From the Centre for Baltic and East European Studies (CBEES), Södertörn University.

BALTIC WORLDS

Illustration: Karin Sunvisson

also in this issue

ROMA WOMEN NGOs IN HUNGARY / OZEROV ON SHALAMOV / SHUTTLE TRADE IN BELARUS / UNIFIED GERMANY
Ideas in transfer

Today, the dominance of Western ideas is often discussed in relation to Eastern Europe and the postsocialist countries. In this issue, we will address, among many other things, the question of how Western ideas are transferred elsewhere, in particular to the East, and how they are applied or rejected or twisted. The circumstances that catalyze ideas and theories in the West may not be those that exist or are relevant in the East.

“Why were there no great pop art curatorial projects in Eastern Europe in the 1960s?” asks Piotr Piotrowski in a lecture published in this issue. The answer is complex of course, but one reflection he shares is that in Eastern Europe, people felt more like defending Great Art than challenging its status or discrediting it, since the latter was the strategy of the Soviet regime. For Eastern European artists, it was paramount to hold on to the aesthetic value of art. Another explanation lies in a different set of periphery-center relations: Sweden may have looked to the North American art scene for new impulses, but in Eastern Europe, the traditional place to look for artistic inspiration was the seemingly eternal capital of culture, Paris.

Bozena Keff, a Polish writer, feminist activist, and researcher, relates in an interview that in the 1990s, feminism and social activism were to be pitied, not cherished. Normality for many people meant capitalism and Catholicism. According to Keff, the pillars of the Enlightenment, for example secularization and the importance of universal human rights, have a weak status in Poland. The more one moves to the east from Poland, the less developed the ideas of the Enlightenment are, she argues. Today, Polish feminists are struggling to achieve the dominance of Western values in several spheres, such as by introducing the convention against violence, and lifting the ban on abortion.

The dominant Western ideas on cultural expressions and individual rights are here presented as options to either reject or embrace, by choice. Other ideas, however, such as those involving finance and politics, have been more forcibly transferred.

In his lecture “Theory from the East? Double polarizations versus democratic transitions”, Don Kalb notes that the theory of liberal democratic transition has been the dominant compass both in the West and among reformers in the East. He urges us to challenge liberal theory, both as an explanation and as a normative and policy-oriented prescription. According to Kalb, an unexpected consequence of neo-liberalism is neo-nationalism, in its various populist forms. As he sees it, the success of Jobbik in Hungary, the financial crisis in Greece, and the turbulent situation in Ukraine, are all interconnected.

Ideas and theories are often said to be invented in the West, and then applied in the East. However, the patterns of movement may go from periphery to center! The reaction in the East reflected back to the West might lead us to new insights and a new situation — and thus the need to formulate new ideas and theories.

Last but not least, we have to mention the very up-to-date topic of our hefty special section “Economic development in Russia”. Ilja Viktorov, guest editor, presents six peer-reviewed articles and one interview with recent research results and data on the situation in Russia: natural resources and power games, the business climate, financial market regulations, institutional reforms, and the development in rural areas, corruption, and other relevant topics.

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25 researchers from nine different countries as well as 14 peer-reviewers have contributed to this issue.
Bożena Keff

The voice of the excluded

by Renata Ingbrant

Poet, essayist, film critic, journalist, feminist activist, researcher at Polish Academy of Science, literary researcher at Jewish Historical Institute and lecturer in gender studies at Warsaw University – Bożena Keff’s professional career is as multifaceted as it is interdisciplinary, and her interests impressively manifold.

Bożena Keff belongs to the Warsaw cultural and intellectual circle that engages in cultural and political debates promoting new ways of thinking that challenge the conservative Catholic tradition, Polish nationalism and contest all kinds of oppression founded in prejudice and institutionalized by a system. Readers may have come across her name in the Polish media in several different context: debates on Polish feminism, nationalism, anti-Semitism, homophobia, and – in the context of the Polish debate on the Oscar winning motion picture Ida, and the controversies about the placement of a monument dedicated to the Righteous Among the Nations near the Museum of the History of Polish Jews.

As a scholar she is well known for her study A Figure with a Shadow. Portraits of Jewish Women in Polish Literature (2001) in which she explores the double stereotyping of Jewish women in the works of the most prominent Polish authors. Recently, her book Anti-Semitism. An Unclosed History (2013), which contains reflection on cultural and historical contexts of the phenomenon, received much positive attention. The work that has won her probably most recognition as an original writer and a poet is A Piece on Mother and the Fatherland (2008), nominated in 2009 for the prestigious Nike Literary Award. It has also been widely acclaimed thanks to Jan Klata’s multiple award-winning theater production from 2011 that was first staged at a theater in Wroclaw and later at festivals all over Europe and, lately, in South Korea. In fact it is not a theatrical play – rather it is an innovative cross-genre work. The author herself perceives it as poetically organized work that is however not strictly poetry. It turned out to be a work that combines elements of other genres (“opera, tragedy and oratorio”, according to the Polish critic Przemysław Czapliński). A Piece on Mother and Fatherland is a story of a tense relationship between a mother, who is a Holocaust survivor, and her daughter, who is imprisoned in her mother’s suffering. In other words, it is a story of the post-trauma of the Holocaust, although it can be read in a larger framework as the drama of all war victims and the postwar genera-
tion. It is also, in a way, a story about Polish nationalism where anti-Semitic prejudice is one of the factors that binds the Fatherland community – a subject that constantly reappears in Keff’s work. Previously translated into German and Italian, English, Spanish and Hebrew, it has been now translated into Swedish by Dawid Szybek and Michal Piotrowski, and its fragments are to be presented at Theater Galeasen in Stockholm in a reading performance by the actors under supervision of the well-known theater director Natalie Ringler. This is the main purpose of Keff’s stay in Stockholm, I learn, when we meet. After the performance she is to discuss her work in conversation with Stefan Ingvarsson, Swedish cultural journalist.

She and I arranged a meeting at her hotel within a stone’s throw of the Polish Institute. We meet up on March 8th, which also is the first real sunny spring day of 2015. How appropriate! The hotel is not far from the place where FI (Feminist Initiative – a feminist Swedish political party) has gathered for the annual Women’s Day meeting. Later that day, a demonstration will start nearby. Meanwhile in Poland, the Polish women’s movement organizes its annual protest marches called Manifa in all big cities. This year, due to her Stockholm visit, Bożena will not participate in the event that has been a manifestation of women’s mobilization in Poland for 15 years now.

BOŻENA KEFF BECAME INVOLVED in women’s activism in the late 1980s. As she is one of the original founders of the Polish women’s movement, I would like to ask her what she thinks about where Polish feminism is now on the road to equality, whether she would have expected it to be farther along than it is these 30 years later. However, she immediately suggests being on first-name terms, and instead, on our way to a café, we chat about her previous visit to Stockholm, about her friend whom she last met 15 years ago and whom she plans to reencounter this...
afternoon. We also chat about recent Polish movies. “I don’t really like recent Polish movies. I don’t usually go to see them at the cinemas, but the movies that I have seen lately and would really recommend you to see are Malgorzata Szumowska’s feminist feature Body, and Borys Lankosz’s A Grain of Truth, says Keff the film critic. “Even though I do not usually like either detective stories or thrillers, this one shows that popular culture in Poland has a better way of dealing with Polish anti-Semitism than all these works that aspire to be high-culture.” Clearly, today her mind is set on other issues than Polish feminism. Tomorrow, at Galeasen, the conversation will certainly revolve around her views on Polish anti-Semitism. So I continue to follow this thread, leaving the questions regarding her feminism until later.

Looking from the outside on what is going on in Poland, it seems that there has been a change for the better. Among other things, it seems that there has been an improvement in Polish-Jewish relations. I mean, there was the debate on Polish anti-Semitism and Polish involvement in the Holocaust (the so-called Jedwabne-debate) that spurred a new development in Polish-Jewish relations. The height of the development and, in a way its great achievement, was the opening of the Museum of the History of Polish Jews in Warsaw last autumn. One can also observe the growing interest in Jewish culture among young Poles. Would you agree that there is a change for the better in this matter?

— If you want a real change for the better, you need to start from educational programs, that is, what knowledge Polish kids acquire at school – similarly, I understand, to you and me, when we went to school: Although in different periods of time, we used to hear a similar story. I call it a “set with a tree” – a standard Polish narrative which says: the Poles during the Nazi occupation did as much as they could; they could not do much, because of the death penalty, which everyone feared; despite the fact that they could not do much they still have 6,000 trees planted at Yad Vashem for the Righteous Among the Nations. This is the story we all know and which we are told again and again. Yet, even if you reckon with eight, up to ten, or even 15,000 Poles who helped Jews during the German occupation (I doubt if there were so many), it still amounts to only about half of one percent of the Polish population at that time. I mean, no one thinks of the proportions. First of all, only about 0,5% of the Polish population helped Jews; secondly, crimes that resulted in the death penalty at that time included a lot of other things, such as breeding pigs, trading meat, trading cattle, possession of weapons, conspiracy, having and listening to radio, etc., but only the death sentence for hiding and helping Jews is constantly invoked in this context. Thirdly, the fact constantly omitted is that all those people who were killed for helping Jews were killed as a result of denunciation by their Polish neighbors. The direct threat to Jews and the Poles who helped them were not Germans but other Poles. Germans were on foreign territory, and due to the number of Jews in Germany (about 600,000) and their status there (mostly assimilated Jews), they did not really know how to distinguish Jews from the rest of Polish population. Consequently, those who denounced Jews to the Gestapo did not kill anyone with own hands; rather they expected Germans to do that. After years of dealing with this topic, I can only see World War II in Poland in terms of ethnic cleansing.

DURING THE WAR there was an eruption of anti-Semitic hatred that had accumulated over the years. This hatred was mainly founded in Catholic beliefs and nationalist ideology. People seldom ask the question of how it was before 1939. But during the interwar period there was an anti-Semitic fever in Poland – there were paramilitary groups at universities, there were pogroms, overall attitudes towards Jews were alarming. All this is well documented and the atmosphere of hopelessness – in fact a kind of trap – felt by the Jews in the 1920s and the 1930s is well described, not least by Isaac Bashevis Singer. Jan Karski, courier of the Polish Underground State who delivered mes-
sages on the Holocaust from Poland to the West, called anti-Semitism a “narrow, and perhaps the only bridge connecting Poles with Germans.” The collaboration between Poles and Germans was established on the basis of anti-Semitism, regardless of the language in which it was conveyed. For the Nazis, it was the discourse of racism, while the discourse of Polish anti-Semitism was more ethnic and religious.

The project to erect a monument to the Righteous Among the Nations just outside the Museum of the History of Polish Jews sustains and petrifies the official, dominant narrative I have mentioned. The museum has many visitors. The idea is to force people who come to visit the museum – Poles, Jews, and people from other foreign countries – to acknowledge this narrative, while the truth is that many people perceive it as a kind of blasphemy. Therefore we have signed the petition against the project.

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The petition was authored by Bożena Keff and two of her friends and colleagues, Elżbieta Janicka (a photographer and the author of the book Festung Warschau on how the places of commemoration compete with each other in Warsaw’s urban landscape) and Helena Datner (a sociologist and historian and member of the team responsible for the developing exhibition at the Museum of the History of Polish Jews). What the three intellectuals have in common is their struggle with anti-Semitism as well as the attentiveness to the issue of how the hegemonic culture and its dominant narrative suppresses the voices of the excluded, leading to the tension between conflicting narratives, conflicting memories that results in many controversies and public debates. Janicka’s book Festung Warschau is a thought-provoking guide to Muranów (the former Jewish ghetto) and the places which either no longer exist or have been totally transformed. These are the places where the Jewish presence has been commented on from the Polish perspective, through the Polish narrative: “We also suffered; we suffered even more.” Helena Datner’s work with the post-war gallery at the Museum of the History of Polish Jews was constantly questioned and controlled. She was publicly asked not to use the term “Jewish point of view,” because it could make the exhibition unreliable. The post-1989 part of the gallery was eventually excluded from the main exhibition.

Among people who signed the petition were Jews living abroad, emigrants of 1968, writers such as like Henryk Grynberg … “There are many Poles who think the same,” adds Keff. “We think that the monument would symbolically contribute to sustaining the dominant narrative about Polish people rescuing Jews. However, in the dispute around the project, Jews and Poles are on both sides of the conflict. My biggest opponent in this conflict is in fact the Jewish activist Konstanty Gebert.”

Keff is of the opinion that in this place the Jewish narrative should dominate, not the Polish, official one. “The museum is located in the area of the wartime Jewish ghetto, where Jews were left completely alone, cut off from the outside world and where nobody helped them because nobody could, since access to the ghetto was prohibited. Even when the Warsaw Ghetto Uprising broke out in 1943, the Poles did not join the Jews in the battle, although the leader of ghetto fighters, Mordechai Anielewicz, apparently counted on the help from outside.”

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Recently we observe an increase of anti-Semitism in Europe. Is the same thing happening in Poland? What is the difference between Polish and, let’s say, West European anti-Semitism?

— As others do I call Polish anti-Semitism “anti-Semitism without Jews”, because there are really few Jews living in Poland, about 6,000 to 7,000 altogether, so you cannot even speak of a Jewish minority. In comparison, the largest ethnic group living in Poland are Germans. They even have their own representation in the Polish parliament. In the Second Republic of Poland (1918—1939), Jews constituted approx. 10% of the Polish population, that is they were the second largest minority group after the Ruthenians (i.e. Ukrainians, Byelorussians and Russians). Approximately 3.3 million Jews lived in Poland before the war there. (Jews 3.3, Ruthenians circa 6 million, Germans 500,000, Poles 27 millions). In comparison, about 600,000 Jews lived in Germany among a population of about 60 million.) Today their number does not even amount to 1%. During the interwar period,
despite the formal right to Polish citizenship, Jews remained second-class citizens, at least according to the ideology of nationalist parties.

– It is true: There has been growing interest in Jewish culture, particularly among the youth. For it is mainly young people that seek their Jewish roots, even if they have to go as far as the third or fourth generation, which only proves that Polish identity has become too limiting, so they look for other options.

– In the context of what is called Eastern Europe, Poland is undoubtedly the country where most is happening as regards Jewish matters. Nevertheless, anti-Semitism is still very much alive and thriving there. One could prevent or avert it only through education, I guess. The truth is I do not really know how the school curriculum relates to this subject nowadays or if it is taken into account at all. Even the Polish Institute of National Remembrance presented a sanitized image of Polish-Jewish relations. One takes care of the façade. Challenging the prevailing official narrative about Polish anti-Semitism takes place mainly in culture, especially in new cultural phenomena in the periphery of the mainstream culture, while the mainstream, official culture keeps resisting the change.

*In your studies, in your literary work you too challenge the “official narrative” as opposed to the “narrative of the excluded”. You seem to be most interested in what constitutes a system of exclusion in a given, and in this case Polish, society. What made you engage in work against discrimination?*

– Anti-Semitism, homophobia, misogyny are for me a part of one and the same package. However, anti-Semitism affects me personally. Even though there are very few Jews in Poland (in comparison there are quite a large number of homosexual people and half of society is women), anti-Semitism is very much alive. This is not a paradox – it is rather the proof that anti-Semitism is a kind of mythological structure and does not need a real object. To be scared of demons one does not need their existence. I know a great deal about anti-Semitism, since I have written the book entitled *Anti-Semitism. An Unclosed History*, a 100-page overview of the topic. It covers a period of almost 2000 years and all of Europe, it is popular, for everybody but I believe deep enough.

*How did you get involved in the Polish women’s movement?*

– In 1986, the Warsaw city authorities rented out a cinema, *Kultura*, in the city center to the organizers of a film festival. It was a pro-cultural gesture in late-socialism style which would not be possible today. Of course the city got revenue from the tickets. We showed films from different European countries, courtesy of the Dutch Embassy in Warsaw. This festival became the first feminist festival in Warsaw, and it was huge. Then we started the Polish Feminist Association, which became registered as soon as the law allowed it, that is in 1989. For me, involvement in the women’s movement was an alternative to involvement in the Solidarity movement, to which I had belonged before I realized its strong Catholic, nationalist and anti-Semitic undercurrent. The left-wing liberal mainstream would not, or could not, defend themselves against it, or was too weak to do so. This was in a sense an alternative that I needed at that time, because I needed a movement and ideas with which I could identify. I needed somewhere I could belong. In 1989 the Feminist Association left Solidarity when we realized what was brewing in relation to the abortion law.

*You have no problem with calling yourself a feminist. But why are Polish women so reluctant to call themselves feminists? Most women support the feminist agenda, yet they do not want to be identified with this movement. Is it because feminism in Poland is mainly associated with activism, while feminism in western countries is a kind of self-awareness, or a state of consciousness?*

– The majority of Polish men and women today see the Catholic Church as the main authority. The Church is unreformed and its current edition represents the backward-looking version of Catholicism, except perhaps for the community around the Tygodnik Powszechny (a Polish Catholic weekly, published in Krakow, accused by its opponents of leaning towards a much too liberal and left-wing Catholicism). After World War II, along with the state socialism and its system of social benefits, Polish women received the so-called “emancipatory package.” They have achieved a serious degree of emancipation, but on the basis of a very patriarchal consciousness. Socialism gave women a lot, but at the same time it retained its patriarchal consciousness.

