High school children became media heroes of the movement. In the interviews, child activists represented themselves as full-fledged political actors, equal to adult protesters. Does it mean that the most recent democratic protests in contemporary Russia finally challenge traditional understanding of politics by making minors a legitimate part of a demos? No, it does not. As we might remember, the UK child activists considered themselves as being different from adult activists 'in a good way.' Contemporary Russian child protesters see no difference between themselves and adults in either positive or negative ways. For them, 'child-ness' and 'youthfulness' still mean immaturity and dependency, they just do not consider themselves to be children anymore. The only way for de-jure children to become legitimate political actors is to act as de-facto adults, that is, to grow up 'psychologically.' Thus, ironically, the figure of a child-protester which represented the whole movement in media, under closer examination appeared to be, as a famous social historian of childhood Phillipe Aries (1965) would say, just a "miniature adult." Childhood experience and political action continued to be viewed as incompatible in contemporary Russia, even by 'progressive' politically

active adults and children.

More and more minors start to participate in social movements across the world. These movements can potentially broaden the understanding of the political by counting as a part of demos those who have been traditionally excluded from it, that is, people under a certain artificially established age. However, our cultural beliefs are often more rigid than any written rules. The very fact of minors' participation in political movements is not enough to challenge the cultural beliefs about the incompatibility of childhood experience and politics, as both Russian cases above showed. After all, the movements also reflect and reproduce the existing cultural repertoire. And it looks like culturally, Russia is not ready to challenge definitions born in the 18th-19th centuries. ■

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Russian youth in XXI century

Expert article • 2688

From the end of the last century and till recently many studies demonstrated the decline in political participation of young people in Europe (including Russia). The young people demonstrated a high level of distrust to politicians and alienation from institutionalized traditional politics. It provoked the public and academic discussion about the apathy of modern youth. However, recent events around the globe (different types of collective actions that young people performs in everyday life – cultural, civic, environmental and political) questions this vision of young people as individualistic consumers not thinking about the common good.

During the last five years, we, with my colleagues from the Centre for Youth Studies (National Research University Higher School of Economics, Russia) participated in a large research project. It was focused on the studying of youth cultural scenes in six Russian cities: St. Petersburg, Kazan, Makhachkala, Ulyanovsk, Ulan-Ude, and Elista. We consider a youth scene as a common platform for the production, upholding and demonstration of the authentic and shared meanings of group communication, fixed in a particular urban place (space). The aim was to understand the values, biographical trajectories, everyday communications, and ways of cultural and civic participation of young people in the life of contemporary Russian society.

We noticed significant changes in subcultural profiles of Russian cities at the beginning of the second decade of this century. "Pure", "classical" subcultures do not disappear completely, but dissolve in more comprehensive youth environments, leaving bright traces of style and value trails. At the same time, the core values of "classical" subcultures (substances) receive a "new life" within the framework of constantly changing and multiplying post-subcultural youth communities. A social bridge is being formed, that becomes a venue that assembles buffer youth cultural groups.

Russian youth despite significant differences (class, educational, ethnic, religious) can share some common values and preferences: healthy lifestyle, sports, volunteering, fanaticism, computer and board games. It is important that the values of 'civic responsibility' and 'altruism' are shared by a significant part of young people in all cities where the survey was conducted, regardless of their group identities and cultural choices. We did not study specifically political activism but were concentrated on value orientations and involvement in various urban/lifestyle practices. We discovered that people who are now between 18 and 28 years old demonstrates a new type of civic involvement and participation in diverse formats: from different cultural activities to volunteering. At the same time, the so-called 'traditional values' and 'patriotic mood' have also a noticeable influence on the shared group identities, which indicates the significant role of Russian political discourses in reformatting the space of youth activism and youth cultural scenes.

However, it is very important for young people to participate in grassroots civic initiatives, which are not necessarily directly related to politics. This may include environmental projects, animal welfare, volunteering in hospitals, fundraising for various charitable projects, participation in search teams looking for remains of soldiers from WWII, assistance to victims of violence, and much more. This is a vibrant

palette of civic inclusion, which develops ultimately independently of state programs and projects aimed at youth. It is crucial for young people that these initiatives are in no way formalized and independent from the state.

Concepts and values that are meaningful for today's youth are acceptance, understanding, inclusion, ownership and belonging. Official politics cannot provide this, because Russian young people, as many young people around the globe, cannot fully participate in political processes, make decisions and influence the outcome. Therefore, they strive to form their agenda and their environment. The everyday activism of 'small deeds' become their choice. Furthermore, the cultural scene becomes the space for it.

Thus, youth cultural scenes are an essential part of everyday life, transitions, self-expression, value formation, friendly and social networks. These are platforms for negotiating differences – there is a particular context, language, values and solidarity. We saw it in our research. We observed a variety of young people's lives and activities. The concept of youth cultural scenes seems to us to be a promising theoretical and methodological tool that helps to understand youth diversity and get the meanings that young people put into their companionship. This picture brings optimism and helps to overcome prejudices regarding the passivity and disinterest of Russian youth in the future development of their cities and country. ■

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Government-organized youth organizations in Russia

Expert article • 2689

Vladimir Putin's presidency has witnessed the revival of government-organized youth activism as a part of authoritarian regime consolidation. The infamous pro-Putinist youth movement "Nashi" (2005–2012) was just one government-organized youth organization among many that have emerged since the early 2000s. In contemporary Russia, the sphere of government-organized youth organizations is characterized by pluralism. The operation of these associations has implications not just for the Russian youth, but for the wider Russian state and society, too.