– Polish feminists and their struggle for the dominance of emancipatory values, introducing the convention against violence, lifting the ban on abortion – these problems do not exist in Sweden, because in Sweden one has thoroughly
reconsidered the pillars of the Enlightenment thought such as secularization, or human rights. Meanwhile, the further east from Poland one looks, the less processed are the ideas of the Enlightenment.

Has people’s attitude towards feminism and gender studies changed since then?

— Attitudes to feminism and gender studies have changed tremendously in recent times. First of all, the terms “gender” and “feminism” have entered mass circulation. Before that, “gender” in particular was not a part of the official discourse. Gender studies were established at Warsaw University in 1995. Poland was an emancipated country in terms of women’s work and education, but not in terms of feminist consciousness. Together with the previously mentioned “package of emancipation,” after 1945 significant changes took place in Poland – a great advancement for many people: industrialization, urbanization, access to education, and the above-mentioned emancipatory chance for women who frequently benefited from it. However, both state propaganda and the Catholic Church successfully denigrated, blackened or slandered many Western trends and movements, including feminism. At the end of the 1980s there was broad ignorance with regard to feminism. In the 90s, with the wave of democratization, people felt free from all ideologies, and they started to look with pity and irony at all kinds of social activism, including feminism. Capitalism and Catholicism meant normality for many people, and there was no room for the feminist movement, which is basically either leftist or liberal. In Poland, a feminist is often associated with a woman who hates or despises men, and this stereotype has done feminism much damage. Feminism is a label that women often do not want. How do you attach a label to someone in a country where the habit of independent thinking is not very strong? You would allow other people think they know all about you. Ah, feminist, that’s obvious! Neither women nor people in general know what feminism really stands for. Today, however, the attitude has changed, at least in part. Young people know a lot more. Feminist terms have entered the so-called mainstream discourse in Poland. Many famous women are feminists. Two feminists have held the post of the Minister for Equal Status of Women and Men: the former minister, philosophy professor Magdalena Środa and the current minister, sociology professor Małgorzata Fuszara. In this case, as regards feminist consciousness, the effort is collective.

This is the situation of gender studies in the country in which the word gender evokes resistance – not among students, not in the big-city environment, but rather among ultra-Catholics. The resistance to gender studies, or rather the drivel about it, appears most powerfully within Catholic Church and its ultra-right-wing environment. These are strong milieus, but I have no contact with them. It reminds me a little of the situation of my Italian friend when Berlusconi won the elections. She asked: “Who the hell voted for him?” Well, quite a lot of people, but she did not know any of them.

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references

The Catholic Church seems not to embrace feminism and sometimes not even human rights.
The 1960s had more than one face. Although pop culture spread throughout the world rapidly during the decade, this did not mean that pop art, which is of course not the same thing as pop culture, followed. On the contrary, we still are faced with a problem: American and Western European methodological imperialism frames global art via stylistic premises that originated in North Atlantic art history. One of the groundbreaking texts dealing with the question of methodological imperialism and pop art was recently written by the Hungarian author Katalin Timár: *Is Your Pop Our Pop?* This was followed by the work of Polish scholar Anna Kołos, in her (regrettably, unpublished) M.A. thesis, *Quoting pictorial tradition in the poetics of pop art in Polish, Hungarian, and Slovak Art in the age of socialism.* The idea these two authors share is that acceptance of the term “pop art” by local art history is problematic. Peripheral art works are caught in a kind of trap between a general vocabulary of style, which originated elsewhere (in the case of pop art the origins are of course North America and Britain), and local specificity that is not readable from the outside. This constitutes a challenge for local art critics, who must find a way out of this trap. While Timár’s article is largely critical of Hungarian art-historical discourse, Kołos, in her thesis, tries to analyze particular techniques shared by both North American and Central-East European artists, such as “quoting pictorial tradition,” rather than depicting a general view of this sort of art in the region. Finally, in the precise and detailed analysis Kołos provides, we are able to find some general, international similarities between artists working in those two art-historical contexts, as well as differences. Nevertheless, there are some art historians who have no objection to the use of the term “pop art” in local contexts, such as Katalin Keserü in Hungary, or Sirje Helme in Estonia. In other countries, although this vocabulary is used (for example in Slovakia), there are no monographs on local pop art like those by the foregoing authors.

**WHATEVER MIGHT BE SAID** of pop art techniques and art-historical discourses used in Hungary, and later in Estonia, (and less frequently in other countries), one would be hard-pressed to say that the 1960s was an era of pop in the region, especially one with North American influences. In Eastern Europe, pop art did not reach the level of being a significant style, and there were no large-scale international curatorial projects dealing with it.

The first question, then, might be: Why were artists in Eastern Europe in the 1960s not so interested in North American pop art, as opposed to artists in, say, Sweden? Concerning Sweden, let me simply point out that, although formally speaking, especially from the military point of view, it was a neutral country (and still is), from the Eastern European perspective, it was (and still is) seen as a Western country. Although the West was idealized in the East, and the US has enjoyed a great prestige in Eastern Europe (and still does), the cultural map at that
LET ME DEVELOP these ideas in a couple of arguments.

The background of pop art was a sort of cultural trash – popular iconography, everyday, ordinary objects, and so on. It was a way to understand the contemporary, present-day reality; that is, it was quite a different approach to the world from that expressed by high modernism – in case of the US: abstract expressionism. In Eastern Europe the point of departure for postwar modern art – which actually began in the post-Stalinist period, simultaneously, curiously enough, with the emergence of pop art in the US (that is, during the late 1950s/beginning of the 1960s) – was high modernism, as an alternative to socialist realism. The trauma of the mandatory, the only art that could be shown publicly, which went together with political terror, was so strong that it resulted in a conviction that only autonomous high art is able to defend the high culture values that at the same time guarantee artistic freedom. The popular culture at the beginning of the 1960s was extremely pure, and it would be very difficult to become fascinated by it. If there is something precisely similar to the methodology of pop art – that is a sort of critical analysis of everyday realities – it would be soc-art, which emerged much later in the USSR. Artists as Eric Bulatov, in the mid-1970s and later, referred to the ambiguities of the everyday communist iconosphere of the Soviet Union.

That was of course the desire for American trash, such as Coca Cola cans, popular comic books, illustrated magazines with movie stars, etc. It was not, however, the everyday realities here, rather a charming cult of the reach of free culture. If we thus look at – let’s say – Gyula Konkoly’s pictures (a Hungarian artist), and some of the references to Western popular culture found in them, we see Western influences and popular culture, almost as iconography, quoted as stylistic references (i.e. pop art), très-à-la-mode Western art, art novelty coming from the West.

It has also happened that these references have been combined with informel painting, as in the case of Endre Tót, to mention another Hungarian of that period. This is important since informel style was able to elevate any art production to the level of high culture, i.e. free art, so important in the post-socialist-realism period. If we now take into account Robert Rauschenberg’s combine painting, which in some sense was behind Hungarian art experiments, we can see that the relation between the everyday object and abstract expressionist references was in fact the reverse. The idea wasn’t to elevate the banal reality to the level of high art, but on the contrary, to discredit high art itself.
The foregoing is in no way meant to suggest that there was no "figurative" painting in Eastern Europe in the 1960s. The figurative painting that existed, however, was of course based on a different tradition – I would call it non-socialist realism – and referred to different problems, mostly existential, usually suppressed by genuine American pop artists.

THE SECOND QUESTION I would like to raise here might be: Shall we draw the conclusion that there was no interest at all within Eastern Europe in North American culture, again, as opposed to the interest Sweden at the beginning of the 1960s? At that time, to be sure, Eastern Europeans did not buy into the idea of New York’s having “stolen the idea of modern art.” They still believed that the capital city of international contemporary art was Paris. If we look at Entre Töt’s painting, it is not even clear whether we are seeing a North American echo of pop art, or French Les Nouveaux Réalistes – something entirely different, of course, having become very popular in the 1960s in Slovakia because of the close relation of local artists to Pierre Restany. Katarzyna Murawska-Muthesius, one of the authors of the book Paris: Capital of the Arts, 1900–1968, wrote polemically to Serge Guilbaut:

“Despite the supposed impenetrability of the Iron Curtain, a steady exchange between Paris and Eastern Europe took place from 1946 onwards. A plethora of exhibitions traveled in both directions; periodicals and catalogues were privately circulated; artists and critics, sponsored by cultural and political bodies, travelled both West and East. Relations were never broken off completely, even during the ‘darkest nights of Stalinism’, although they were closely monitored by the authorities. The Iron Curtain might be compared to a two-way mirror, able to hide and reveal several Parises: the dreamt-of ‘fount of modernity’; the ‘communist’ Paris of Daumier and socialist realism; and finally the ‘forbidden’ Paris of existentialist anxiety and of the liberating gestures of Tachism. These diverse ways of looking at Paris from the position of an Eastern European observer might be aligned chronologically to form a tentative sequence which would unfold from the brief episode of the return to modern Paris in the period directly after the war (1945–48), through the rise of the ‘Iron Curtain Paris’ constructed by Stalinism (1949/50–55), to the Paris ‘regained’ with the post-Stalinist ‘Thaw’ (from 1956).”

In terms of the 1960s, our primary interest, she added:

“During the 1960s, however, the absolute hegemony of the Parisian dream was beginning to turn into a nostalgic memory, even in Poland. The freedom to look at Parisian art mattered increasingly, but so did the chance to be seen there. Throughout the 1950s and the 1960s, Paris was undeniably the city in which artists from Eastern Europe were exhibited by both state museums and private galleries. At the helm was Denise Rene, with her successive displays of the pioneering Polish Unism (1928) and geographical abstraction in 1957, of abstract Yugoslavian art in 1959, and of work by the Hungarian constructivist László Kassák in 1960 and 1967. A young

PIOTR PIOTROWSKI IN MEMORIAM

IT’S NOT ALWAYS that the departure of someone whom we have a professional relationship with leaves a physical sense of loss. But this is how the death of Piotr Piotrowski has affected us, his colleagues at Södertörn University. He was Professor ordinarius in the Art History Department, Adam Mickiewicz University, Poznan, Poland, and its chair from 1999 to 2008. His field of research, world art history, departed from the modern and contemporary art worlds of Eastern and Central Europe. Piotrowski systematized cases from this area into a relational geography of art, or what may be called a horizontal art history. His narrative forms a relentless critique of the universalist voice of Western-Eurocentric hegemonic art history with its conceptual and aesthetic canon of styles, artists, and models of influences. It does so with a theoretical and methodological rigor that could only be earned through an extensive knowledge of marginalized archives.

PROFESSOR PIOTROWSKI’S article in this issue of Baltic Worlds is an excellent example of his method and style: a witty attack on fundamental concepts. We cannot assume that art markets, and hence pop culture, work the same way in the US, Sweden, and (post-communist) Central European countries.

So how is a concept such as “pop” to be approached? Contemporary culture may contain expressions of postcommunist, postnational, postcolonial, and postmodern modes of production, but this is also the ground for Piotrowski’s thesis on why and where cultural situatedness must be acknowledged and universalism rejected. Studies in the art history of metropolitan nineteenth- and twentieth-century France or the English-speaking world should not be abandoned in favor of regions such as the Baltics, East-Central Europe, or indeed South America. Since artists and
Polish artist, Jan Lebenstein, received the Grand Prix at the Premiere Biennale de Paris in 1959.”

Naturally, this does not mean that there was no relation at all between Eastern Europe and New York – the famous exhibition of Polish contemporary painting at the MoMA in 1961 attests to this – but it was definitely less visible and less recognized by both art criticism and the authorities than – let’s say – the exhibition of Polish painters at the Musée National d’Art Moderne in Paris the same year. However, in the course of the 1960s, the situation gradually started to change. By the end of the decade, London and New York had replaced Paris as places of privilege for Eastern Europeans. It was not, however, pop art (with the exception of Hungary, as noted) but rather happenings and conceptual art that captured the attention of Eastern Europeans. Therefore, the real change of “art-geographical desire”, or the change in both virtual and real cultural trajectory, took place here by the end of the 1960s, and was connected with the entirely different aesthetics and art theory.

Now, let’s come back to the beginning of the 1960s, and ask the third question: if transnational pop art curatorial projects were not to be found in Eastern Europe as the crucial art-historical experience, were there others in the “Era of Pop”, instead? I assume that the only large-scale transnational, indeed global, curatorial project at that time in Eastern Europe was the New Tendencies Biennial in Zagreb, established in 1961 and running through 1973. It was organized – and this is extremely interesting from an art-geographical point of view – on the basis of the South American artist, Almir Mavignier. (However, it was based in West Germany, actually in Ulm, which is extremely important because of the Hochschule für Gestaltung, founded by Max Bill in the 1950s, an artist extremely important for Latin American concretism). Let’s look into this more closely.

Almir Mavignier, a Brazilian artist who moved to Germany, is one of many who created a sort of bridge between Europe and Latin America, especially in the field of – generally speaking and broadly understood – neoconstructivism. To live in Ulm was, as noted, significant because of Max Bill, whose influences over Latin American concretism cannot be overstated. Another theme might be the argument about how relationships between Latin America and Eastern Europe looked in the 1950s/1960s in terms of the above-mentioned broadly understood neoconstructivism. And then we have the striking comparison of the background of two curatorial projects, namely the Biennial in São Paulo, established in 1951, and, ten years later, the New Tendencies, also organized in the biennial format, albeit with a much shorter lifespan. In both cases there was an ambition to be modern, universal, and global; in both cases neoconstructivism (in Brazil’s case concretism) was the vehicle of inter-national

historians insist on connecting with metropolitan art concepts and institutions rather than with each other as Others, a relational geography of art needs to account for why this is so. And, until the very end, Piotrowski was working on a project to globalize Polish art as a counter-model to the “post-“ histories that presently function as gatekeepers to the dominant academic discourse on contemporaneity. In fact, in 1999, when Professor Piotrowski visited Sweden as a researcher in the Moderna Museet exhibition After the Wall, he insisted on an anti-universalist approach to studies in the production of art and art history. Piotrowski’s work continuously challenges historians to study the spatial dynamics and temporality of West and East; its connections between individuals, work, and institutions far beyond Europe.


Over the years, Professor Piotrowski was invited to several institutions as a research fellow. He took part in the international conference Art in Transfer: Curatorial practices and transnational strategies in the Era of Pop (November 6–8, 2014, at Södertörn University and Moderna Museet, organized by Charlotte Bydler and Annika Öhrner). We are deeply honored to have had Piotr Piotrowski as a CBEES guest researcher as recently as November 2014. His extraordinary enthusiasm and commitment to criticality and democratic ideals in academia has left indelible marks far beyond the discipline of art history.

Charlotte Bydler
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culture, i.e. “inter-” and “national” at the same time, or an attempt to internationalize the local; in both cases emerging and modernized countries wanted to be recognized as the protagonist of the utopia of technology, science, industrialization, and so on. Of course, there were significant differences, too.

The São Paulo Biennial was initiated by a private, successful businessman, and its structure followed the Venice Biennial format with national delegations from around the world. Its crisis came in 1969 because of the international boycott caused by the increase of terror and censorship, introduced by the local junta in December, 1968. However, the biennial still exists, as a large global event. The New Tendencies was much more specific, focusing on particular art only, organized by the artists and critics, with the support, of course, from the local administration. It was definitely a smaller-scale event, showing invited artists and their art, not national teams. Its failure resulted from internal artistic causes, but the failure was also connected to the end of the relatively liberal policy in Croatia, called “Croatian Spring”, followed by stronger centralization of Yugoslavia. Let’s save these observations, however, for a different occasion.

Nevertheless, Almir Mavignier, because of his role in founding New Tendencies in Zagreb, would play a very important role in art developments in Eastern Europe. He had become familiar with the local art scene – probably the most vivid, international, and dynamic in Eastern Europe at the end of the 1950s and the beginning of the 1960s – ever since he stopped there on his way from the Venice Biennale to Egypt in the summer of 1960. While returning to Ulm, he wrote, on February 24, 1961, a famous letter to Matko Meštrović, a young art historian and art critic, the key person in creating this series of exhibitions, actually in French, a language widely used in Eastern Europe at that time. He suggested the idea of organizing a global show in Zagreb with artists from Germany, Italy, France, Switzerland, Austria, and Brazil. In New Tendencies 1 (this one written in plural), there were only two South American artists, and they were the ones who used to live in the West, actually in Western Europe: Almir Mavignier himself and Julio Le Parc, an Argentinean living in France. In the next exhibition, New Tendencies 2 (still in plural), in 1963, there were, in addition to Mavignier and Le Parc, Martha Boto (Argentina/France), Carlos Cruz-Diez (Venezuela/France), Luis Tomasello (Argentina/France), and Gregorio Vardanega (Argentina/France/Italy). In the third exhibition, New Tendency, in 1965, Martha Boto and Waldemar Cordeiro were present from South America, though the exhibition was open to Eastern European countries other than Yugoslavia: the Group Dviženje from the Soviet Union, as well as Edward Krasiński from Poland and Zdeněk Sýkora from Czechoslovakia were shown. The third exhibition, organized as Tendencies 4 (in plural again, but without the adjective “new”) was not put together until 1969, already in a different historical context and along with different theoretical questions. Let me just mention that it was anticipated by a couple of different events and side projects (workshops, symposia, shows), enormous retrospective catalogue of this series of events, which she also edited, new technology and new hopes and expectations in terms of aesthetic, social, and political potential were the main backdrop to the New Tendencies. From an art-historical point of view, this project was clearly distinct from abstract expressionism, or – in French terms – Tashism, because it rejected the idea of “genius”, replacing it with a concept of “research”, as well as industrial production and science, and connecting them with “democracy”, because of widely accessible mass-reproduction and multiplicities of serially produced art works. The artists believed their efforts were part of a struggle against the elite-oriented art market. In my opinion, however, neither neoconstructivism nor pop art had anything to do with democracy. Technology, which lay behind neoconstructivism, lead to technocracy, rather than to democracy, and the consumerism that informed pop art was populist, not democratic. They both were somehow (in different ways) anti-elite, but far from democratic, if by the latter we mean an agonistic agora, rather than shopping mall or perfectly organized factory.

As Margit Rosen has written in the enormous retrospective catalogue of this series of events, which she also edited, new technology and new hopes and expectations in terms of aesthetic, social, and political potential were the main backdrop to the New Tendencies. From an art-historical point of view, this project was clearly distinct from abstract expressionism, or – in French terms – Tashism, because it rejected the idea of “genius”, replacing it with a concept of “research”, as well as industrial production and science, and connecting them with “democracy”, because of widely accessible mass-reproduction and multiplicities of serially produced art works. The artists believed their efforts were part of a struggle against the elite-oriented art market. In my opinion, however, neither neoconstructivism nor pop art had anything to do with democracy. Technology, which lay behind neoconstructivism, lead to technocracy, rather than to democracy, and the consumerism that informed pop art was populist, not democratic. They both were somehow (in different ways) anti-elite, but far from democratic, if by the latter we mean an agonistic agora, rather than shopping mall or perfectly organized factory.

**LET ME ADD** that it was not only Tashism that was a negative point of reference of the New Tendencies; it was also – what is important for us and what is much more generally characteristic of neoconstructivism – pop art. This sort of art (i.e. neoconstructivism) was somehow close to The Responsive Eye organized by William Seitz at the MoMA in New York in 1965, promoting what he has called “optical art,” or “op art.” Also in Europe, as Jerko Denegri argues in the above-mentioned retrospective, the New Tendencies movement was connected with such projects as the Moving Movement exhibition at the Stedelijk Museum in Amsterdam (1961), later shown at the Moderna Museet in Stockholm and elsewhere. There were more post-informel abstract artists consistent with the focus of both Almir Mavignier and Matko Meštrović, such as the ZERO Group from Germany, the Paris-based Groupe de recherche d’art visuel founded in 1961, Padua Gruppo N, people around Azimuth & Azimut in Milan, and others. The local situation should be also on the agenda, if not the primary point of reference. If Zagreb had not been so interesting for Almir Mavignier, he would not have proposed Matko Meštrović as organizer of the exhibition. In the text mentioned above, Denegri cites the Exat

**“THE ARTISTS BELIEVED THEIR EFFORTS WERE PART OF A STRUGGLE AGAINST THE ELITE-ORIENTED ART MARKET.”**
51 group, which emerged shortly after Josip Broz-Tito broke his relation with Stalin and left the Eastern Bloc. Exat 51 was a very influential group of artists in Zagreb, who formed the immediate art-historical context for the New Tendencies. Let me also add another Zagreb group of artists that emerged in the city in 1959, namely the Gorgona group. Although these artists had declared a different type of art, different theory and attitudes, and different politics and aesthetics — including rejecting the visual from the artwork (actually conceptual approach) — some of them, such as Julije Knifer, took part in the exhibitions. Also, Matko Meštrović himself was connected with the Gorgona group.

Now let me draw your attention to the position of neoconstructivism itself in the whole region, i.e. Eastern Europe, in the 1960s, to provide the broader geographical framework of this curatorial project. Constructivism as such has a very strong tradition in Eastern Europe. Because of its Soviet origins, it became widespread in the region very quickly in the 1920s, especially in Poland, where Henryk Stażewski, Katarzyna Kobro, and Władysław Strzemiński had close relations to Russian artists, especially Kazimir Malevich, but it also quickly became important in Hungary because of Lajos Kassák. Kobro and Strzemiński died at the very beginning of the 1950s, but Stażewski in Poland and Kassák in Hungary were still alive in the 1960s, and they created strong circles of younger artists who became responsible for the revival of constructivism. Their personal role in the revitalization of constructivism was very important. To a lesser extent, we can say the same about Czechoslovakia, which does not mean, however, that in the 1960s neoconstructivism was not visible there. In 1963, several outstanding Czech artists founded the group Křižovatka, then the Synteza group in 1965, and finally the Club of Concretists in 1967. The first attempt towards constructivist revival (aside from the Exat 51 group in Zagreb) appeared in Poland in 1957. Julian Przyboś, a close associate before the war of Katarzyna Kobro and Władysław Strzemiński, wrote an essay called “Abstract Art – How to Get Out”. Przyboś argued against the French-oriented informel style and one of its main Polish protagonists, Tadeusz Kantor, advocating instead attention to local artistic heritage, the Polish avant-garde tradition, namely constructivism. However, the first exhibition that manifest this was organized not in Poland, but in Paris, at Denis René Gallery in the same year: Précurs eurs de l’art abstrait en Pologne, 1957.

PARIS, AS NOTED did indeed host a couple of exhibitions like that. The Zagreb artists from the Exat 51 group showed their work in Salon des Réalités Nouvelles – in fact, the same year the group was formed (1951). And allow me to mention the abstract Yugoslav art in 1959, and the work of the Hungarian constructivist László Kas sák in 1960 and 1967, all shown at Denis René Gallery. It is hard to pinpoint the end of neoconstructivism in Eastern Europe, since even in the 1970s it was very popular throughout the region; however, its role changed around the end of the 1960s in the face of neo-avant-garde art: conceptual art, body art, performance, and other poetics.

Now, let me raise the final question: what is the art-historical significance for Old Continent of the popularity of neoconstructiv-
ism, as well as a Parisian as opposed to North American geo-cultural trajectory, in Eastern Europe in the “Era of Pop,” i.e. in the 1960s?

The first and most general answer is quite banal: there was no one, monolithic Europe. Art history in Sweden in the 1960s, for example, was different from the art history in Yugoslavia. This also means that both virtual and real art geography looked different in different parts of Europe. If Sweden tended to focus on the North American art scene, Eastern Europe was — let us say — more “traditional” and viewed Paris as the eternal capital of culture with the capital “C.” Because it was cut off from its Western part, it petrified the old, continental, imagined cultural relations, which at the same time were symbolic, and compensated for the loss of the paradise that Europe without the Iron Curtain was thought to perhaps be. The next answer is not terribly sophisticated either. While pop culture was behind pop art, there was no pop culture in Eastern Europe in the 1960s, or at least not to the same extent as in the West, although pop music began gradually to become more and more widespread, but this started later in the 1960s. Nevertheless, it was more desirable than easily accessible, in some places maybe even elitist, rather than popular. Only later in the course of the 1960s did the situation change, but not to the same extent as in the US. To put it more metaphorically, Coca-Cola was still more expensive in the region — if it was accessible at all — than vodka. In a word: it was not a “natural” background for pop art, even if we can find something, especially in Hungary and later in Estonia, resembling it in terms of style.

There is a deeper problem. Pop art acknowledged art with a small “a.” It wanted to be anti-elitist, immersed in everyday imaginary and street poetical art manifestation. However, art written with a lowercase “a” was suspect for Eastern Europeans. In addition, they needed art with a capital “A” as a manifestation of a defense of culture with a capital “C.” Even if they used everyday ordinary objects in their art production, they elevated them to the “Great Art,” and placed them in the symbolic, aesthetic, and poetic order. They felt that they had a mission to defend art, not to discredit it, since they knew that the latter was a goal of the power, the regime originating with the Soviets.

**ALL OF THIS IS** more or less obvious. I would like, however, to conclude with a different observation. Of course, as already noted, neither pop art nor neoconstructivism was democratic. While the former was populist, identifying equality with consumption – changing art galleries into commercial galleries, museums into shopping malls – the latter stood for technological utopia, and believed that technology would solve the problems of humanity, changing it into fabricated machinery, transforming existential issues into technocratic discourse. Both of them were criticized as such around 1968.

Neoconstructivism was of course not exclusively Eastern European. On the contrary – it was global, originating in Western so-to-speak rationalist, scientific, technocratic, and industrial utopian thought. Its functions were, however, different. While in the West it was connected with capitalism, in the East the same utopia supported communism. Here, thus, we touch upon the core problem. Was the popularity of neoconstructivism connected with the reigning system of power? I would argue that in Yugoslavia and in Poland in particular, it was. The artists and the powers that be shared the same conviction that technology, science, and industrialization would be the right path forward. Additionally, neoconstructivist art did not appear dangerous – squares, circles, rectangular, straight lines, and so on were neutral and devoid of direct political meaning. Of course, the situation was dramatically different in such countries as the GDR, where socialist realism was mandatory in art in the 1960s, at least in the public sphere. In countries like the GDR, neoconstructivism manifested the desire for freedom, which also shows that in Eastern Europe there were inner borders, too. In both cases, i.e., a little bit more free, as well as a little bit less free communist countries, neoconstructivism manifested the desire to participate in the global art scene, to share the same universal culture, since these possibilities were limited – though of course to a lesser extent in Yugoslavia. I would stress that neoconstructivism gave the Eastern European artists a strong conviction that they are modern. To be modern made possible both a utopian prospect for the future, as well as references to the tradition of modernism from the past; and modernism, as I noted above, was the main framework of post-socialist-realist art in Eastern Europe. To put it simply: the problem with pop art would not be that it was modernist; indeed, it was anti-modernist, and as such would not address the typical Eastern European trauma experienced at that time of the discrediting of universal art by communist cultural politics.

Note: Piotr Piotrowski held this lecture as a keynote talk at CBEE's annual conference at Södertörn University in December of 2014. He modified and reworked his lecture for publication in Baltic Worlds.  

**references**


6. Ibid., 59–61.

7. Ibid., respectively pp. 65, 111, 179.


10. Ibid., 19.

This paper will be an exercise in global anthropology. More precisely: a global anthropology of Marxian inspiration. Such an exercise is called for because of the general acceleration of time and the accelerated compression of space in the last 25 years; and because of the crises and antagonisms that the process is producing in some places, including in Central and Eastern Europe. Such an analysis is enabled by the fact that we are not in denial any more, as was often the case before 2008, that these ongoing accelerations are intimately associated with the shifting organization of capital accumulation, as David Harvey reminded us already in 1989. Capitalism is back: As perceived fact, as crisis, and as analysis. We are beyond the “modernities at large” and “cultural hybridities” approaches of the 1990s. And far beyond “the end of history”.

I emphasize once more the timing: these time-space accelerations emerged in the last 25 years. It is also 25 years ago that the Wall came down, socialism collapsed, and the unimaginable spectacle of the crumbling of the Soviet Union all by itself was beginning to play itself out. CEE and post-socialism are concepts of territory and periodization, in fact of path-dependent territorialized histories. But it is imperative to understand that our object itself is part and parcel of those very accelerations, rather than just a place. It is fully entangled, as conjuncture and as socio-territorial designation, indeed as a set of social relations, with the accelerated compression of time and space that emerged as purportedly national social economies were transformed into networked tiers and sub tiers of a globalizing capitalism unbound. Its properties are not just local but are specific and specifying local inflections of the key properties of the global process. While wrapped in local costume, much of their contents and substance are of global making. It is this complex dialectic that we need to grasp.

Anthropologists are interested by inclination and calling in how lives, biographies, social relationships and everyday orientations of common people change, and in how that change is experienced.

**abstract**

The escalation around Ukraine calls for a larger historical re-assessment of social change in Eastern Europe – and indeed of the European project at large. The current moment of historical re-assessment requires a full-fledged competitor to liberal theory. The article will explore how a theory of ‘double polarizations’ anchored in global anthropology and Marxism, and with a relational theory of culture and politics at its heart, can explain unexpected outcomes that must now appear as a shock to liberal audiences.

**KEY WORDS:** Neo-liberalism, globalization, nationalism.
The Neoliberal Circle of Life
and signified. In a sense, my discipline can be seen as a proud inheritor of the radical democratic tradition. Rather than privileging elite actors, leading institutions, highbrow rules, ‘the West’, and so on – and identifying with their concerns – anthropologists insist that if we want to understand real societies and actual histories, we need to talk to common people, to herders, housewives, poor elderly citizens, blue collar workers, secretaries, as well as to the great ‘movers and doers’ in history.

My anthropology of post socialist CEE is Marxian among other things because I am keen on developing a conception of how common lives have been transformed, not just by being local lives, but by being part, indeed a particular part, of this global universalization of capitalist accumulation over the last generation. I am convinced that the concepts class, labor, and social reproduction make crucial social relations visible in a way that concepts with other pedigrees often do not do so well. That is because in a proper Marxian approach, these are relational concepts, tools of vision that focus on ineluctable social relationships and interactions; relations and interactions that people have to enter into on an often daily basis in order to live, give life, and survive. A relational Marxian approach to common lives asks how the lived valuations of such lives in common are give life, and survive. A relational Marxian approach to common lives asks how the lived valuations of such lives in common are shaped by, and shape, the valorization requirements of capital; and how they are shaped by, and shape, their particular socio-territorial insertion into the globalizing value regime of capitalism.

I note therefore that capitalism, rather than merely being something up and out there – which it also is – is a common social relation too, although one where the benefits and the surpluses generated are appropriated privately and unequally (after which they may or may not be redistributed).

This Marxian exercise in global anthropology has a particular goal. I deploy it to make a set of crises, contradictions, and antagonisms visible that lead to a very different vision of ‘liberal democratic transition’ in Central and Eastern Europe than we commonly hear about. Democratic transition is depicted in the press and the academic consensus as a great success. This means two things: state communism has not come back – the liberal transformation of state and economy has been consolidated – and these countries have been or are being integrated into the EU.

_What this liberal perspective_ with its sanitized focus on legal-institutional outcomes cannot see is what the anthropologist Jonathan Friedman has called ‘double polarization’: the combined social and cultural polarizations of societies in the context of the globalization of capital accumulation and the associated evaporation of ‘popular sovereignty’. This double polarization works to pulverize the ‘liberal center’ and to generate ‘ugly’ identity politics. This is an _integral_ part of current capitalist transformation. As societies become ever more unequal, and middle classes fragment into a large category of downwardly mobile people on the one hand and a smaller segment of the upwardly mobile on the other, the partisan politics of cultural identity tends to take over from the inclusive politics of (re)distribution. Even more, social inequality tends to generate identities among those who perceive themselves as downwardly mobile that reject key aspects of a liberal pragmatic outlook in favor of an ethnoreligious, mostly right wing, neo-nationalist populism, driven by a re-embracing of imagined traditions, of a holist ‘us’ versus ‘them’. The liberalism of increasingly secluded (imagined) elites, simultaneously, tends to transform into an embrace of natural hierarchy, with educated liberal governing classes legitimately looking down upon the ‘folk rabble’. This is the cultural polarization that Friedman predicts. While this is a general process in Europe, Central and Eastern European societies have been affected _a fortiori_. What does ‘theory from the East’ in a Marxian anthropological mode tell us about these processes? Which tendencies can we identify? And which explanatory gains can we achieve that are beyond the reach of the canon of ‘democratic transition’? The answer is, we will not only start to understand actual lives, but also the systemic drift toward populist and often neo-nationalist politics that liberal audiences are so puzzled and scared about.

### Relational realism versus liberal realism

The local/global relational realism of my approach runs radically counter to the dead but dominant international relations doctrine called realism. This doctrine assumes that self-interested sovereign states are the key building blocks of the modern world – just like methodological individualism, its counterpart, assumes that sovereign individuals (citizens of those states) form the other key building bloc. The doctrine is a variety of what social researchers call methodological nationalism, and a favored axiom of conventional liberal thinking – which is another reason for the necessity of a Marxian global anthropology.

In early 2015, when this text was drafted, the EU was faced with three major crises: ISIS in Iraq/Syria, Greece, and Ukraine. In analyzing these crises the position taken, for instance by the press, has been that they had nothing to do with each other. Why? The correct liberal answer would be that they were happening in totally different and largely disconnected bounded spaces, indeed, different _cultural_ spaces: Europe proper, Eurasian Europe, the Middle East – all with different ostensible burning issues. The argument would go like this: There is an Islamic militarized uprising in Iraq and Syria, associated with ‘Islamic fundamentalism’; there is a sovereign debt crisis plus left-populist mobilization in Greece; and there is a covert Russian meddling in Ukraine after the creation of a more West-leaning democratic government. Greece is in the Eurozone; Ukraine is at best part of the European ‘Eastern partnership’; ISIS is in the Middle East and an issue for NATO and for the policing of Islamic minorities in Western Europe. For liberal realism this suffices: These problems are different and unrelated.