"Government-organized NGOs" (abbreviated "GONGOs") are formally non-governmental organizations that are set up or sponsored by the government in order to further its political interests either at home or abroad. In authoritarian states, GONGOs play the role of a docile civil society organizations supportive of the government and implement state policy among a specific sub-group of citizens. Although GONGOs come in all shapes and sizes, they are especially prominent in the youth sphere. This is because youth GONGOs promise to bring up young people into loyal supporters of the regime, an offer authoritarian leaders find hard to resist.

In post-communist Russia, government-organized youth NGOs can be divided into three categories: coopted organizations, youth movements of the Kremlin, and patronage organizations. These organizations are similar in their dependence from the Russian government, but vary in terms of their affiliation with it.

Coopted organizations are youth movements and associations that used to be independent but have since been incorporated into the network of GONGOs. The cooptation took place as the government identified them as potential challengers and to neutralize the threat they pose, opted to extend benefits to them in exchange for their loyalty. A prototype of such organization is the Russian Youth Union (RYU), the juridical legacy organization of the Soviet era Communist Youth League. After the collapse of the Soviet Union, the RYU emerged as a non-partisan and financially independent NGO. However, in the 2000s, the association gradually realigned its agenda to government interests in exchange for an expert status in the field of state youth policy and consistent funding.

Youth movements of the Kremlin are relatively loose structures that have been set up directly by the presidential administration. The youth movement "Nashi" is a case in point of such a "project", established in 2005 by Putin's Deputy Chief of Staff, Vladislav Surkov. It had a clear goal and substantial resources, which is what enabled it to become omnipresent practically overnight. However, once the Kremlin stopped supporting the organization, it disappeared just as quickly as it had emerged. Yet numerous offshoots of the movement, such as the media project "Set", the environmentalist "Mestnye", and the temperance movement "Lev protiv" are still active in the youth GONGO sphere.

In contemporary Russia, the Federal Agency of Youth Affairs "Rosmolodezh" is a relatively flexible tool for establishing and financing youth GONGOs, such as the aforementioned "Nashi" legacy organizations. For example, in 2016, Putin endorsed the institutionalization of "Volunteers of Victory", a movement that was set up the year before to promote the commemoration of the 70th

anniversary of the end of the Second World War among youth.

Patronage organizations are movements that are set up and supported by specific state institutions, such as ministries or political parties. While youth wings of political parties have been operating in Russia since the beginning of the multiparty system, ministry-affiliated youth organizations are a product of the early 2010s. For example, the "Young Army" National Military Patriotic Social Movement Association, set up in 2015, is supported by the government through the Ministry of Defense, while the Ministry of Agriculture runs the Russian Rural Youth Union. The patronage organizations are tools for promoting corporate interests among youth, and are thus somewhat more stable than youth movements of the Kremlin.

In contrast to the early 2000s, when the number of Russian youth GONGOs were countable on one hand, pluralism and competition in the government-affiliated youth organization sector have emerged in the 2010s. There is now a government-endorsed association for a young person wanting to engage in wildlife protection, volunteer in an orphanage, or even fight government corruption. Channeling administrative and financial support from the government to not just one but a network of GONGOs creates an illusion of civil society and contributes to the democratic façade of the regime.

The operation of a whole sector of government-organized youth NGOs has implications for the Russian state and society on both the macro and the micro level. On the macro level, the Russian government has demonstrated that it can construct a fairly sophisticated model of civil society made up of actors it controls either directly or indirectly. On the micro level, young people interested in civil society activism have a variety of government-endorsed outlets to choose from, which ought to be better suited for the needs of a more individualistic society. Yet there also lies the problem of the pluralistic model. Given the freedom of choice (and the relative freedom of information, at least online), young people can deliberately seek out organizations that are known to be affiliated with the opposition, if they prefer not to participate in government-supported associations.

Government-organized youth organizations in contemporary Russia impress with their scope and variety. Some associations are coopted civil society organizations, while others have been designed and established by political elites from the scratch. Awareness of these organizations and the way they operate is pivotal for the understanding of the government's civil society and youth policy. Even if the infamous "Putin Youth" movement "Nashi" is a thing of the past, other government-organized youth organizations are doing better than ever. ■

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JONNA ALAVA

Russia's Young Army

Expert article • 2690

Military aspects have been strengthened in the State Patriotic Education Programme of Russian citizens since 2001. The process accelerated after the Moscow street protests during the parliamentary elections of 2011 when Kremlin began to reorganize youth politics to ensure young people's support for the regime and to create a new sort of passionate patriot. The results are already prominent.

In recent years, several military-patriotic organisations that existed in the Soviet Union have been revived in the Russian Federation, including the Suvorov military and Nakhimov naval schools, Cadet corps, Cossack military schools, the Society for Cooperation with the Army, Aviation, and Navy (DOSAAF) and the Ready for Labour and Defence (GTO) training system. In addition to these, there are over two thousand regional military-patriotic organizations or clubs in Russia. All these organizations teach military skills to minors.

The most remarkable movement in this context is Yunarmiya the objective of which is to unite all these pre-conscription training organizations. The movement was formally established by the Minister of Defence of the Russian Federation Sergey Shoygu in the year 2015, the anniversary of the founding of Komsomol, which is hardly a coincidence. Today, Yunarmiya has over 600,000 members and aims to increase the number to one million this year. Any 8–17-year-old, any military-patriotic club or search squads can voluntarily join the movement. The movement has structural units in all the 85 territories of the Russian Federation and units in Armenia, Kazakhstan, Belarus, Kirgizia, Transnistria and Azerbaijan.

In the modern world, the Russian state sees many threats that patriotic education is supposed to provide a response to. Among other patriotic initiatives, Yunarmiya is thought to play a preventive role in maintaining the stability of society against globalization, colour revolutionary ideologies, 'war fuelled by Russia's enemies', as well as a shortage of personnel and moral values in the Armed Forces. Furthermore, these patriotic initiatives fight against declining fertility rates. This, in turn, is logically linked to the traditional gender roles promoted by the Orthodox Church, which considers national security to be based on family.

The movement 'Yunarmiya', the name of which is the acronym for the young army, is not a new concept but was already used during the Russian Civil War in 1917, to denote under-age participants. In the Soviet Era, the name was used for teams participating in Komsomol's and Young Pioneers' military games. Yunarmiya does not admit to having any specific role models, but hymns, clothing, badges, summer camps, activities with veterans, military rooms at schools – all seem to be copied from Soviet Pioneers. Like members of Komsomol, those of Yunarmiya are also promised career advancement with already more than twenty Russian universities awarding extra points in their entrance exams to students who belong or have belonged to Yunarmiya. The infrastructure of the movement is tied to the locations of military units, DOSAAF and central sports club of the army, through which Yunarmiya gets training places and equipment. Yunarmiya cooperates with drafts, and statistics on how many members join the troops are closely monitored.

Although one of Yunarmiya's most important tasks is to prepare boys for military service, many girls are members of the movement.

This has raised the question of whether the role of women in the Russian military context is growing and changing. Women are not subject to general conscription but can serve under contract. At present, about 45 thousand women are serving in the Armed Forces and the number is increasing.

While the project is not unique in today's world and Komsomol and Osoaviakhim (currently DOSAAF) together raised hundreds of thousands of Soviet youth with military skills, it is worth noting that interaction between the Ministry of Defence and military-patriotic youth organizations has never been as close as today in the case of Yunarmiya. Through Yunarmiya, the Russian Armed Forces have become the main institute of the state in terms of raising patriots.

It is important to keep in mind, that behind the official image is the youth who live in a global world. Several polls show that youth's perception of patriotism does not match the experience of their parents' generation. Also, many scholars consider the current model of patriotic education to be ineffective and vacuous. On the other hand, for the state, it is probably sufficient for members of society to be at least passively involved in the patriotic project, while a small, intense group of faithful and self-sacrificing patriots is enough to maintain the present power relations and top-down mobilization structures.

The current article was written as a smaller part of my doctoral research project dealing with the gender aspects of military-patriotic education in Russia. ■



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Training experts in Russian and East European Studies

Expert article • 2691

In Finland it seems to be one of the eternal questions whether there are enough of Russia experts for the purposes of state administration, businesses and for research and teaching. Even the whole term 'Russia expertise' has been put under the question mark, i.e. what this expertise should consist of or which skills and competencies would make any person a Russia expert (see e.g. Mustajoki 2010, Bogdanoff 2018). Mustajoki has divided the Russia expertise in Finland into two parts: academic and practical. With the first one he refers to academic research and Finnish researchers focusing on Russia and with the second one to intercultural competence and know-how of Finnish business actors, politicians, civil servants and other citizens.

Since 1998 the Master's School in Russian and East European Studies, since 2012, ExpREES, that is, Expertise in Russian and East European Studies, has contributed to the goal of creating both academic and practical expertise in Russia, other parts of the former territory of the Soviet Union, and Eastern Europe in Finland by training Master's students coming from 12 different Finnish universities and from various academic disciplines. The Master's School is coordinated by the Aleksanteri Institute, University of Helsinki. The ExpREES provides students with an opportunity to add a multidisciplinary area studies training to their Master's degree, to specialize in area studies in addition to their discipline focused studies at their home university. Each year approximately 40 students begin their ExpREES studies and take part in the ExpREES summer school and other courses in the different fields of humanities and social sciences provided by the universities in the Finnish university network in Russian and East European Studies. As part of their studies students also learn to know representatives of the ExpREES alumni and in other ways to enhance their connections to the representatives of working life and skills required for finding employment after their studies.

University cooperation in this field – providing education in Russian and East European studies – is utmost important for a country such as Finland because it gathers and thus makes the best out of the resources -both intellectual and material resources that no one Finnish university alone may possess. A network-based training thus multiplies the opportunities of specializing in Russian and East European studies for students of all 12 universities that are members of the given network. In addition, it enhances cooperation between teachers of different universities and may also encourage to research cooperation. In other countries, area studies focusing on Russia, territory of the former Soviet Union or Eastern Europe are often offered by single universities and English as the language of instruction, such as in Tartu, Uppsala, or more recently Helsinki or in some cases, also in international cooperation (e.g. Central and East European, Russian and Eurasian Studies - Erasmus Mundus International Master, coordinated by the University of Glasgow). A network based approach together with the access to educational offerings of network universities and chances of networking with students and teachers from different universities work for the benefit for students' future careers be it in the private or public sector and connected with Russia

and Eastern Europe or not. Networking has been one of the most appreciated outcomes – together with the learning outcomes to do with the area knowledge – in student feedback and alumni surveys gathered each year. According to alumni surveys, the knowledge of Russia and Eastern Europe has been one crucial reason why ExpREES graduates have found their first job. ExpREES alumni also appreciated that courses in area studies were a good addition to their Master's degree and that the ExpREES supported and promoted their graduation.

For the Finnish network universities, ExpREES offers funding for lecture courses, online courses and workshops. The focus is on distance learning, which would allow students all over Finland to participate in the courses. In 2003-2018, over 400 courses have been organized with the help of the ExpREES funding. The courses have handled topics ranging from the Soviet culture to Business in the Baltic Sea Region and from human geography to the history of Bulgaria. The network also provides an opportunity to study partly in the national language (in this case Finnish) and partly in English, some courses are also offered in Russian. The call for applications for course funding in the academic year 2020-2021 is open for the representatives of network universities; the deadline for applications is 17th February 2020.