On more sustained scrutiny, however, liberal realism swiftly collapses. On a deeper level all three cases are closely historically interconnected, which is also one reason why they are happening simultaneously. In this paper we cannot deal with ISIS and Greece at length. But do let me point out that, like Ukraine,
ISIS is a case of a civil war entangled with foreign informal military encroachments by uncomfortable ‘allies’ of ‘the West’. Both these civil wars and encroachments are the outcomes of mass mobilizations and failed revolutions (I will explain this in the case of Ukraine below), which were absorbed by regional rivalries and intensely manipulated by covert elite networks. In both cases, these elite networks violently scheme to insert themselves favorably in global/local accumulation opportunities. Both spaces have also been deeply neoliberalized and indeed plundered. And in both cases ‘the West’ is heavily, though of course differentially, implicated in their varied processual unfolding. Finally, and perhaps most importantly, the mass mobilizations that set it all in motion, the Maidan of 2013/14 and the Arab Spring of 2011/12, were co-occasioned by two global ‘events’: the financial crisis of the West and the shift of global production to China. Both ‘events’, which are in reality longer running social processes, put tremendous pressure on these territories and states over time, blocking their developmental opportunities, focusing social power within the respective ‘corrupt’ state classes cum oligarchs, driving up the price of daily necessities while depressing wages, and pushing the politics of neoliberalization and austerity. Ergo: there are very significant deeper connections of global structuration plus a significant elective affinity of causes, processes, and forms. The actual translation of those processes into locally embedded ‘events’ of course differs, and needs to be seen as a case of ‘structured contingency’.

GREECE AND UKRAINE offer an even more rewarding reflection on connections. On the surface they even seem less connected and comparable. In Greece there was no coup, no civil war, and no Russian informal military encroachment. However, both cases unfolded in an almost synchronized way around extraordinary mass mobilizations in highly oligarchic societies and ‘captured states’. The Maidan rebellion emerged in response to indebtedness and loan-offers by international big players such as the EU and the IMF, just like the anti-austerity mass mobilizations in Greece. In both cases big, indeed revolutionary, shifts in governing parties were secured at the ballot box. Both their subsequent governmental missions were about attacking the oligarchic structure of social life (‘corruption’), including the nexus between oligarchs and the state, the financial nexus of the state, and the renegotiation of their international alliances. Even more fundamentally, both countries had seen their GDP shrink in a short span of years – Ukraine since 1992, with double the reduction over a period five times longer than in Greece, which has been in a slow collapse since 2010. While Greece is now uniquely described as a ‘humanitarian tragedy’, unemployment and out-migration have been rampant in both, as is the extent of poverty and inequality. Finally, both societies have experienced this as a slowly unfolding social implosion driven to a considerable extent by conspiring world players acting against their sovereignty.

True, the political signification of mass mobilization has been on opposite sides, Ukraine on the neoliberal-Right, Greece on the socialist Left; and the perceived enemies of the nation are opposite ones. In addition, Ukraine is not in the EU but alone the Eurozone; and Russia plays a different role (in the imagination of) each. For policy-makers and commentators it is such differences that are paramount. But for an anthropologist who talks to peasants and industrial workers, the fundamental similarities – social entropy, poverty, aggravating inequalities – may be more significant. Crucially, while both countries had had a good few years of economic growth and social optimism from 2003 to 2008, they were hit hard by the global financial crises. Indeed, growth in Ukraine and Greece had been similarly dependent on inflows of Western finance, flows that stopped and were then reversed as creditors called in their loans and withdrew to defend their financial home bases after 2008. This was the direct prelude to crisis and mass mobilization.

**THE MAIDAN REBELLION EMERGED IN RESPONSE TO INDEBTEDNESS AND LOAN-OFFERS BY INTERNATIONAL BIG PLAYERS SUCH AS THE EU AND THE IMF.**

The spillover effect never really happened. Or did it spill over in pockets elsewhere?
I am interested in developing a global anthropological vision that helps to see and then explain at the same time both the liberal denials of connections as well as the liberal lack of understanding of global/local capitalist contradictions. I am interested in the so-called ‘successful liberal transitions’ of Central and Eastern Europe, where elite as well as popular willingness to integrate into the liberal capitalist world was in no doubt. And I would like to show that their supposed success is more of a conceit than the liberal vision is ready to acknowledge, precisely because of the denial of contradictions and connections, and the inability or unwillingness to understand the deep and dynamic anthropological connection between the polarization of classes and the deepening political polarizations of antagonistic and agonistic imagined identities.

Liberalism, as Hirschman said, is a philosophy of all good institutional things going together: markets, rule of law, open society, civil society, democracy, individualism, individual freedom, prosperity. This is liberalism’s well-known virtuous circle. It has no conception of possible internal contradictions within and among its own theory and practices. It must therefore always summon up external cultural difference to explain delay or divergence from its lofty expectations of collective uplift and popular enlightenment. To do this is one of the core political functions of the culture concept. It is also what makes the denial of connections essential for the trick of the culture argument to work, as Eric Wolf knew well. For the discussion of internal contradictions, then, liberalism always needed the radical counter-tradition, in particular the Marxists. The Marxists would point at class and its spatial reconfigurations as the core internal dynamic contradiction of liberal capitalism. But the Marxists, albeit with very significant exceptions, were often too prone to get distracted by purely economic contradictions. This is the place where I want to pick up to develop some further thoughts. Can we use class, in an expanded and local/global sense, to help explain the processes and outcomes in political culture and social relations in Central and Eastern Europe – double polarizations – in ways that help to anticipate the hurdles and blockages better than liberal transition theory does? I will first approach this in more general macro-economic terms and then move deeper.

**Transition success: the economic delusion**

Many discussions about liberal economic transitions worldwide ignore the specificity of post-socialist transformations or recognize them in the wrong way. These specificities are not just about the centrally managed economy that must be transformed or the one-party state that must be pluralized and parliamentarized. For an anthropologist they are just as much about the fact that, of all the ‘non-western’ worlds, it was only Eurasian socialism that had developed a full urban modernity of its own. The rest of Asia remained rural and except for China ‘traditional’. The same was true for Africa and, less so, for Latin America. Actually existing socialism was an illiberal modernity, for sure. But it was a modernity of cities, apartments, of education, of the modern family, modern work organization and habits, of industrial skills, of a modest consumption, of a certain female emancipation, of scientific questioning. We now often hear that it was a failed modernity. Maybe so, but it seems an easy and anachronistic rejection. Seen from the vantage point of a region that was mired in backwardness until the 1930s–1940s, indeed historically obsessed with its own backwardness in relation to the West, socialist modernity, certainly in its 1970s version, was a major historical accomplishment. It does not matter that the results were in certain respects – though not all – shallow as compared to post 1960s Western Europe or indeed to the US. In relation to its own regional history it was a major breakthrough, as well as in relation to other world regions at the time.

**It was therefore understandable** that academics, politicians and the wider population in CEE in the 1980s would imagine that a swift catch-up with the West was feasible after the obstacles of the centrally led economy were removed. Other world regions threw up a lot of ‘social and cultural obstacles’, associated with ‘tradition’, with the absence of a modern infrastructure, illiteracy and innumeracy, with the persistence of small peasant livelihoods among majority populations rather than urban ones, including all the dependencies and superstitions associated with that. Compared with the rest of the world, modern post-socialist societies seemed therefore well endowed for a quick take-off, in fact a follow-up on that short but significant interlude in the 1970s when Western credits, a certain market access to the West, and collaboration with Western multinationals had created a semblance of renewed growth – interrupted by the debt crisis. The debate in the late eighties and early nineties was whether it would take five or rather ten years to catch up after market mechanisms and integration with the global economy would begin to provide the necessary ‘incentives’, liberate the ‘animal spirits’, and generate an efficiency push. In these debates, the political scientist Adam Przeworski was a notorious pessimist. In a broadly comparative book about democracies and markets, widely read by specialists at the time, he warned that catch-up with the West might take much longer than people in Central and Eastern Europe, including many experts, expected. He argued it could well be 25 to 30 years. He never became a folk hero like Jeffrey Sachs, who was selling illusions on the cheap in those days.

In the light of such discussions and expectations about timing and prosperity, it seems cruelly duplicitous that economists these days in a common-sense way judge ‘economic transition’ a success. It certainly is not, in their own terms of 25 years ago! Amnesia seems to make them happy. So where are we then after the 25 years of Przeworski? The most ‘advanced’ locations, Slovenia and the Czech Republic, are now merely approaching average EU GDP. That is 60% of West European GDP. These are
locations that belonged to the heartlands of the continental (Habsburg) economy and they have reclaimed their historical place. But they have certainly not moved into the core. True, Poland and Slovakia are relatively richer now than they have ever been in the past and have reached the level of Hungary, well below average EU GDP and below 50% of the core. All other CEE countries too have basically retained the position vis-à-vis the West that they occupied around the first world war, which seems fixed at some 30% of the GDP of the core. Rather than a pessimist, Przeworski seems more like a naïve dreamer, in spite of all his sophistication and moderation in comparison to shock therapy economists like Sachs who were earning great money and reputations by selling manna from heaven.

MANY OF THE CEE COUNTRIES have done exactly what the economics handbooks prescribe: open the economy, liberalize it, privatize state enterprises, attract Foreign Direct Investment, export your way out of poverty, keep a lid on the money supply and the finances of the state. If one world region has been utterly successful in this regard, apart from China, it is CEE. There is also no world region (apart from China, which still had a numerous peasantry to be dispossessed and urbanized and walked out of socialism on a very different path) that received such quantities of inward investment per head as CEE. The Visegrád countries and Slovenia have been powerfully reindustrialized since 2000, and now even Southeastern Europe appears to be on the same path. They have larger percentages of their labor force in industry than Western Europe and are more dependent on international trade than even the Netherlands or Belgium. That is what economists mean when they talk about success.

The answer as to why then, despite that huge success, there is still no catch up with the wealth of the West whatsoever is simple – and it remains both puzzling and telling that so many commentators had forgotten about this around 1989: capitalism! Markets are merely juridical forms. The real relationships happening within markets are the relationships of capitalism: class relationships around labor, property, accumulation, profit and rent. Capital exported to CEE is labor seeking. It arrives not in order to push up wealth and incomes to Western levels but to exploit skilled labor against wage levels that allow a substantial discount as compared to the West, let us say at least 50%; and that in a period in which the “China wage” is globally seen as the norm against which regional wages ought to be judged. Transnational capital owns and controls the factories, the products, the designs, the technology, the export markets. And of course it repatriates its profits to its headquarters, which are not going to be moved to Warsaw or Bucharest. It also plays off all the emerging markets against each other with an eye on the “China price.” The EU’s fundamental neoliberal rule of ‘policy competition’ constitutionalizes that dynamic and magnifies the power of capital over the power of the collectivity of states and citizens. Western integration has therefore produced, simultaneously with the transfer of capital, a systematic downward pressure on taxes, wages, and standards (even as the EU became more influential on formal labor rights in CEE). Indeed transnational capital has consistently and everywhere in CEE lobbied for keeping the lid on wages, taxes, and rights, and it has in fact done more so than local capital, which is dependent on local purchasing power. But, while in denial about the modest level of gains for the region as compared to its own expectations, the macroeconomic vision cannot even begin to grasp the real dislocations in space and time. We need to step outside of the language of GDP and growth and look at the actual results for labor. This is where a Marxian anthropology should focus. The transition, for many working class households, has meant nothing more than stagnation for two generations: Not just one famous lost decade as in Latin America, but rather three. Transition immediately translated into a massive reduction in the number of formal jobs. After 1989, on average there was a decline from 70% of the laboring population holding formal jobs to less than 50%. In Hungary one of the politically most dangerous questions one can still ask is: what happened to these 1.5 million jobs that disappeared over three years in the early 1990s (in a labor market of some 5 million)? Those jobs never returned. CEE GDP immediately decreased by some 20%–50%, a decrease that was only gradually redressed by the early 2000s, but not in all cases. On top of that, formal unemployment in places like Poland amounted to 20% until the mid-2000s, and was significantly higher and more durable than that in the post-Yugoslav countries.

A PROLIFERATION OF INFORMAL survival strategies developed, interwoven with migration. The myth of success hides from view the fact that outside the big cities, the Baltic countries, the Balkans, Poland and Ukraine have become producers of cheap skilled labor for the West (or Russia) rather than anything else. One could ask whether the real reason why countries have remained relatively politically stable was not first of all the possibility since the early 2000s for younger citizens to vote with their feet. Meanwhile, older citizens were bought off with early pensions and severance pay. Younger families with children that remained in CEE were subsidized with family benefits. These two sorts of social transfers, put in place immediately in the early 1990s, were essential for buying social peace. They meant that state budgets would subsequently be under consistent pressure. Almost each and every government would seek welfare cuts to balance the books, with or without World Bank pressure. This would rashly de-legitimize most of these governments in the eyes of their constituencies. Few incumbent governments have survived the next elections. And elections rarely mobilized much more than 50% of the voting population. These crude facts describe the basic regional political equations.
Some claim that the emergence of a precarity is a calculated outcome of neoliberalism.
having themselves to blame. They were felt as a dead-weight on national productivity and dignity, a fifth column against rightful national success: Traitors, embezzlers, hooligans, and drunkards. And it was felt that those who were now going to be surplus populations had always already been inappropriately protected by ‘actually existing socialism’. The socialist patience with the unskilled was even seen as a key cause of national stagnation in the first place. Socialist rulers had sought, it was imagined, the alliance with the unruly against the ‘productive and deserving middle classes’, a theme that is still deployed today in Romania, Bulgaria and Ukraine in order to denounce the politics of the poor and the social democratic parties which try to champion it.

What may well have been crucial for the ‘defeat of solidarity’ was how the local labor aristocracies felt about the less skilled. Labor aristocracies were essential for the running of socialist economies. These were rather tightly knit local working class groups that were sometimes, as in Poland and Yugoslavia, de facto running the factories, including the associated social funds and labor unions. By 1989 in Poland they sometimes even nominated their own preferred directors on the managing boards, as had been commonplace in ‘worker managed’ Yugoslavia.

In Hungary or Romania too, directors used to be men of the people, since they could not rule without the people and often not so easily against them. But these core groups of workers were increasingly exposed to drastic economic pressure and the threat of total social failure. In this life or death economic context, they were not against turning the ‘slackers’ among the unskilled workers into a relative surplus population. My interviews with workers in Wrocław in the late nineties were full of such conversations. Capitalist pressures, even before the fall of socialism, thus helped to unravel the solidarities among working class segments upon which socialism as a form of rule had rested; solidarities that had always already been hard to sustain even in the heyday of socialism.

THE LONGER HISTORICAL perspective is once more essential here: Socialism had installed itself in the first half of the twentieth century in a backward, rural, and feudal region. The consequences of historical backwardness vis-à-vis ‘the West’ had shaped the whole of the region’s modern history. Socialism after 1923, in the absence of a ‘world revolution’ and pushed into political isolation, was swallowed by this backwardness; and ‘socialism in one country’ would never be able to fully escape from its logic. The scarcity and sparseness of cities, large undifferentiated and underdeveloped rural spaces, feudal latifundia, serfdom, illiteracy; these were ominous starting points for a socialist revolution on behalf of ‘workers and peasants’. After the violent dispossession of the peasantry and the centrally planned industrialization and urbanization since the early 1930s, the consequences of prior backwardness combined with the present contradictions of socialist accumulation itself presented Trotsky and Preobrazhensky with their intense post-revolutionary dilemmas. The results were still tangibly present in the ‘actually existing socialism’ of the 1970s and 1980s, when the system began its long and slow implosion.

For one thing, socialism, however much it was enchanted by modernity, kept featuring a significant under-urbanization: it brought semi-skilled jobs to widely spread out settlements of provincial people rather than urbanizing those people in the few dynamic cores. Sharply uneven development within the region, mostly going from West to East, was also never really redressed: Eastern regions remained markedly poorer and less developed. But even in the most advanced socialist urban districts in the West, such as around Wrocław or Győr – former German or Habsburg industrial cities – a majority of workers in the local light engineering industries still only had a primary school education even in the 1980s. Many urban households would share kitchens, toilets and bathrooms. During the famous and funny “kitchen debate” between Nikita Krushchev and Richard Nixon in the early 1960s, Krushchev had boasted that in ten years’ time Soviet workers would enjoy the same comforts as their American counterparts. Instead, after one more round of urbanization and industrialization in the early sixties, East European Socialism ran up against its limitations and would struggle for another twenty years, amid growing international and domestic pressures, not to undo them but to bury itself instead. It had produced an illiberal provincial modern industrialism of a 1930s–1950s type, but was unable to switch to an intensified education and consumption-driven capitalism that would export its blue-collar jobs overseas such as was emerging in the West in the 1970s–1980s.