In addition to national cooperation, Finnish universities have also been active in international education cooperation, and this concerns also cooperation with Russian universities. One of the most intensive forms of cooperation in the field of higher education are joint programmes, including Finnish-Russian double degree programmes at the Master's level. However, these programmes have not usually focused on area studies as such, but area knowledge (or perhaps intercultural competence) may be acquired as a part of the discipline-based studies or when students take their study abroad period. Therefore, these programmes also contribute to the training of Russia experts in Finland – and Finland experts in Russia. ■

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Russia is reforming its waste system, but can the waste reform Russia?

Expert article • 2692

On the 1st of January 2019 Russian communal waste management was reformed – or better said, formed. From 70 million tons of municipal solid waste disposed annually, up to 97% end up in landfills or dumps. In January 2019, a regional operator, that is a company or an organization chosen through a tender, was made responsible for the whole waste chain. The goal is, that the operator would create a waste management system, in which the waste would be sorted, recycled and the ends properly landfilled. The challenge is that the operators were given little or no tools to do this. Here I describe the challenges that Russia will have to solve and analyze the waste reform's potential to influence other fields of economy.

The first year of the reform has been a turbulent one. The target for 2024 is that 60% of all solid waste will be processed and 36% recovered (reused, reclaimed, recycled). After the first year, Russia is no closer to these goals as the year was spent still on formulating the system. The biggest achievement was the creation of waste operator (REO) whose purpose is to produce information, shape legislation, attract investment and create financing options. In addition, REO gives a fresh touch to communication about the reform to citizens. One can for example follow REO on Instagram and read posts about famous bloggers and Greta Thunberg (in a positive light). At the same time, many regional operators are at the edge of bankruptcy, federal cities got 3 years extra time to settle their operator disputes, waste recyclers import waste while the operators do not know how to process it, and the national operator is still in the beginning of 2020 without a chief executive officer as Denis Butsaev was released from his duty in the autumn 2019 – only half a year after starting in the position. So, while steps are taken forward, many struggles remain.

The biggest struggles relate to larger structural challenges in the Russian economy that are reflected on the waste reform. First is the low investment activity combined to energy abundance and hard access to energy distribution networks. In the case of waste-to-energy sector (which is largely how western countries solved their waste problems), same business models are hard to apply. Energy is cheap and connecting to centralized energy distribution networks is hard or impossible. Therefore, some of the most concerning plans include building small incineration plants. Those would not be attached to any energy network, meaning that waste would be simply burned in small kettles, without proper emission filtering systems required by a big plant. At the moment, regions expect big subsidies from the government to build the infrastructure, while the government wants to rely on private investments, which shows in the budget given for the waste reform.

Second, even more severe struggle is the lack of trust between administration and citizens. In the first year, only 50% of all the bills sent by operators were paid, as people refuse to accept a higher price for the same system – waste being transported to landfill. This creates a vicious circle: operator doesn't get paid and cannot invest in infrastructure while people won't pay before infrastructure is in place. On the positive side, co-operation with Europe on the waste

topic is active and eg. legislation on producer responsibility is a replica of the EU system. Russia is especially interested in the business models used on western waste markets, which tells about motivation to construct the waste system by market terms. To do this, larger structures like those described before have to be modified: access to energy distribution, improvement of investment climate, finding other financing models and increasing transparency on the sector. If Russia will be able to break through these lock-ins, waste reform can have a larger positive effect on the economy. 2020 is a critical year which will determine which way the reform will go.

In December 2019 I attended a forum in Moscow, where the results of the first year were presented. A young representative of REO started his presentation with a statement: the waste reform is the largest reform taken place in Russia, to which an older moderator commented flatly, that there was still the fall of communism and introduction of capitalism. Nevertheless, this short dialog revealed something important: for the young generation which has not lived in Soviet Union, the waste reform is indeed the single biggest and most important reform of their lifetime. The interesting thing worth following is, whether the reform is so important that it can change larger economic and political structures in Russia. ■

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Waste as a problem in rural Russia

Expert article • 2693

While some waste fractions reached recycling rates of up to 70% during the end of the Soviet period, today merely 4-5% of Russian household waste is recycled. With only six waste incineration plants and few recycling facilities throughout Russia, waste mostly ends up in one of the 70 000 poorly equipped or illegal landfills or 1339 waste management centers with vast negative environmental consequences.

To solve the current waste crisis the Russian government followed the example of its western neighbors and amended its outdated waste legislation in 2017. The aim is to reduce the amount of waste destined to landfills, increase recycling, create a system for separate collection, and eliminate illegal landfills.

Main responsibility for waste management is ought to shift from municipal to regional level. Regional administration is obliged to adopt regional waste management programmes, establish territorial waste management schemes (TWMS) and nominate a regional waste management operator to implement the scheme. After the reform, waste fees are collected by the regional operators instead of facility managing companies, and the tariff is based on per person standard instead of square meters of living space. Furthermore, waste collection equipment should be standardized for automatized collection and improved waste statistics.

The new legislation has led to a variety of progressively revised TWMS throughout Russia. However, their implementation has proven to be challenging, and there is much criticism about increasing fees and poor service provided by the regional operators. In rural areas, the envisioned waste policy seems to be particularly unfit to provide functioning and just waste management for all.

Rural waste management challenges in the Karelian Republic

The regional programme and the TWMS of Karelia entered into force in 2018, introducing a stepwise plan to build six waste sorting complexes, expand waste sorting to new waste fractions (paper, glass, plastic, biowaste), and close illegal landfills. The regional operator Avtospetstrans has a responsibility to manage sub-contracts, sorting stations and landfills, as well as to monitor processes, communicate with municipal stakeholders and report to the regional government. The duty to maintain local collection points remains with the municipalities. Despite introducing a seemingly well-structured system, the waste policy does not attend to the local realities of waste management. Urged by literature on policy mobility and based on the "localizations" of policy implementation we have identified three key challenges of implementing Russian waste policy in rural areas.