In this context of decline, not always hidden under the orchestrated expressions of labor solidarity, educated labor had often expressed its dismay with the compromises the party-state had been willing to make with plebeian practices such as drinking, slacking, absenteeism, and urban unruliness. The emergent informal capitalism of the 1980s and then the fast accelerating formal capitalism of the 1990s at once cracked open this can of ‘cultural’ worms of cultural hierarchy and social inequality that state socialism had tried to compress and keep together against the odds.

So in the context of the accelerating imposition of a harsh capitalist value regime, the cultural and ‘civilizational’ discourses of personal value, deservingness and un-deservingness spread among common workers too. This was the historical cocktail of forces, geopolitical, political, economic, social, cultural, and psychological, that served to silence, delegitimize, disorganize, and divide the East European working classes – despite their
potentially strong position on the local shop floor, despite high union membership, and despite sometimes very capable local union leaders.

The rubble of socialism was not imagined, it was real. East European labor did not defend the workers’ state in 1989 because there was little left to defend, as Eszter Bartha concluded. Communist parties had either stagnated into a Stalinist police régime à la GDR, Czechoslovakia or Romania; or had already been engaged in an incremental economic neoliberalization from the early 1980s or even earlier, as in Poland, Yugoslavia and Hungary; or had turned to massive repression in an effort to squeeze the working class further in order to pay off national debts to the IMF and the West – Romania was the only nation ever to pay off its IMF debt in full. The Soviet Union meanwhile was charging ever-higher prices for oil and gas, forsaking the socialist friendship once offered to its vassals, and willingly undoing its own empire. By 1985 the bloc as a whole was desperately indebted to Western finance, with a total of some 90 billion dollars (Russia and Czechoslovakia much less so), not unlike the Global South. Instead of IMF intervention plus austerity as in the Global South, it was locked out of the financial markets in the context of a new cold war in the early eighties. And the top apparatchiks, not willing to declare bankruptcy or annul the debt to the West, as Lenin and Trotsky had had the temerity to do in 1921, were scrambling to find ways to squeeze the socialist working classes further, and to divide them further internally along the way. Those working classes however were nominally still ruling, and their cooperation was still essential for productivity in socialist industry, and they could therefore not be sidelined so easily as in the Global South or the neoliberalizing West. We know how it ended: they got parliamentary democracy plus austerity as in the Global South, an example of exactly that logic of dispossess and disenfranchisement. And alongside that came social polarization, the cultural polarizations, driven by the pressures, the humiliations, and the joys of hierarchy, as capitalist necessity was translated into cultural value and virtue.

The politics of class without class

In the context of the global defeat of Europe’s labor-based modernity, Göran Thernborn has posed the pertinent question about possible ‘class-compasses’ for the global 21st century. ‘Theory from the East’ suggests two directions in which such class compasses in the post-socialist semi-periphery may point, both qua actual class driven politico-cultural alliances and qua politico-social cosmologies. The first of such compasses is neoliberal-Darwinism as suggested above. Another, emerging in response, might be national-socialist strictu sensu. The first compass has an elective affinity with middle-class imageries and politics, as in Poland in the 1990s/early 2000s. It deploys, paradoxically, liberal notions to construct cultural hierarchies, and targets them against the interests and dignity of poorer and weaker classes while seeking to turn those classes into undeserving or merely conditionally deserving ‘relative surplus populations’. The second class-compass may well in the end be middle class driven too – contemporary Hungary springs to mind – but reaches at least rhetorically towards the ‘deserving national working classes’. It needs them as a constituency, and should perhaps be seen as being made possible, and necessary, by their mobilization. It projects a protection of deserving working members of ethno-nations versus a disloyal cosmopolitan capitalism on the one hand, and the ‘criminal’ classes dangereuses of the surplus population on the other.

Both compasses are rooted in characteristic modern European heritages. The first draws on the ascendant liberal social Darwinism of the late 19th century; the second emerged from defeats of labor in the varied contexts of, for instance, post 1848 Bonapartism in Second Empire France, or of financialized globalization and deflation in interbellum Central Europe – both contexts that potentially resemble aspects of global capitalism in the 2010s,
depending on how and from where one looks and on what one expects is going to happen next.

Hungary serves as an avant-garde for the national socialist form, with a Right-wing super majority that is driven forward by a radical faction organized around the Jobbik party — a faction that has its origin in a democratic initiative within the elitism of Viktor Orban’s Fidesz party, the Civic Circles. It flirts openly with illiberal impulses such as paramilitary exercises in Roma settlements, the harassment of NGOs, and a pro-Putin, even pro-Iran, foreign policy that emphasizes sovereignty, all combined with a rhetorical attack on foreign finance, foreign capitalists and the EU. The Polish Right does not march far behind, and features a stronger labor-contingent. It is similarly dispersed against Roma, gays, Jews, transnational capitalists and the EU (though it is ready to arm itself against Putin’s Russia). Putin himself has mobilized the Russian workers of the provinces in an illiberal alliance against the big cities, the gays, the NGOs and the West. He marshaled them openly against ‘the creative classes’ of Moscow when they rallied against his power usurpation in late 2011/12, as he switched at will to the presidency again. The elevation to dominance in Russia of a clerical orthodox nationalism, so well depicted in Andrey Zvyagintsev’s film Leviathan (2014), is very much made out of the popular experience of the sudden collapse of provincial societies in the 1990s/early 2000s, during Russia’s dramatically kleptocratic liberal-cosmopolitan interlude. The potential for such a right-wing ‘Russian orthodox national-socialism’ — at least in rhetoric: in practice it is perfectly capitalist and largely neoliberal at that, as it is of course in Hungary — had always been there since the late nineties but it needed Putin’s explicit construction efforts from the Kremlin in 2011/12 to get it into place.37

THE BALTIC STATES, in contrast, have produced strong, vernacular, and apparently durable neoliberal social Darwinist nationalisms. They have indeed become the models of neoliberal transition in CEE, and are held up as examples of ‘successful reform’ to ‘old Europe’. These countries have once more turned into city-stateletts that are singularly dominated by foreign finance, real estate, entrepreneurial ‘creative classes’, and have made associated inputs into higher education. The urban alliances are opposite to the ones in Russia and Hungary, which are in a way self-conscious political provincialisms. In Latvia and Estonia, Russian speakers, located in the mining provinces close to the Russian border, have been seen as the uneducated and culturally deficient fifth column that is impatiently expected to assimilate.

In Ukraine, presently, the Kiev-based and West Ukrainian ‘middle classes’ have developed similar feelings towards the Russian speaking blue-collar workers of the Donbass. In Slovakia, Romania, and Bulgaria, waves of public attention to issues of labor, productivity and deservingness/un-deservingness have focalized on majority/minority relations, often mobilizing ethno-majority populations in nationalist neoliberal ways against poor Roma if and where they have been ‘available’ for such purposes.

What theory from the East teaches us is that the actual presence of large numbers of immigrants, as in Western Europe, is not a necessary condition for such ‘othering’. It is the other way around: such cultural ‘others’ will be found and created, either as part of a desire for Darwinian national competitiveness and/or as the populist consequence of the defeat of labor in a context of dispossession and disenfranchisement, or an uneasy alignment of the two. This is a useful lesson for ‘the West’. Indeed, Wilders’ Freedom Party in the Netherlands and the Front National in France have lately moved toward national welfare state protectionism and anti EU rhetoric, while reducing their anti-foreigner theatrics, as underlined by the marginalization of Jean-Marie Le Pen by his daughter Marine in April 2015. Wilders is one of the best examples of a shift from xenophobic neoliberal Darwinism to social protection, reflecting creeping Dutch popular doubts about neoliberalism in the aftermath of crisis. The populist politics of the new Right is a politics of class without class. The actual alignments are uneasy and may shift from a (imagined) middle class embrace of the global value regime against slackers and benefit -profeiteers — Cameron’s Britain — combined with an obsession with national and individual competitiveness as the ultimate measurement of ‘moral value’, to the at least rhetorical protection of deserving working people against global markets and local classes dangereuses.

The Bulgarian experience of 2013 demonstrates how fickle the class bases and orientations of these populisms can be. During a cold February, a widespread and angry nationalist-protectionist uprising in the provinces driven by ‘common Bulgarian people and workers’, protesting against poverty and the high costs of basic utilities — privatized to transnational capitalists — led to the immediate abdication of a neoliberal Right wing government. The post-socialist social democrats consequently won the election but then made silly errors with personnel choices. They were immediately confronted with a months-long Sofia based ‘Bulgarian middle class’ mobilization, kept up day after day, that sought to keep the nation out of the hands of the ‘red oligarchs and their alliance with the uneducated poor’. It claimed that Bulgaria should be run on behalf of ‘the productive Bulgarian bourgeoisie’ and not for ‘the para-sites on welfare’. Protestors in Sofia literally demanded “quality versus quantity.” For a taste of context it might be added that it was calculated that in Bulgaria — the EU’s poorest nation — on average 85% of people’s income was spent on ‘basic necessities’ including utilities, while a local journalist remarked dryly that the Bulgarian ‘productive middle classes’ who were protesting in Sofia, and who were evidently imagining or desiring themselves to be beyond such dire straits, earned around 400 euros a month on average, far below any poverty line in the West of the continent (with roughly similar consumer-price levels). The Romanian elections of fall 2014 produced comparable antagonistic alliances and discourses.
Ukrainian apotheosis

Processes of ‘double polarization’ in the context of capitalist transformations are producing social and political crises in CEE. Liberal theories of democratic transition do not get very far in anticipating, identifying and explaining these crises. Democratic consolidation, economic growth, the assumptions of trickle down, the expectation of pragmatically self-interested voters and consumers responding ‘liberally’ to that growth, its nation state based policy horizon: All of this prepares us insufficiently to even see those crises as the systematic regional outcomes of capitalist transformation that they are. Liberal theory therefore needs, as I explained above, ‘exceptionalist theories’ to explain its disappointments. Culture and local history, combined with ‘corruption’, are the panacea. The predictable reaction to the rise of Jobbik, for instance, is an explanation in terms of the unfortunate traits of Hungarian culture and history. The same happens with Russian state-driven clerical-nationalism, explained by long-term local history (even in Anderson). The trouble is, such deep historical theories cannot explain why at some point in time such slumbering notions turn into tools for popular rebellion. They treat ‘culture’ and history as a template, not as a potential ‘engram’ from a varied ‘archive’. At best, the East European angry Right is interpreted as a half-understandable but sadly misconceived reaction against ‘corruption’ (which is indeed the emic understanding of the actors themselves, often fed by NGO circles oriented toward sponsoring by international donors). Intellectually this is by now a tired and repetitive exercise: possibly still dominant, but dead.

Liberal democratic theorists have made a massive effort to represent the Ukrainian Maidan revolution and its outcomes as a West-leaning, multicultural, democratic festival against corruption and oligarchy. In other words: everything ‘the West’ dreams of. Some of them have therefore concluded that the Ukrainian Maidan is exactly what Europe needs in order to keep its own dream alive, and therefore ‘deserves full support’, a handsome way to occlude one’s own wishful projections and come full circle. Timothy Schneider, the historian of ‘The Blood Lands’ — sponsored by the proceeds of Austrian banking capital through the Erste Foundation and by the Viennese IWM institute for advanced studies, a prime intellectual mover in democratic transition theory for CEE — has gone around Europe and the US to sell precisely this vision. All the while he has been trying to arm his publics intellectually against Putin’s evil Russia, which predictably is being made to stand in for the authoritarian-socialist enemy of old (and favor arming the Ukrainian post-Maidan government). Indeed, Putin does little to help reject the argument.

Ukraine, however, is an extreme case of double polarization. Oligarchization of society, economy and politics is probably driven further there than anywhere else in Europe, except, possibly, Greece. 100 families control 80% of national wealth while average incomes have stagnated for years around $200 a month, unemployment is around 10% and some 10 million people have emigrated since 1991. Ukraine is also outside the boundaries of the EU, which, as I said, tends to magnify the vectors of politico-cultural polarization, as in the Balkans, among other things by creating further instability and by allowing the neoliberal social-Darwinists to deploy the symbol of Europe and the West against their own working class and relative surplus populations. In Ukraine in the course of the Maidan, such populations have been imagined to be the uneducated proletariats of the Donbas, ideal ‘Easterners’ and homo-sovieticus.

Do we now approach the neo-clashes of civilizations?

DEMOCRATIC THEORY represents the Maidan rising as a repeat of the Orange Revolution of 2004, a playful civic movement rejecting corruption and asking for ‘democracy’ and ‘reform’: The fulfillment of the promise of a liberal ‘color revolution’ such as in Serbia 2000 and Georgia 2004. But it was not that, or at best only partly so. The difference was the role played by the populist nationalist Right; first by Svoboda, the “social nationalist” (its own definition, subtext: “for the fight against Yids, Russkies and other filth”) right wing movement with roots in some of the provinces of Western Ukraine, and then by Right Sector, a right wing revolutionary alliance that emerged during the Maidan. Right wing fighting groups saved the rebellion when the students were beaten off the square by police forces in late November/early December 2013. And from then on, the differences between on the one hand the democratic festival of 2004, and on the other the spreading urban occupation movement plus regional rebellion of 2014, orchestrated crucially by right wing nationalist revolutionaries, became increasingly clear to see for everyone not in deliberate denial – especially as the state pulled off a series of fierce but far from determined police repressions. Popular assemblies, the tool of the current global urban democratic protest wave, were immediately ruled out; the student Left was silenced, sometimes assaulted, and pushed out; a tight organization emerged around the production of largely nationalist public rituals which were led from a central stage, and were suffused by a rhetoric of national heroism, images of a nation under alien (Russian) assault, of collective suffering, indeed of the readiness to die on behalf of national liberation. Next to the central stage a giant picture of Stepan Bandera, the historical leader and symbol of Ukrainian nationalism in its bloody 1940s instantiation, was projected. Crucially, a flanking full-scale rebellion in the Western provinces was underway where administrations and police stations were taken over by sometimes armed groups. This then fed into the Maidan in Kiev through a steady stream of fresh radical personnel, material support, and, indeed arms. Sergei Loznitsa’s prize-winning Maidan
THIS IS NOT TO DENY that it was also a people’s rising. But that people’s rising was in decisive measure enabled and signified by a radical nationalist Right of the kind that had become incubated in Western Ukraine over the 1990s/2000s. But it is of key theoretical importance to underline that this national socialist Right was not at all unique to Ukraine in some of its crucial social and political properties. Before the general elections of 2012, that Right had never been electorally impressive in the Ukrainian circumstances, except for some Western Ukrainian oblasts, such as Lviv and Rivne. This changed when the financial crisis began to hit Ukraine. In the general elections of 2012 it won more than 10% of the countrywide vote for the first time. But by first rescuing, and then enabling, the rising, it put itself in a powerful position to articulate its ‘social nationalist’ public significations, generating a strong claim for hegemony over the mass rising, indeed over ‘the birth of a nation’ in Western Ukraine. And it began now claiming hegemony over the country at large. The Kiev middle classes and intelligentsia were ostensibly willing to align themselves with this, despite some misgivings, and refused to speak out against the Right wing leadership of intense revolutionary cultural and experiential production. The resulting new government was an alliance between established neoliberal governmentalistic actors within Kiev, Western-Ukrainian oligarchs and their entourages, and the populist-militarist Right. The first two factions immediately snatched the victory over Yanukovich away from the fighters on the Maidan (with US help52), but Right wing groups gained an important influence over security issues and security personnel, and pointed their fists immediately in the direction of the Russian speakers and of Russia – with the killings in Odessa in May as a result.53 Predictably, at the time of writing, now that ‘reform’ in a context of regionalist civil war magnified the Jobbik of (Western) Ukraine – and now considerably more militarized and embedded within the state than Jobbik ever was. For now, there still seems to be an alliance between the neo-Darwinist/neo-liberal ‘class compass’ on the one hand, and the ‘national socialist’ one on the other, with the neoliberal as dominant faction. The question is whether and when it will shift or break and with what consequences for further developments.  

Note: This text is based on Kalb’s Distinguished Lecture of May 5, 2015 at the Centre for Baltic and East European Studies (CBEES) at Södertörn University, which in its turn was based on a thoroughly reworked version of a paper presented at the Global Labor workshop at the International Institute for Social History in Amsterdam in November 2014.

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References

5. Mike Davis, “Marx’s Lost Theory” New Left Review, no. 93 (2013) 45–68. Mike Davis has recently rightly drawn attention to Marx’ political writings as an example of a more ‘economic’ and processual analysis of nationalism (vis à vis the work of Rogers Brubaker, Anthony Smith a.o.). Although he does not cite my work (2009, 2011), it echoes some of his major claims, and shares in its perspective. To Davis I would say that these are ‘relational processes’ rather than just ‘economic’ ones. I agree though that economic aspects of such relations are of key importance. Marxists are still too often inclined to think that class analysis must be ‘economic’. I propose a relational language of analysis rather than reproducing the old polarities of economics versus culture, etc. Kalb 1997; Kalb 2015.
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MISSION SIBERIA

YOUNG LITHUANIANS MEET THE DEPORTEES

by Pål Ruin

T
tousands of Lithuanians were deported to Gulag camps between 1940 and 1953, but for years few Lithuanians knew their stories or how they were treated when they returned to Lithuania. Since 2006, young Lithuanians have been helping change that through the project “Mission Siberia.”