First, the priority of waste management in rural areas is to get waste out of sight, usually by means of landfilling, but due to insufficient waste collection infrastructure, even this fails. Our survey in three Karelian villages revealed that close to 70% of the residents consider littering a major problem in their village. Despite the high awareness of the problems and demands of local administrations to improve infrastructures, Russian waste legislation rests on documentation that accredits the villages with a non-existing waste collection infrastructure. The mismatch between policy documentation and local realities is based on assumptive narratives, and it prevents proper implementation of legislation.

Second, financing of waste management does not support policy implementation. The only functioning element is the collection of waste fees but it has not improved local waste management practices.

Additionally, the policy of shared 5% public and 95% private funding to invest in new infrastructures jeopardizes the possibility to improve rural waste management since it will hardly be profitable for private actors.

Third, governing bodies do not have enough knowledge about local conditions and municipal authorities claim that regional authorities are not willing to improve communication. Despite high awareness of waste problems, most rural communities lack the capacity to tackle the situation by themselves, and other socio-economic problems are higher on the agenda.

Conclusions & recommendations

The challenges for solving rural waste crisis are enormous and there is reasonable doubt that quick fixes in the legislation or the TWMSs are able to address them. According to our experience, activation of local communities might offer an avenue to tackle some of the policy implementation gaps. In the Karelian villages with which we collaborate, enabling local actors, schools and local entrepreneurs to take action in their local waste management scheme has proven one way to achieve improvements. Bottom up empowerment and targeted support (e.g. educational material) can provide local solutions that are developed together with local stakeholders, mobilizing their capacities. Nevertheless, how far such bottom up policy experimentations can push a systemic policy transformation remains a question needing further attention. ■

The article is based on findings from the CBC Karelia project WasteLessKarelias (<https://kareliacbc.fi/en/projects/wasteless-karelias>).

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KAISA VAINIO

What can be achieved with intercultural exchange?

Expert article • 2694

Culture and business are said to go hand in hand if you want to reach eastern and Baltic economies. But how can municipalities build a success story of their own with intercultural exchange?

I have been following long-standing intercultural exchange of a small Finnish municipality Pudasjärvi with their partners in the Russian Republic of Komi. During this 16-year connection many cross-border projects and visits were made in the sectors of education, arts, libraries, tourism, administration and business. This example offers some lessons that can be relevant to other municipalities in their intercultural exchange.

Creating the long-term cultural relationships

Twin town relationships were established between soviet states and Baltic countries between somewhat similar municipalities. Nowadays, new connections are established in cross-border projects. These connections offer valuable networks and opportunities for municipal development.

Municipal cooperation started in Pudasjärvi by accident as a result of art project for youth. When receiving first guests from Komi, there was a surprise: In addition of group of arts teachers and young students, there was a municipal manager with them. He had joined the delegation out of curiosity. This led forming official connections. During the first years, the delegations represented the various sectors of the community: the participants were teachers, artists, young students, members of the municipal administration and representatives of local businesses. The goal was to get to know the partner and to involve the whole community into the network. Diverse delegations were seen to work like an icebreaker – it was easier for all the participants relax and come over cultural differences, when there were children and youngsters present.

Symbolic togetherness is the basis

Only after getting to know your partners, their values and interests, it is possibly to create long-distance goals and projects. To create deeper commitment, partners should find something which they share in emotional level. Symbolic togetherness – created one way or another – is an important tool when forming motivation and trust for the cooperation.

In the case of Pudasjärvi, the shared Finno-Ugric heritage was connecting partners. The theme was seen in the grass-root exchange in youth arts classes and exhibitions, locally in tourism development projects and even in municipal branding. It also affected the mindsets of the participants. For Finns it was easier to sympathize with the idea of Finno-Ugric sister nation, than with Russia, an enemy from the second World War. For locals it was easier to relate to people with whom they had something in common – having similar livelihoods, nature-oriented lifestyles, shared symbols of heritage and areas far from the national capitals. The cultural differences were left aside.

Continuity builds trust, resources create continuity

Creating the positive atmosphere needed for business cooperation

takes time. Continuity is key to building and maintaining the crucial trust. Official cooperation agreements are good for building a long-term cooperation, but without actual, grass-root level interaction the treaties will fade. If various sectors are involved in intercultural exchange, there might be a need for long-term planning to balance goals and funding. In the best-case scenario cooperating sectors bring continuity for the whole cooperation – if different sectors are not fighting from the same resources.

Municipal funding is essential when maintaining the intercultural connections. Funding channels for cross-border projects exist, but they do not support ordinary municipal grass-root level cooperation. Basic cultural exchange with youngsters is relatively easy and cheap to do – and it's proven to give good results. If there are plans to involve businesses into municipal cooperation, why then not involve them in the funding as well? Sponsoring cultural exchange events such as youth camps, arts exhibitions and concert tours, companies can become active participants of the exchange by showing their goodwill locally and internationally.

After financial benefits or driven by lofty goals?

Cultural exchange is said to be the key into foreign markets, but even to ever reach them is unsure. When seeking for financial benefit, the core of the cultural exchange may get lost. The real value of intercultural exchange is found elsewhere. Municipalities have similar problems all around the Baltics and Russia. Cultural exchange is a great opportunity to learn from others and to solve problems together. Most powerful change can be seen in individual participants: positive experiences, decreased prejudices, interest to language skills, stronger local identity and enriched cultural life.