Each year Mission Siberia sends 15 young Lithuanians to Siberia and other areas in the former Soviet Union where Lithuanians were deported. They go to find places where Lithuanians have lived. They search for traces that Lithuanians left behind and tidy up cemeteries where Lithuanians are buried. But most of all they go to meet Lithuanians — and their children and grandchildren — who decided to stay even after it was possible to return in the 1950s.

Once back in Lithuania the expedition members make presentations, keeping the memory of the deportations alive and giving other Lithuanians a nuanced view of deportation history. Mission Siberia is a project of the youth organization Jauniems (For the Young). Expeditions are financed by the state, and some private donors.

ZIGMAS PAKŠTAITIS, a university student, came back from the 2014 expedition with both stories and insights. This year Mission Siberia went to the region of Krasnoyarsk in the middle of Siberia, where many Lithuanians were sent in the 1940s. Today the city of Krasnoyarsk, some 700 kilometers north of the border with Mongolia, has a Lithuanian community of about a thousand members.

Pakšaitis was 16 years old when that year’s Mission Siberia expedition came to his school. And he was fascinated. Ever since then, he had thought about going himself. But the hurdles were high. The year that he applied so did 700 others. But only 15 would have the opportunity to go. “The day that I got the message that I was one of the 15 lucky ones, I just screamed out loud! I was so glad.”

He had read about the horrors that the deportees went through, but it was not until he met some of them before the trip that the experiences sunk in. He and the delegates heard of hardships that were difficult to fathom: extreme cold and heat, hard work and lack of food.

“Meeting them in Vilnius made us better prepared for our journey,” he said. “But after our two weeks in Siberia, the picture of the life of the deportees became more nuanced.”

“In Krasnoyarsk, he said, the expedition met several people who told us that they had returned to Lithuania in the 1950s, only to realize that life back home was very difficult. So they ended up going back to Siberia where Russian employers offered them higher salaries and good housing. I wasn’t aware that some deportees actually returned.”

RESEARCHERS HAVE FOUND that Lithuanians were treated even worse than the deportees returning to other Soviet republics. They were seen as bandits and criminals, despite the fact that very few of them had committed any crimes before being sent away. They had problems finding jobs as well as housing and some of them have told researchers that they were treated like someone who had caught leprosy.

“I had not heard of the treatment of the returning deportees; it was new for me when I heard it from the Lithuanians living in Siberia today,” said Pakšaitis.

The fate of the deportees could not be talked about openly until Lithuania was on its way to gain independence in the late 1980s. After that many families went to Siberia to bring home the remains of their loved ones, who posthumously were treated as heroes. Nobody wanted to think of the treatment that the living deportees received on returning home 30 years earlier. Even today the fate of returning deportees is not known among the wider public because it doesn’t fit into the narrative of Lithuania’s modern history where the deportees can only be seen as victims of Soviet terror.

Despite the deportations being such a vital part of modern Lithuanian history, many Lithuanians have rather superficial knowledge of what actually happened. During all his years in school, Zigmas says that he and his classmates were never intro-
Mission Siberia is of course part of the nation-building process in Lithuania.

but don’t rub it in, let us talk about the future instead,” has been a common reaction among the young.”

Žemaitis, who recently finished his university studies, recognizes this feeling himself. “Additionally, the older generation has had a tendency to blame the young. [They say] that we don’t do enough for our country, that we are lazy and just think of ourselves. That doesn’t make it easier for us to put a great interest into their struggle at that time.”

He hopes that Mission Siberia can be a kind of mediator, a link between the generations. “By describing what we have seen during the trips and telling the stories we have heard, we can make the deportations come alive for young Lithuanians.”

MANY FORMER DEPORTEEES are seldom or never asked about their stories. Sara Radžiūnienė’s family was affected both by the terror of the communists and the Nazis because they were Jewish. When she was 12, she, her three siblings and her parents were taken from their home in Lazdijai (close to the Polish border) and sent to Siberia in June 1941, just weeks before Germany defeated the Soviets and occupied the country. The rest of her big family – aunts, grandparents, cousins – were killed by the Nazis that following autumn.

Lithuania had more than 200,000 Jews before the war, some of whom were rather wealthy and therefore a target for the Soviet authorities. Researchers believe that more than 3,000 were deported — yet another fact not well known in Lithuania, where the black and white view is that Lithuanians were sent to Siberia by the Soviets whereas the Jews were killed by the Nazis.

So in a paradoxical way, Radžiūnienė’s was saved by being deported – but like others in her family she could easily have died during those first hard years in Siberia. “Both my father and one of my brothers died,” she told me when we meet in her lovely wooden house in the little town of Nemenčine outside of Vilnius.

Her father was separated from the family at the last train stop in Lithuania. He was sent to a camp for men where the working conditions were extremely hard. “We don’t exactly know when he died or from what he died. We got a letter from one of his friends at the camp, a letter that included a photo of me and my deceased brother that was found in my father’s pocket.”

She showed me the photo which is so worn down along the edges that it barely fits together. “My brother died from dysentery after having been jailed,” she said. “His only crime was that he crossed a river where his horse went thru the ice and was wounded.”

Radžiūnienė herself lived in dreadful conditions in the

The delegates tidy up the graveyards with Lithuanian graves.
camp for the first two years, 1941–1943. Just like many other deportees she had to go to bed hungry night after night. During the war, one out of four deportees in the Gulag camps and settlements died — a higher number than any time before or after.

She was fortunate though in meeting a 16-year old classmate of her brother’s, her future husband in her railway car on the way to Siberia! The boy had come close to missing his family when they were deported. He was not home that early morning when two Russians and two Lithuanians woke up the family and put them on an open lorry. The boy heard of his family being taken away and rushed to the train station where he joined them and Sara Radžiūnienė’s family.

Radžiūnienė herself has very clear memories of that morning that changed her life forever: “They knocked at the door at 4 a.m. We had no idea what they wanted, no warnings had come. They told us to pack maximum 100 kilos for a ‘long journey’. We did not have enough suitcases since many of our belongings already had been confiscated by the Russians. We put sheets on the floor where we piled up our most important belongings. I remember how my mother told me to put on three dresses. Somehow she realized that we needed all the clothes we could bring.”

The clothes helped them to survive the harsh winters.

THE CLICHÉD IMAGE from the Gulag is of slave workers digging for gold or coal in a Siberian snowstorm. But workers also carried out other jobs, such as building airplanes in the Moscow region and nuclear power plants in Central Russia and developing fishing villages by the Pacific Ocean. As a 14-year old, Radžiūnienė started working as an accountant in a forest company and she never went to school again.

In the camps, it was common for women to have sexual relationships with the wardens; in return they would get higher rations of food. Sara knew several women who did and was not prepared to blame them. “They did it for their families. I could have ended up doing it myself, if it wasn’t for my husband. We loved each other so much, and the wardens seemed to respect us for it.”

After 1944 conditions got better: they could buy seeds and started planting their own vegetables. Sara Radžiūnienė married when she was 17 and the following years were not dominated by misery, although living conditions were tough. When it was possible to return home in 1954, her husband’s family left — but Sara Radžiūnienė and her husband stayed for more than five years. The forestry company where they both worked needed them badly and gave them free tickets to summer resorts by the Black Sea. They were not in a hurry to leave.

Eventually Sara Radžiūnienė went home while her husband kept on working because she wanted to know if it was possible to get a job in occupied Lithuania. She was lucky, had a contact within a ministry and could get a position as an accountant. Her surviving brother though, who traveled home with her, was less successful — and ended up returning to Siberia for a couple of years.

When I mentioned Sara Radžiūnienė’s life story to Pakštaitis, he nodded sympathetically. In Siberia the expedition members had heard similar stories. They met one Lithuanian woman who moved to Siberia to marry a deportee. His mother had told her son that he could not marry a Russian but had to find a wife back home. When it was possible to return to Lithuania eventually he was successful. Pakštaitis said that meeting the woman helped change his view of Siberia: “When we met the woman, her husband had been dead since long. But she had stayed in Siberia. Her life was there, not in Lithuania. Meeting her and other Lithuanians in Krasnoyarsk made me realize how difficult it is to view issues as black and white. I had to alter my old notion of Siberia as a place where all my countrymen suffered all the time. Yes, many suffered, but not all of them — and not all the time.”

He was also struck by the love of Lithuania that several children and grandchildren of deportees showed. One man in his 40s, who spoke no Lithuanian, had a Lithuanian flag on his car and a bracelet with the Lithuanian colors. Pakštaitis recalls, “He was so grateful that we had come. He talked of his love for Lithuanian music and basketball players and took pictures of all of us. It was a very touching encounter.”

For three days the delegates walked along a river and camped at night trying to find remains of villages where Lithuanians had...
once lived. But they could only find a couple of logs. They did learn about the conditions though. “We got a grasp of how it was living there. The mosquitoes were killing us; it must have been awful when they lived there, since they had fewer opportunities to shield themselves.”

**DURING THE SEARCH THE EXPEDITION** also had to protect themselves against wild bears as a Polish priest had recently been attacked and injured. So they banged their pots to scare the animals away and took shifts staying awake at night.

One of the girls in the group had a family connection to Krasnoyarsk. “One day [she] went off by herself. Her grandparents had lived for several years in the Krasnoyarsk region and now she wanted to find traces of them. She found the street where they had lived; it was a very gripping moment for her.”

The delegates had time to visit nine graveyards with Lithuanian graves. Some cemeteries were in good shape, while others were overgrown with bushes and trees. In some cases the Russian part of the cemetery was looked after, while the Lithuanian part was a mess. The delegates borrowed or rented tools, bought lumber, and worked for hours to tidy up the area, cutting bushes, mending fences, picking up trash, repairing crosses, and restoring graves.

They also found some empty grave sites in the graveyards. Pakštaitis explained why: “We found several graves with the inscription: “has returned home.” The remains in these graves had been taken back to Lithuania and reburied there. Those who did this out of love of their deceased family members, I totally respect. But I am more skeptical about the people who went to Siberia because it was the thing to do during the struggle for independence, who did it because their neighbors did it. I was sad to see that some people left open holes there, they didn’t show respect to the dead.”

Today, with changes in the political climate in Russia, the Mission Siberia expeditions have become even more important. During their stay in Russia, the delegates were watched all the time by the authorities. In 2006, the year of the first expedition, Russia was still talking about deepening cooperation with EU. Today it is displaying aggressive policies and wants to describe the Soviet period in a more positive way.

For several years now, the most well-preserved Gulag Camp, Perm 36 in the Ural Mountains, has been a museum where visitors have been able to learn about the oppression of the political dissidents jailed there. Now the Kremlin has decided that such information should be banned from the museum.

In this geopolitical climate, it is important that more people get a real knowledge of what happened in Siberia and gather information from independent sources. However, with Russia threatening to attack the Baltic states, it is more difficult to discuss the nuances of that period. The Lithuanian authorities would like to describe all Lithuanians as victims and all Russians as persecutors. But reality was not so simple. Karolis Žemaitis from the Mission Siberia office has an example from his grandparents, who were deported.

“It was local Lithuanians who took them from their homes and brought them to the train station. But it was a Russian guard who rescued my grandfather and his mother there at the station. We Lithuanians are still afraid of admitting our own guilt during the dark parts of our history. But when we do, the Kremlin also uses this in their propaganda. It is very complicated.”

Violeta Davoliūtė, a young historian who researched the deportations had similar reflections about the efforts to preserve the stereotype. She said, “I have been criticized for playing into Soviet propaganda when I write about this period, when I, for example, mention that some returning deportees joined the KGB since they were not welcomed by fellow Lithuanians upon their return.”

She stresses that this image of Lithuanians as heroes and Russians as villains does not help people understand what actually happened.

**LITHUANIAN AUTHORITIES** have another reason for tending to portray the life of the deportees with little nuance. Lithuanians – and others who suffered under communism – often feel that they have not gained the attention they deserve for their sufferings. Compared to coverage of the horrors of Nazism, for example, fewer books are written, fewer museums have been opened, and fewer films have been made. This lack of world attention may contribute to the exaggerated descriptions of the life in the Gulag archipelago.

The Mission Siberia expeditions do, however, try to nuance the picture. After their return from Siberia, each delegate gives around ten speeches in schools throughout Lithuania during the school year. I listened to Pakštaitis speak to students in St. Kristoforas Gymnasium in Vilnius in May. The students did not ask any questions, but I am sure that they were affected by a story that encapsulates so much of the sorrow that the deportations caused: “We met a man who told us about a very young Lithuanian woman who had been dragged from her home barely a week after her wedding. Her dreams were brutally taken away from her and she never saw her husband again. In Krasnoyarsk, she just sat by the river side looking into the water, saying nothing, slowly disappearing into mental illness. Local kids went down to the river to give her food. But her life was already over.”

Påhl Ruin, journalist and freelance writer, living in Vilnius.

**references**

1. Between 1940 and 1958, 332,000 Lithuanians were deported and imprisoned. People were sent to inhabited lands to build their own settlements. In some of the northern settlements the death rate was higher than in the camps. In the Gulag camps, the work was the main purpose. Those in the Gulag camps also contributed to the war effort. They built roads, railroads, and airports, and produced, for instance, 1.7 million gas masks. Sources: Anne Applebaum, *Gulag. A History* (Doubleday, 2004) and *Maps of Memory*, ed. Violeta Davoliūtė and Tomas Balkelis (Vilnius: Institute of Lithuanian Literature and Folklore, 2012).

2. Since 2006, ten Mission Siberia expeditions have gone to the following areas (some expeditions have gone to several of them): Irkutsk, Tomsk, Komya, Krasnojarsk, Buryatia, Sverdlovsk, Kazakhstan, Tajikistan, Khakassia, Tiumen.
Intersectional perspective has gained wide recognition within gender studies. Despite its breakthrough in the academic world, this approach is only slowly gaining recognition in political discourse. Similarly, Roma women have been put into focus as a multiply marginalized group in recent research. This research has identified the following key systems of dominance as those which impact negatively upon Roma women’s integration and life chances: human rights abuses including domestic violence, arranged marriages — which includes forced marriages and child marriages — trafficking in human beings and enforced prostitution, threats by right-wing extremist groups, multiple disadvantages in education, lack of access to employment, lack of access to social benefits, intersectional discrimination in reproductive health, and lack of access to financial resources. These exclusionary practices emerge along multiple intersecting systems of differentiation, such as class, ethnicity, and gender.

However, the intersecting aspects of Roma women’s marginalization have for a long time been left unexposed by radical social movements, since feminist women’s movement lacked a sensitivity to the specific concerns of Roma women while Roma organizations lacked sensitivity to gender aspects. In postsocialist regimes, an emerging mixed welfare model characterized by state with a diminishing role, civil society plays an increasing role in forming the living conditions of diverse underprivileged groups. NGOs represent societal interests and are formed along with struggles for recognition. They advocate in a social context for the position of the political subject representing their constituency and its perceived interests. These interests are formed in reference to policy frames and discourses. Discourses attribute meaning to the physical and social world, they “delineate what is sayable from what is not sayable” while also offering a diagnosis of the state of affairs as well as a prognosis over potential solutions. Discourses reveal or conceal intersecting aspects of relations in their ways of organizing fragmentary information.

NGOs engaged with Roma and women’s issues create their agenda by identifying social problems and concerns facing the discourses and practices formed in a broader societal context. Roma women’s reproductive role has been central in framing Roma “otherness” in conservative as well as right-wing politics and media. State institutions as well as the media are part of what forms public discourse. Stigmatizing ethnified and gendered images formed from the “outside” has real life consequences for those they signify. Similar to the case of women of color, Roma women’s struggles for recognition emerge at the intersection of political struggles for recognition for color, gender, and class.

Lombardo and Agustin differentiate...
among three main types of approaches that problematize the relation between intersecting inequalities: inarticulate, additive, and mutually constitutive. Yuval Davis focuses on gender-, class-, or ethnicity-based inequalities. Nonetheless, depending on the context, one or the other of these systems of dominance is more central, and any conflict would reflect conflicting interests: “[...] women of color need to intersect two different political agendas which are, at times, in conflict with each other.” Political strategies that might focus on one of the inequalities impact the perception of other inequalities. There is a dynamic relation of competition and alliances between different groups concerned with particular inequalities. Therefore, there is also a risk that the autonomous effects of inequalities become obscured by intersecting recognition claims.

Dorothy Smith argues that it is from the position of the weakest that social inequalities can be revealed most comprehensively. From this perspective, Roma women's multiply disadvantaged position makes possible the opportunity to problematize their situation in the intersection of different inequalities. The intersectional marginality of Roma women was also a potential source for the rise of Roma women's political subjectivity from the “inside” in opposition to stigmatizing frames from the “outside.” Roma women's NGOs “are able to assure the participation of multiple Roma women voices” in this process, which opens the window of opportunity to address the intersectional aspects of their marginalization.

DOMBOS, KRIZSÁN, AND ZENTAI differentiate among three major frames addressing gender equality concerns: GBV (Gender-Based Violence issues incorporating concerns with domestic violence, sexual harassment, and trafficking); IC (Intimate Citizenship focusing on concerns in divorce, marriage, separation, sexual orientation, discrimination, reproduction rights), and NE (Non-Employment with concerns regarding employment, tax and benefit policies, care-work, reconciliation of family and work, gender pay gap and equal treatment). Köczé, exploring the emergence of the discourse of domestic violence in the Roma Women's movement internationally and in Hungary, elucidates the difficulties of addressing critical GBV issues within the Roma women's movement, due to Roma women's intersecting marginalities.

In this paper, I cannot cover all aspects of gender equality struggles. I chose three NGOs, each of which addresses some of the key issues within these three frames.

**The intersection of ethnic- and class-based marginalization**

Social inequalities often emerge along ethnic cleavages between majority and minority groups. While roots of inequalities diverge, approaches to overcoming the inequalities caused by ethnic cleavages tend to problematize the underprivileged. A norm-critical perspective on the dynamics of ethnic cleavages focuses on a critical assessment of how entitlements and policies are formed according to the norms characterizing the majority society. Approaches towards issues of socio-economic inequalities can be grouped into two major types: assimilative vs. integrative. Assimilation assumes the minority group’s alignment with the norms of the majority society as the precondition for social equality. State socialism was to abolish social inequalities, improve the education, employment, and living conditions of formerly excluded Roma communities. The condition for social mobility for the Roma was “to fit” them "to the customs
and norms of the majority (in praxis to the state power). The “Gypsy” question was treated as a poverty question, denying recognition of ethnic identification. At the end of the seventies, urged by the failure of assimilation policy and rising Roma consciousness, the state acknowledged Roma as an “ethnical social strata,” but not as a minority and resources and opportunities increased for Roma cultural activities. Meanwhile, Roma were problematized as a separate group, an expression of which was the appearance of segregated Roma school classes. In this sense, state-socialist Roma and women’s emancipation had a similar logic: equality was to be achieved by assimilation to the male/majority norm.

In contrast, an integrative alternative is to be based, according to Lahdenperä on a norm-critical perspective that implies multicultural tolerance and an intention to find mutually satisfactory normative grounds for co-existence. Multiculturalism implies an increasing tolerance for differences in culture. A further stage in norm-criticism would imply the deconstruction of norms, making possible reflexive modernity and cultural individualism. Postsocialist ethnic policies concerning education varied between “segregationist,” “difference” based approaches (compensating Roma children’s disadvantages in special line schools for “disadvantaged” Roma children), characterizing conservative governments, and “integrationist,” “likeness” based approaches (promoting integrated education) characterizing liberal and socialist coalition governments.

**STATE-SOCIALIST CITIZENSHIP** advocated both the right and the duty to work. Roma were employed during state socialism primarily in low skill occupations in mining and industry, which were the hardest hit during de-industrialization, when 1.6 million people lost their jobs from a labor force of 5.2 million. Meanwhile, the dependency ratio increased from 98 dependent on 100 employees in 1990 to 167 on 100 in 1995. This was accompanied by increasing social inequalities and frictions in society. Contra-selective mobility patterns increased spatial segregation leading to the rise of regional “rust-pockets,” typically small communities with extremely high unemployment. Large segments of the population became increasingly marginalized, which led to the creation of a spatially segregated ethnified underclass. The neoliberal retrenchment of the postsocialist welfare regime hastened by international monetary pressures on governments led to the emergence of welfare redistribution, with its sharp bifurcation into systems for “citizens” and systems for “the poor,” creating two classes of people. Welfare responsibility was delegated to the newly decentralized municipality system in a state with drained resources. Poverty became ghettoized: “Both the issue of poverty and that of the defenseless minority were confined in the limits of the administrative boarders of villages.” The postsocialist municipality reform split society: “the ‘social’ element has now been merged into the ‘minority’ [...] comingling poverty and ethnicity and ‘ghettoizing’ the minority question while ‘ethnicizing’ [...] the social question.”

In exploring the emergence of the ethnification of poverty, Emigh, Fodor, and Szelényi combine the analysis of “objective” conditions, such a lack of skills and de-industrialization, leading to structural unemployment and the impact of subjective factors, such as classificatory struggles of ethnicity and gender, which demarcate boundaries between “hopelessly poor” and “deserving poor” in producing and reproducing poverty. As an outcome of classificatory struggles, the social features of poverty become attributed to supposed characteristics of the agents themselves, thereby reinforcing the cleavage between the poor and the not so poor. These moralizing discourses contribute to the long-term reproduction and perpetuation of poverty and prevent economic forces from dissolving it. Ethnification of poverty is closely intertwined with ethnifying discourses of those deserving of assistance. Unemployment and poverty became associated with undeservingsness and Roma. Thus poverty obtained a “Roma face” with Roma women and children as its strongest signifiers.

**The ethnified feminization of poverty in postsocialist transitions**

Women at large were not seen to have been impacted more negatively than men in the postsocialist transition in Hungary. The unifying feature of state-socialist gender regimes was the high level of women’s employment and education. Meanwhile, men remained the main breadwinners, and concentrated in the previously privileged “soft budget” sectors, such as mining, and heavy industry, which was protected by the state. Mining and heavy industry, along with agriculture, declined most rapidly during the transition to capitalism. In contrast, women were employed in lower paid and lower prestige jobs primarily in the less privileged tertiary sector. This sector was not hard hit by the transition to the same extent. In fact, it expanded the most during the transition period, in part because of the newly emerging welfare provision jobs. That the postsocialist transition has not led to a mass feminization of poverty has to do as well with the high proportion of state transfers to women.

Exempt from this trend are Hungarian Roma women, who experienced mass exclusion from the labor market following the transition. The growth of the ethnified feminization of poverty has to do with the ethnically differential distribution of resources during the postsocialist period among women, where Roma women are “devoid of [...] resources and are the most vulnerable social group” on the fringes of society. Half of the Roma, while only 10% of non-Roma according to Emigh and Fodor’s research samples live in poverty in Hungary, Slovakia, and Bulgaria. The poverty gap is higher for women than for men.

**Hungarian gender equality policies and Roma women’s “otherness”**

Dahlerup argued that different gender equality struggles make fundamentally different claims about the roots of inequalities and potential vision for overcoming these. She differentiated, based on the ontological assumptions made about the nature and origin of differences, between concepts focusing on the fundamental “likeness” between men and women and those claiming the existence of an essential “difference.” Approaches
further differ depending on whether change was perceived to come in reference to a male norm or by dissolving such a norm. A “likeness” approach sees equality as something to be reached by inclusion of women into the man’s sphere, which is taken as a norm, without problematizing its gendered nature. Difference-based approaches claim recognition for the female condition by “reversal” of the male norm. Finally, norm-critical approaches argue for the “displacement” and deconstruction of norms and “diversity.”

State-socialist women’s emancipation rhetoric in the early 1950s in Hungary had as a norm the wage-laborer man, without reproductive responsibilities. Women were to achieve equality by taking on men’s work, symbolized by the tractor-driving woman, while care duties were to be socialized by the state. In contrast, from the late sixties to the early seventies, women’s maternal contribution was reappraised, women were encouraged to engage with maternal roles, for which society was to compensate them by paid maternal care during the child’s first three years. Although later even fathers could have limited access to these childcare benefits, they were almost exclusively utilized by mothers. As the system of women’s double burden continued, women’s care duties have not been seen as of equal value to men’s wage labor, the Hungarian state-socialist gender regime was a difference-based model with clear primacy for the male norm, the lack of reproductive responsibility.

In the postsocialist transformation, a public, maternalistic gender regime was reproduced. During the first conservative government, MDF, starting in 1990, gender difference ideology was enforced, extending state support to so-called full time motherhood. In 1995, the socialist (MSZP) and liberal (SZDSZ) coalition attempted to cut back on maternal benefits due to external pressure by global monetary institutions (IMF), while the populist conservative (FIDESZ) reinforced maternal benefits in 1998. During the following two terms of socialist and liberal coalition government family policy emphasized the importance of childcare benefits as means of decreasing social inequalities and social support to poor mothers. In contrast, the turn to a national conservative/Christian (FIDESZ/KNDP) regime reinforced the role of childcare benefits to compensate for loss of work income, differentiating levels of transfers for those who had been employed previously and those who lack such entitlements. Conservative governments took a critical position towards HBTQ movements, women became increasingly marginalized in politics, and the levels for childcare transfers were falling. These trends indicate the current strengthening of difference-based conservative gender politics.

In this conservative climate, Roma women appear in public discourses as giving birth to too many children in order to access social benefits related to childrearing. Framing Roma mothers as irresponsible has been central in constructing Roma as “others,” and as undeserving citizens. “Everybody knows that the majority of children are born in order to provide income,” argues a small community mayor writing an open letter to the parliament urging new laws that would abolish family subsidies for families of children under three, and would channel child support payments to institutions rather than families. She claims that many use social welfare child benefits “to go straight to the local pub on the payment day for social benefits only to behave aggressively with people after getting drunk.”

This ethnified discourse is combined with a social conservative rhetoric arguing “that many have a better living from living on subsidies than from real work” and thus the current system of benefits is encouraging irresponsible family planning practices. This argument echoes earlier parliamentary debate, in 1996, when the generous state-socialist childcare subsidy policy was reformed, abolishing the employment based Childcare Allowance [GYED], which was proportionate to the loss of wage based income, while maintaining the flat rate Childcare Subsidy [GYES]. Maintaining the subsidy was a central pro-natalist measure, and arguments on its behalf were framed either in terms of a social need, as in the strategy of the socialists, or, in a nationalistic context, in terms that refer to the dying out of the nation, the strategy adopted by FIDESZ. However, the danger of being misused by “certain groups in the population to make a living by having a string of children, with all the undesirable consequences that go with that” echoes concerns similar to those raised by the mayor cited above. The true object of these concerns is certain groups, yet they generally are not directly named. Hungarian human resource minister, Balog, utilizing similar ambiguous rhetoric, recently announced that “[...] the most alarming consequence of the demographical transition – in addition to the fact that there are too few children born and that society is aging – is where those children that are born are born” a statement that generated public outcry.

Identifying stigmatized groups as “problemholders” can further stigmatize them in political discourse. Bacchi argues that even if framing is not necessarily intentional, “hegemonic discourses” in the Foucauldian sense may enable or constrain agency. The articulation of grievances may be influenced, even silenced, by prevailing “master frames.” An ethnified moralizing of standards of parenting and mothering also has real-life consequences. Eastern Europe – and Hungary in particular – has a comparatively high frequency of institutionalization of children from families identified as not having proper childrearing practices. Roma are overrepresented among institutionalized children. Although poverty cannot officially be a reason for institutionalizing a child, when health and social welfare workers make decisions about Roma mothers on childrearing standards,
references to a parent’s reliability in providing a proper standard of living combine with considerations regarding an absence of proper childrearing standards. Forcemental sterilization has been placed in the international spotlight, even if documented cases of Roma women’s victimization through forced sterilization are, so far, not numerous in Hungary.

**Roma women’s vulnerabilities within their own community**

Beyond the classificatory practices of majority society, even gender relations within Roma communities and in intimate relations contribute to Roma women’s multiple marginality. Köcze describes the tasks of Roma women activists being double-edged: to fight against the norms of their own family and community and to challenge the existing and persistent racial hierarchy. Roma women show alarming reproductive health issues and are overrepresented among the victims of trafficking. Neményi argues that Roma women’s responses to reproductive challenges and ability to manage their reproductive health are contextualized within poverty, classificatory practices by the health regime of majority society, and their own families.

There is an increase in early births, especially among Roma women in segregated settlements with low socio-economic status. One third of Roma women give birth for the first time before the age of eighteen, and two thirds before the age of twenty. Teenage mothers are less educated, and newborns to those who have not completed at least eight years of primary school weigh on average 257 grams less than the average for newborns generally, and experience medical complications more often. Health professionals emphasize that these trends are related to malnutrition, risk behaviors, and the state of the body at such a relatively young age. These trends among Roma women not only have adverse health effects but also worsen their possibilities of completing their education and finding employment (70% of Roma teenage mothers remain housewives), which contributes to a long-lasting feminized poverty. Durst argues, based on statistical and qualitative studies, that the increase in teenage pregnancies cannot be explained by cultural factors. High fertility is even attached to men’s status. High fertility is even attached to men’s control over women’s fertility, and negative sentiments towards birth control practices. Others, such as Roma ethnographer and writer Ruva Farkas praises Lovári Roma ethics about high fertility as insurance for “recreating the race” [fajfenntartás].

Roma women victims of domestic violence face difficulties obtaining support from majority society institutions as well as from their own communities, an issue that European Parliament Country Report on Hungary, Empowerment of Romani women within the European Framework of National Roma Inclusion Strategies NSIS, 2013, emphasizes. It formulates Romani women’s situation from a multidimensional perspective emphasizing both internal discrimination seen as: “deeply rooted in the patriarchal family system characterized by a strong asymmetric distribution of power between genders in the communities” and external: “Roma women face higher risk than non-Roma women of being exposed to all forms of violence, notable domestic violence, trafficking and exploitation, while facing additional obstacles in accessing protection.”

In a joint conference with IRWN (see below), JRWI formulated a path-breaking declaration arguing that: “One cannot fight racism in a society while discriminating others on the basis of gender in their own community.” Ruva Farkas described Roma people’s patriarchal praxis from the “inside”: “if a wife does not enter the marriage with honor [i.e. as a virgin], this will follow her through her life. A wife that will not be hit, dishonored in a marriage is rare [...]. The value of a child born from a “whore” wife is not the same as one born from a virgin.” Meanwhile, Roma feminists problematized practices, such as virginity tests, child and arranged marriages calling on their elimination as harmful for young women and men. The declaration problematizes whether these practices can be considered as part of some kind of “Roma” traditions. Rather, they claim that such “exist in every patriarchal society/community. They called for legal repercussions: “law must prevail and culture should not be used as an excuse whenever such practices are being performed.”

**NGOs addressing the conditions of Roma women**

The postsocialist transformation created specific conditions for the emergence of civil society. Feminist mobilization was hindered by the alleged association between state socialism and women. Emerging NGOs embraced different issues compared to Western civic organizations: “Despite their widespread rejection of exclusively gender-related identification and tactics used in Western democracies, a minority of Central and Eastern European women began to mobilize and lobby, mostly around a series of welfare issues.” Such welfare issues focused primarily on reproductive rights, raising the pension age for women, and the restructuring of maternity benefits. It was argued that raising issues of domestic violence by feminist movements in
general was strongly hindered by antisocialist sentiments, questioning state interference in matters of the family. As Fábián argues, civic organizations that compose the women’s movement in Hungary manifest a mixture of “antifeminism and hybrid feminisms” with only a few adhering openheartedly to a feminist agenda, defined as having “a political agenda to end the oppression of women”. These often reformulate rather than openly challenge traditional perceptions that “view the welfare of children as women’s main public concern”. Women’s NGOs, which often grew with foreign support, such as support by the Open Society Foundation, and which worked more on a national scope, such as NaNE, have been instrumental in placing the issue of domestic violence on the agenda.

**Data and methods**

This paper explores the perceptions of those agents representing civic organizations who are engaged with issues that have relevance for the conditions of Roma women. I studied nine Roma NGOs. Out of these, four of the interviews were conducted with representatives of these NGOs, which were formed with the specific purpose of representing Roma women’s interests. A further three organizations were Roma interest organizations, not specifically engaged with women’s issues, while two were Roma NGOs that had some specific projects concerning Roma women, even if they were not formed with the specific purpose of assisting Roma women. I conducted interviews even with three non-Roma NGOs whose activity had relevance. I chose three NGOs from a broader sample to represent Roma, women’s and Roma women’s NGOs. The chosen NGOs also exemplify three distinct areas of engagement: NE, IC and GBV. CfCf: Esélyt a hátrányos helyzetű fiataloknak [Chance for disadvantaged youth] fights against school segregation; Khetanipe is a Roma civic organization with special programs and engagement for Roma women’s health; NaNE: Nők a Nőkért Együtthatás Erőszak Ellen [Women for Women Together Against Violence] works against domestic violence.

My major research method was based on in-depth semi-structured interviews. In some cases focus-group interviews were also conducted and there was also some participant observation. Beyond oral sources, I have also consulted web pages and publicized policy documents. The first round of interviews took place in 2012. Interviews and web page studies were repeated in 2014. Only written documents were analyzed in case of Khetanipe NGO.

I utilized a frame analytical method. On the one hand, I have explored the hegemonic/master frames that the NGOs and their representatives were relating to and exposing in their speech, as an analysis built on “inside” logic. On the other hand, I exposed these to the frames developed in intersectional analysis of Roma women’s conditions, as an analysis relating to an “outside” logic.