Recipe for successful intercultural exchange in municipalities is to have long-standing cooperation, real grass-root interaction between partners, strong local interaction and shared values. Intercultural exchange does not necessarily bring any financial opportunities, but it is a good starting point to form them. Exchange can bring other benefits in the long run, if the municipalities are ready invest commitment, goodwill, patience and some resources for the interaction. This is how intercultural cooperation creates extra value for individuals and municipalities. ■



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Multilocal Karelians in the 2020s

Expert article • 2695

This year is the 80th anniversary of the Karelian Association in Finland. The anniversary year provides a good opportunity to discuss Karelia also in a wider perspective, as I'm going to do in my ethnographic doctoral thesis starting this Spring.

The Karelian Association was established in April 1940 after the end of the Winter War. Its purpose was to support and unite the war evacuees, who had to leave their homes in Karelia. The second and the last wave of evacuees was forced to leave Karelia after the Continuation War in 1944. In accordance with the peace conditions, a new, final border crossed the Karelian areas in south-eastern Finland. The Karelian Isthmus and the Ladoga Karelia passed to the Soviet Union, and the inhabitants, approximately 400 000 refugees, had to be resettled elsewhere in Finland.

The evacuees had, in many cases, difficulties to start their lives in the new surroundings. The places, the landscape, the local dialects, the traditions – everything was unusual for them. At the same time, they brought their own cultural characteristics to the new areas. Such food as Karelian pasties, for example, have become common all over the country during the last decades. The evacuees also had their significant contribution to the reconstruction of the country and to its economic growth, and over the years, they integrated with the local population.

There was no access to the former homes anymore, but the lost Karelia was remembered, both in families and at the official level, by the Karelian Association. The narrative of Karelia began to include feelings of loss and being evacuated. Karelia became a place of memories and utopias, with nostalgic shades of remembering, when the Karelians themselves were physically located somewhere else.

My own research questions concern, however, Karelians from the region South-Karelia, which after the Second World War remained on the Finnish side of the border. While the lost part of Karelia stayed in memories, this part of Karelia continued its development together with the rest of Finland, going through the manifold transformations of society. Nowadays South Karelia consists of municipalities Lappeenranta (incl. former Joutseno, Nuijamaa and Ylämaa), Imatra, Ruokolahti, Parikkala, Rautjärvi, Luumäki, Lemi, Savitaipale and Taipalsaari. In 2019 the number of inhabitants of the region was 128 054. The population has declined continuously – in 1992 it was 139 907. One of the reasons is migration within Finland. Especially young people tend to move away because of better education and employment possibilities mainly in the capital area.

My doctoral thesis has an autoethnographic starting point. I grew up in South Karelia, and like many others, moved away from there after the upper secondary school. In my research I'm interested in the memories and experiences of people like me, who are born in the 1970s, who spent their childhood and youth years in South Karelia in the 1970s and the 1980s, and who as adults are now living somewhere else in Finland. My questions at this point are complex: How was the childhood and youth in South Karelia those decades? How do they remember the region, and, in their opinion, what was there Karelian? How was it to grow up near the border to Soviet Union, which in that time was almost totally closed?

The identities of the interviewees interest me, as well. Do they identify themselves as Karelians? In addition, I want to find out how

visible is the narrative of evacuate Karelians in this context and do the possible evacuee background of the family or possible participation in the activities of the Karelian Association have any influence on the identification. Is there, in general, anything, that would unite the South Karelians the same way as the Karelian Association united the evacuees after the war? And what about the old stereotypes of different tribes in Finland – will the ones of Karelians be repeated in my research material?

The situation of the generation born in the 1970s is, of course, not comparable with the dramatic stages of the war evacuees. However, up to a certain point, one can talk about forced moving also in this case. Unlike the evacuees, they can, though, easily return to their former home places, if not for permanent living, at least for a short visit to relive the memories. So, which connections do the interviewees still have to South Karelia at present? Parents or a summerhouse, for example? When thinking about the future, could they imagine moving back to South Karelia, and if, under which conditions?

Perhaps the potential returnees, multilocal lifestyle, multiple residences and remote working could bring something positive to the development of South-Karelia and the Karelian culture in the 2020s.



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Turning marginality into a competitive advantage: The role of cross-border cooperation

Expert article • 2696

In contrast with the Cold War era, when border regions were seen as remote and provincial territories, now marginally/peripherally located actors can successfully play with their unique position both domestically (in relation to the centre) and internationally (with similar marginal and/or central actors). Marginal actors can make use of their geographic location by acquiring, for instance, the role of mediator or “bridge” between countries. They can turn their marginality from a disadvantage to a resource and transform themselves from provincial territories to attractive places hosting intense international flows of goods, services, capital, technologies and people.

The EU – Russian cross-border cooperation (CBC) is a particularly illustrative case of successful use of marginality as a resource for both solving most compelling needs of neighbouring regions and ensuring their sustainable development.

Even the deterioration of the EU-Russia relations in the aftermath of the Ukrainian crisis did not undermine CBC between neighbouring border regions. On the contrary, given tense relations between Brussels and Moscow, both the EU and Russian leaderships believe that shifting the focus of their bilateral cooperation from the national to the regional and local levels would be an appropriate solution.

Most EU – Russia CBC programmes are executed in the framework of the European Neighbourhood Instrument (ENI) designed for the 2014-20 period. Russia partakes eight ENI CBC programmes: Baltic Sea Region, Estonia – Russia, Latvia – Russia, Lithuania – Russia, Poland–Russia, South-East Finland – Russia, Karelia and Kolarctic programmes.

These programmes have the following priorities: (1) business development; (2) environmental protection, climate change mitigation; (3) improvement of accessibility to the regions, development of sustainable transport and communication systems; (4) promotion of border management and border security, mobility and migration management.

These programmes provide opportunities for dialogue with a number of different stakeholders, including civil society organisations, local and regional authorities, academia and the private sector. In other words, CBC offers one of the few available funding platforms for certain (marginal) stakeholders who would otherwise not have access to such cooperation. It should also be noted that CBC networks strengthened dialogue both between neighbouring countries and regions and within participating countries.

Many CBC programmes are characterised by the partners' strong commitment and ownership. The programmes are not only planned but also implemented in a coordinated manner, and through joint management structures involving partners at different policy levels (national, regional, local). This is certainly an important contribution

to good neighbourly relations and the creation of a climate of trust between the partners that is especially valuable in the context of current EU – Russia tensions.

In general, EU – Russia CBC programmes provide a very effective instrument for the promotion of strategic cooperation between the partner countries, even in the post-2014 environment. Relations between some EU member states and Russian institutions in the transport, border management, environmental, healthcare, educational and cultural sectors seem to be very strong and there is great willingness to continue cooperation.

There are, however, a number of caveats regarding the role of CBC in developing the EU – Russia cooperation. While relations between EU and Russian sub-national authorities seem to be strongly supported by past and present programmes, the same impact is not so evident in relations between Brussels and Moscow. There are many complex geopolitical factors that negatively affect EU – Russian relations in the CBC sphere. For this reason, CBC programmes probably have the greatest strategic value at the regional and local/municipal levels rather than at the top tier.

On a practical note, better coordination and synergies could be sought between various ENI CBC programmes and with other EU financial instruments and political initiatives in the north-eastern Europe. Currently, some duplication exists in terms of specific projects, participants and funding schemes.

To conclude, in spite of a number of negative factors, such as EU – Russian tensions, the lack of some stakeholders' commitment to specific projects, some partners' inexperience in managing international projects and numerous technical difficulties in project implementation, EU – Russia CBC appears to be a useful and effective instrument in transforming marginality from disadvantage to competitive advantage as well as in building practical cooperation and trust at the transnational, national, regional and local levels. ■



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The gambits of Moscow and Beijing

Expert article • 2697

After invasion in Ukraine, Western sanctions and self-proclaimed "Turn to the East" Russia slowly but surely looks more and more intertwined with China. There is indeed much evidence of this. Joint military exercises, plans to broaden strategic security cooperation, new powerful gas pipeline just put into service, intentions to build more pipelines in the future, certain growth, albeit shaky, in bilateral trade volume – only 20 % in 5 years with considerable ups and downs, reaching at last \$ 108 billion in 2018.

To this should be added what looks like intensive diplomacy, regular summits fueled by arguably warm rapport between top leaders, establishment of several joint commissions and funds, much talk on mutual geopolitical supportiveness (SCO, BRICS) with tangible anti-Western connotation: both Russia and China are apparently under Western pressure of sanctions and looming "trade war" respectively.

Still, however, there is no clear qualitative breakthrough to close alliance or to mutual strategic economic and security penetration. China remained aloof of Russian generous offer to own control stakes in several strategic energy assets in 2015 with Chinese overall accumulated investment into Russia remaining only \$ 3.3 billion in 2019. In 2018 alone China withdrew from Russia \$ 900. High executives of one of the biggest Russian bank consortiums VTB even accused China of following US policy of financial sanctions against Moscow. Russian export to China grew only 0.9% in the first three quarters of 2019. The task to reach strategic target of \$ 200 billion was officially postponed till 2024.

Moscow is apparently wary of Beijing's ambitious "One Belt One Road" initiative, stating imperative to "interface" it with Russian "Eurasian Economic Union", without, however, much intelligible mechanisms and "road maps" to do so. Beijing is hesitant, at best, to support Moscow's view on Crimea and, in broader sense, on Ukraine. Chinese side expressed "understanding" of Russian "motivation" in the conflict, at the same time invariably calling for "peaceful solution" and "upholding of Ukrainian territorial integrity". Moreover, at least from the mid-2018, several Chinese open sources began to frankly doubt long-term sustainability of Moscow's domestic and foreign policy and even resilience of Russian top political leadership.

So, what is it all about? In my view, it is all about Moscow's and Beijing's gambits, which do partly coincide but simultaneously push Russia and China away in several other respects.

Moscow's gambit seems to be raising the stakes in the chaos of suspended solution to the crisis in Eastern Ukraine, Western sanctions, EU latent crisis and looming US-China trade war. If this is a "strategy", then it is that of no clear goal, but survival of domestic political setting by means of perpetuating, whenever possible, Global "Brownian motion". This "strategy" is viewed by Moscow as "best fit" for the current. So far, no better is needed.

Regarding China, the gambit of Moscow aims at making Beijing more receptive to Russian expectations and pushing it to take more clear anti-US position, without, however, to ally with China comprehensively, since the stakes of such alliance could be unbearably high for today's Russia. First, Moscow is not ready to be "No.2, junior". Second, she is still striving to normalize relations with the West, but on her conditions.

At the same time, Russia tries to scare the West depicting her rapprochement with China moving fast in the direction of "alliance", hoping, perhaps, for easing of the sanctions. West if feasibly worried, however not scared enough, hypothesizing Moscow's unwillingness to become the "junior partner" in such "alliance".

Beijing's consistent strategy toward Russia since the establishment of "strategic cooperation" of the two in 1996 was, primarily, not to scare Moscow into the arms of the West. Also, however, not expecting Russia to provoke full-scale confrontation with US or EU.

China's view of Russian foreign activity since 2014 is ambiguous. On the one hand, Beijing is, probably, applauding since Moscow "called the fire on herself". On the other hand, Russian "calling fire" made Beijing to face the choice, it would not want to make. Moreover, recent historical empirics with unexpected collapse of the USSR and subsequent politico-economic swaying of post-Soviet Russia shaped Beijing's deep-down view that the giant northern neighbor is hardly a reliable and potentially stable partner. Therefore, China's gambit regarding Moscow currently is to use what Beijing can use from what Russia has to offer politically, economically or militarily, without accepting far-reaching obligations of close alliance. China is apparently not ready to pay in full for Russian external and internal unpredictability.

Pursuing these gambits may indeed bring two countries technically closer in certain important spheres. Ironically, however, playing such a "match" also may increase mutual distrust. Anyway, the forming of full-scale anti-Western alliance is, to my mind, out of question. Moreover, the endgame of the gambits may come unexpectedly with apparently sudden, but profound change in domestic and foreign policies of the "partners". Due to deeper causes of cultural, historic and politico-economic nature I tend to view Russia as the most possible candidate to commence the turn. ■



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The EU continues to dominate Russia's foreign economic relations, though China's role is still growing

Expert article • 2698

Russia reaches from Kaliningrad to Vladivostok (a distance of nearly 8,000 kilometres). Russia borders both the EU and China. Only six million people out of Russia's population of over 140 million lived in Russia's Far East in 2018. The population of Russia's Far East represents just four per cent of Russia's total population though the region forms over a third of the Russian territory – the territory of Russia's Far East is nearly 1.5 times larger than the territory of the EU (Rosstat).

It is worth observing that despite the rapid rise of the Chinese economy, the official population of Russia's Far East has dropped by one million people this millennium. There are constant rumours that numerous Chinese people live illegally in Russia's Far East, but taking into consideration Russia's strict policy towards illegal immigrants and the systematic actions of the Russian secret services against international terrorism and illegal immigrants, trustworthy evidence is needed before these rumours can be verified.

China's fast economic growth over several decades explains why China's share in Russia's foreign trade has jumped from a couple of percentage points in the early 1990s to 16 per cent in 2018. On the one hand, the EU's share is still over 43 per cent, and moreover, EU–Russia trade has grown by nearly \$100 billion during 2016–2018 whereas Russian–Chinese trade has grown only by \$40 billion during the same period. However, it is a well-known fact that China is now Russia's largest single trade partner, accounting for over 20 per cent of Russia's imports and more than 10 per cent of its exports (Customs Russia). Here, one should note that the Chinese share of US imports was as high as the Chinese share in Russian imports in 2018 (EU).

Although the sanctions of the West against Russia and Russia's counter-sanctions against the West have decreased the share of the EU in Russian foreign trade and simultaneously given an additional boost to China's trade with Russia, the main reason for China's increasing share in Russian foreign trade is due to China's extremely fast economic growth. In this context, one should bear in mind that China continues to grow much faster than the global economy and Russia aims to balance its import dependence on China with its increasing energy exports to China.

In 2018, 14 per cent of China's crude oil and oil product imports and 12 per cent of its coal imports originated from Russia. Russia's role as a natural gas supplier to China is presently marginal, but Russia's share in China's natural gas imports may well already exceed the shares of oil and coal this decade since Russia opened its first natural gas pipeline to China, Sila Sibiry, in December 2019. Despite the growth in Russia's energy deliveries to China, one should not forget that the EU accounted for over 50 per cent of Russia's oil exports, nearly three quarters of its natural gas exports and almost a half of its coal exports in 2018 (BP).

The investment relationship between Russia and China is still invisible in the foreign direct investment (FDI) statistics. China represented less than one per cent of Russia's inward and outward FDI stocks as of the end of 2018. The share of the EU was 65 per cent

and nearly 80 per cent respectively (Central Bank of Russia). Even if China's real capital involvement in Russia is much larger than the statistics of the Russian Central Bank indicate due to Chinese loans, Russia still leans upon the West in its FDI cooperation.

The share of Chinese visitors in Russian inbound tourism has grown. In 2017, Chinese people accounted for six per cent of all the foreigners' visits to Russia. Four years earlier, the Chinese share was two percentage points lower. On the other hand, visits from the EU to Russia still form nearly a fifth of all the foreign visits to Russia. The role of the EU is emphasized in the outbound travels of Russians. In 2017, over 35 per cent of Russians' visits abroad were to the EU. The share of China was five per cent. There is no indication that the Western share of Russian outbound tourism will change any time soon since numerous Russians own second houses and holiday homes in the EU. Moreover, Russians continue to send their children to Western universities.

Russia and China have expressed their interest to intensify military cooperation, and Russia has already organised large-scale military exercises with China. It remains to be seen what will be the intensity of the military cooperation between these countries at the end of this decade. Whatever the level of the military collaboration between these countries, it seems clear that the Russian leadership has put more emphasis on Asian cooperation than before. Here, it is worth noting that Russia founded Ministry for the Development of the Russian Far East and Arctic in 2012. Moreover, President Vladimir Putin nominated Yuriy Trutnev, formerly Deputy Prime Minister of Russia, to be the Presidential Envoy to the Far Eastern Federal District in 2013. As the presidential administration runs Russia, this fact could be regarded as another sign of its interest in Asia.

Russia's geopolitical focus seems to be shifting from the West to the East, and this shift may have global consequences, including consequences in the Baltic Sea region. Therefore, the Centrum Balticum Foundation is organising a discussion panel dealing with geopolitics and the Baltic Sea region on June 15th 2020 in Turku, Finland. For more information on the panel and the National Baltic Sea Forum of Finland, visit the following website: http://www.centrumbalticum.org/en/news_room/events/baltic_sea_region_forum

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