**CfCf. Improved education for Roma children**

This civil right organization was founded with the goal of protecting equal opportunities and ensuring the scholastic success of disadvantaged children of primarily Roma origin (www.cfcf.hu). CfCf concludes that obtaining many years of education is the way out of poverty and isolation. Referring to phenomena observed in other countries, the NGO argues that this cannot be reached in schools that are segregated according ethnic or social position. I studied the homepage of the NGO, and interviewed Erzsébet Mohácsi, director and head of the curatorial, who as a dedicated activist carried through a series of successful lawsuits against municipalities during the past decade. The interview aimed to explore the intersectional perspective of the NGO with special interest paid to gender issues.
The homepage of the NGO motivates its foundation by the fact that despite the existence of anti-discrimination laws in Hungary, required by the EU, in 2004, when Hungary joined the EU, there were 170 village and urban schools that were homogeneously Roma and an additional 700 ethnically mixed schools where there were segregated Roma classes. Another motivation was the overrepresentation of Roma children among children classified as handicapped “fogyatékos”. Segregated schools have allegedly a lower educational level leading to failure on the labor market. Despite substantial resources, the Hungarian educational system reproduces poverty and vulnerability. Although state institutions should be the ones that guarantee that the schools live up to the law, they do not do so.

The CfCf project “What Roma kids dream about” addresses the main mission of the organization as follows: “While their dreams are not different at all from those of children from majority society contributing to segregation, the project inspires Roma and non-Roma parents to create mixed study groups. The purpose of the new policy was to elucidate the way in which CfCf addresses a) the gender aspects of school discrimination in their mission and b) the intersection between class and ethnicity, attributing the reason for ethnified social marginalization to ethnified, segregated schooling. Meanwhile, schooling is also the arena of gendered, intersecting marginalizing practices. Therefore, my question was to elucidate the way in which CfCf addresses a) the gender aspects of school discrimination in their mission and b) the interaction between the responsibility of the schools and of parents/community.

As shown earlier, early childbirth is contributing to the early termination of the education of teenage mothers, a loss that impacts their life chances. Even though of a different reason for the lack of educational advancement, where the clear target of the mission is to address institutional discrimination. This mission addresses the intersection between class and ethnicity, attributing the reason for ethnified social marginalization to ethnified, segregated schooling. Meanwhile, schooling is also the arena of gendered, intersecting marginalizing practices. Therefore, my question was to elucidate the way in which CfCf addresses a) the gender aspects of school discrimination in their mission and b) the interaction between the responsibility of the schools and of parents/community.

As shown earlier, early childbirth is contributing to the early termination of the education of teenage mothers, a loss that impacts their life chances. However, Mohácsi did not attribute
importance to the frequency of early childbirth among Roma girls, describing it as “a general problem of teenage girls [...] . I am sure that [early pregnancies] occur just as often among non-Roma girls [...]. Hungarian girls have abortions, Roma girls cannot, since their family tells them not to.”

This statement makes two contradicting claims on cultural difference. On the one hand it states that early pregnancies (which assumes early sexual debut) among Roma youth are not more frequent than among non-Roma. Thus, there is no cultural difference. On the other hand, it states that there is a cultural difference, in the way Roma families handle their children’s early pregnancies. Roma families do not practice abortion, on the contrary, their families tell them not to do so. Mohácsi does not elaborate on the reasons for the different positions on abortion among Roma and non-Roma parents. Nonetheless, the issue with potential relevance, yet left unproblematized by CfCf, is how early child deliveries impact on the chances of Roma girls to obtain equal opportunities in their education. Nor is the question raised of joint responsibility of the school system and Roma families for these practices.

As the previous analysis elucidates, the focus of the foundation lies on watching over how the laws are followed. In that sense it fulfils a key democratic function, the surveillance of majority society’s institutions. However, seen from a more complex, intersectional perspective, there are several factors beyond the segregating practices of schools that contribute to the lower school achievement among Roma youth. From an intersectional perspective, taking on board both ethnicity, class and gender dimensions, schools might be seen as deficient in their efforts to collaborate with the families and/or to be more proactive in their information practices as well as in efforts to secure institutional conditions enabling young mothers and fathers to complete schooling. Alternatively, schools fail to provide viable life chances for the youth that could open alternatives to reach adulthood other than early parenthood.

CfCf’s lack of attention to the interaction between the schools and parental and community responsibility could be seen as the result of its simply falling outside their proclaimed mission: monitoring institutional discrimination. Resistance to culturification discourse and practices, i.e. the foundation of ethnic discrimination, in that sense, suppresses potential resistance to gender-based marginalities.

Kethanipe: strengthening Roma women’s reproductive health

One of the issues with which the Roma NGO Kethanipe is engaged is Roma women’s reproductive health. Roma women experience higher reproduction-related risks than do women at large. The document published by Angyal as part of an EC-supported project summarizes recommendations forming Khetanipe’s policy. This document addresses, as the key challenges of Roma women’s reproductive health, the issues of poverty, chronic illnesses, and lack of knowhow. These challenges are seen as partly of structural and partly of cultural origin. First, Roma are overrepresented among those living at low living standards, unemployed and having low-incomes, while they are overrepresented among those living in large families, having low educational levels and those dependent on social benefits. Secondly, Angyal highlights the challenge of the abundance of chronic illnesses including epidemics. The high frequency of these can be associated with unhealthy lifestyles and abuse of alcohol and cigarettes. Thirdly, Angyal refers to the lack of knowledge, which might be bound both to structural issues, such as the low educational levels, and to traditional Roma beliefs and health-related culture.

Kethanipe also works for the principle of equal treatment, however, unlike CfCf, it situates the interaction between Roma women and the health profession (representing a state institution) in a broader community context. Roma women are perceived as agents acting as part of a community with distinct
cultural and social conditions. Angyal’s overriding recommendation for health professionals is to work for integration with respect to values of cultural difference; they should work for a prejudice-free encounter, while being open to learning about Roma culture.

In her elaboration, Angyal promotes three different positions depending on contextual factors. On the one hand, health professionals should enforce prevailing regulations, even if this means going against the will of women as patients, if these regulations serve the improvement of health standards, for example in the case of vaccination, or pregnancy check-ups.

On the other hand, they should be open to accepting cultural difference, where the issue at stake is not a hard-core matter: “[health professionals] should learn from the Roma customs, values, ways of thinking, should accept their difference; they should consider culture as the bearer of different values”.

They should learn the specificity of culture and respect its various elements, such as the presence of family hierarchies or elderly women’s authority. They should respect beliefs “if the lifestyle evolving along traditions does not itself contain risky elements for health”.

Angyal promotes a third, intermediary position in cases where direct intervention is not recommended, yet where counseling and offering insights could direct the patients/recipient towards a healthier life. Early pregnancies were identified as an example where the risk of adverse effects for the young mother’s reproductive health was increased. Health professionals should thus work for change – if customs suggest a risk. However, Angyal argues that “to intrude into beliefs and customs directly or with a prohibition is counterproductive”. Instead, “careful convincing (rábeszélés) can bring about positive outcomes”.

Comparing CfCf leader Mohácsi’s view with Angyal’s views from Khetanipewe, we find an acknowledgement of cultural difference in how families relate to early pregnancies, among other phenomena. It seems that Khetanipewe addresses more explicitly the relation between welfare institutions and the Roma community, where a critical position is taken towards alleged Roma customs on issues potentially inflicting health damage. Meanwhile, Angyal argues for respect towards cultural difference on issues of large family size, elderly women’s authority, and women’s shyness when confronted with health professionals. Therefore, both balance between arguments of likeness (anti-segregation, enforced health control standards) and difference (acceptance of family preferences for early pregnancies or large family size).

The general trend identified by Fábián in examining CEE women’s civic organizations as one of either a hybrid-feminism or an anti-feminism – in the latter case, adhering to women’s caring role for society – seems to characterize Khetanipewe’s position. Here, the lack of critical distance towards women’s position in the private sphere can be a consequence of the double-edged sensitivity (inside the community and in relation to majority society) elaborated by Crenshaw above.

**NaNE: A Non-Roma women’s organization**

NaNE “Nők a Nőkért Együtt az Erőszak Ellen” [Women for Women Together Against Violence] was formed in 1994 and is one of the major women’s NGOs providing aid to women who have been victims of violence. They have a profile within the GBV frame and operate a hotline which women can call in an emergency. They are active in opinion-formation on issues relating to domestic violence, and educate institutions, such as the police, that deal with cases of violence or abuse. I interviewed one of the central people from NaNE, Judit Wirth, about the experiences they have had with Roma women as victims. I sought to explore whether NaNE followed any specific strategies in order to address Roma women’s issues. Until 2012 they did not have a specific outreach program for Roma women, nor differentiated between Roma women’s cases and others’. First, they had practical reasons: NaNE knew of few confirmed Roma cases, since people typically phone in anonymously, and NaNE gets to know the ethnicity of clients only if they volunteer the information. Secondly, NaNE perceives sexual abuse as a phenomenon which does not have race or class: “one can be a victim even if one is a millionaire.” They do not see that family violence would be more frequent among the Roma than among other groups. Rather, it might be perceived as more frequent, since those with more resources have better means to hide it, while the Roma are “more visible.” Thus, family violence is “more observable in a minority burdened by prejudices against them.”

**Reflecting on the absence** or low representation of Roma women among the clients of NaNE, Wirth finds several potential reasons. First, she there is Roma women’s reluctance to seek help from majority social institutions “since they [are perceived to] have less chances [to be helped by authorities] due to multiple discrimination.” Thus, Roma women distrust the willingness of authorities to be supportive. They place no hope in social institutions. This mistrust, according to Wirth, has two sides. On the one hand, there is no proper institutional solution for battered women at large in Hungary. There are only few “transitory family homes”, but no shelters that meet international standards. On the other hand, there is mistrust against institutions as majority society establishments, a mistrust extended to women’s NGOs. Beyond lacking sensitivity to the position of battered women at large, authorities often form their strategies based on, to use Wirth’s terms, “culturified position,” on “culture relativist arguments […] claiming that among them [Roma] this is the custom, that the young girls are accustomed to it […]”

**“Roma women distrust the willingness of authorities to be supportive. They do not hope in real help from institutions.”**
that it is normal to beat one’s wife, to have teenage girls become prostitutes [...]”.

Secondly, Wirth argues that Roma women fear repression from within their own community. Were they to contact the public authorities of the majority society, resulting in action taken against Roma men, it would provoke the reaction from the Roma community as a whole. They would risk becoming labeled as “traitors”: “they can easily become targets of violence in their own communities […] if they say something bad about their community to outsiders, to the majority society, which commonly labels the Roma negatively.” Since Roma women are members of a stigmatized community, where Roma men have a criminalized public image, authorities are more inclined to take action. Roma women, who are dependent on their communities due to poverty, experience pressure not to seek help from majority society institutions of the state or civil society. As shown earlier, Crenshaw makes a similar argument about the impact of stigma on intersectional claims.

In addition, Roma women experience difficulties in making claims within their community as a result of unfounded internal community myths, such as the notion that Roma societies are matriarchal, where women rule within the families. Women making claims that they are victims of violence become accused rather than supported.

Although at the time of the first interview in 2012, NaNE did not have a special outreach program for Roma women, Wirth indicates that they actually have encountered a few cases filed by Roma women. One of these concerned a Roma woman married to an abusive Hungarian husband. The other concerned sexual assault in the workplace. Welfare law that came into force in 2012 made social benefits contingent upon participation in the public work programs organized by the municipality. Entitlements to welfare benefits thus now depend on confirmed participation in these. This creates extreme economic dependency on work providers through the municipality leading to “a new form of slavery.” The case referred to by Wirth concerned a case of sexual abuse by an employer, filed at the Equal Treatment Authority, which initiated collaboration with NaNE. One of the victims was a Roma woman. However, as it turned out, coworkers were bribed and were afraid to testify.

The above examples represent cases of abuse, where a Roma woman is abused by a representative of majority society (partner or employer). Thus, utilizing Wirth’s reasoning about battered Roma women’s reluctance to seek support from or contact authorities, we can see that these Roma women’s agencies are not relating in the most productive way to the Roma community. Furthermore, these contacts indicate that the concerned women were integrated with majority society. Wirth emphasized that the cases are similar to non-Roma women’s cases and refer to a gendered poverty trap, a situation in which ethnicity does not result in specific vulnerabilities.

Thus, while asserting that gender violence has “no class, no race,” Wirth raises the possibility of oppression of Roma women along multiple dimensions: via socio-economic vulnerabilities (i.e. Roma women being situated in a gendered poverty trap), by the institutions of majority society, and by their own community. Wirth’s primary critique is raised against the “culturified” perceptions of domestic violence. Majority society views wife-battering among Roma as part of Roma culture, which manifests itself in an institutional, discriminatory lack of assistance to Roma victims. Conspicuously, according to Wirth’s interpretation, Roma themselves view their “cultural difference” not as a culture of normalized wife battering. On the contrary, myths about the power of the matriarchy inhibit victimized Roma women from seeking help in their own communities. However, as shown above, we have Lovari’s socio-graphic descriptions, which argue for the existence of strong patriarchal control, a control that even permits battering under violation of Romani Kriss ethic.

Therefore, despite the position that family violence has “no class, no race”, Wirth operates a complex intersectional framing: she is critical of both “culturifying”, that is, removing the notion of responsibility to assist battered women, as well as of the lack of support from the Roma women’s own communities. Nonetheless, in 2012, NaNE lacked intersectionally informed support for Roma victims. Thanks to increased interest in initiating specific outreach programs for Roma women, NaNE has engaged Lídia Balogh, a scholar and feminist activist, to develop cooperation between Roma women’s organizations and NaNE, and work for a strategy to improve consciousness and aid for Roma victims of domestic violence. This outreach included consciousness-raising both within the Roma communities on the nature of domestic violence and among authorities, such as law-enforcement. With this, NaNE has moved towards a complex intersectional approach on GBV issues where Roma women are offered a voice in addressing domestic violence.

Conclusions

In assessing intersectional sensitivity of the three NGOs here examined, one can conclude that all three identify the crucial interrelatedness of social marginalization with other marginalizing mechanisms. CfCf elaborates the intersection between ethnicity and social differentiation, where the main focus is on majority society’s institutional discrimination examined in the context of school segregation. This discrimination is seen as the primary contributing factor to further entrenched social inequalities. Meanwhile, CfCf leaves the gender dimension unarticulated. Roma cultural differences, or gender relations within Roma communities, are posited as present, yet as insignificant as a cause of educational disadvantages.

By comparison, Khetanipe’s policy analyses of the health condition of Roma result in a broader action plan, where the role of both the institutions of majority society and of Roma communities is critically assessed. While the occurrence of discrimination within health organizations is criticized, the main focus of the policy document is a norm-critical assessment of institutions. This norm criticism assumes the juxtaposition of Roma culture and majority culture. This analysis offers a critical assessment from the “inside”, as well. The relative ill-health in marginalized Roma communities is partly explained by social deprivation and
poverty, and partly by customs. Some of these customs are identified as non-ethnic, such as smoking, and addictive behavior in general, while others are identified as culture-bound, such as early childbirth or large families. These customs are articulated as different from those of majority society, and as an implicit claim for recognition. Khetanipe’s policy analyses have an articulated gender difference perspective, where women are attributed a central caring role. Ethnic and class-based marginalities are problematized, including gendered aspects of ethnic marginalities, such as the encounter between pregnant Roma women and healthcare institutions. Meanwhile, this gender perspective is not critical, but rather affirms Roma women’s responsibility for the reproduction of the family and community. Only a mild criticism is present concerning the function of men in limiting the use of contraceptives.

The most explicit gender perspective has been articulated by NaNE, which has to do with their specific engagement with GBV issues. Even though NaNE claimed in 2012 that domestic violence has no class or ethnicity, the organization manifest sensitivity to both class and ethnicity. This sensitivity led to a direct engagement with the intersectional approach and collaboration with Roma women’s organizations. In this engagement, NaNE turned against culturifying discourses, which are used by institutions to free themselves from responsibility to intervene in domestic violence cases in Roma families. Due to intersectional marginalities, such as the stigmatization of Roma communities, Roma women experience a lack of support from majority society institutions while they fear repercussions from their own community, if their claims cause damage and criminalization to their partners. In addition, cultural self-images of Roma communities as maternalistic make it difficult for abused women to find sympathy within their communities.

Crenshaw’s remarks can be of relevance in this respect. She argues that women of color suffer multiple marginalization and that in struggles for recognition, claims rooted in differing loyalties might come into conflict with one another. Ethnic recognition struggles might overshadow potential claims of inequality based on gender. What the three cases above have in common is the persistent negation of hegemonic essentializing culturifying discourses. This overriding frame appears to dominate gender-based claims to varying degrees: fully overshadowing gender in case of CICF, while merging with gender-based recognition struggles in the case of NaNE, and arguing for women’s gender differential identity in the case of Khetanipe. Despite refuting culturifying discourses, all three NGOs give expression to some degree to the claim for recognition of cultural difference characterizing Roma communities. A strategy of reversal is strongest in Khetanipe. Refuting stigmatizing discourses constitutes an obstacle to the formation of a critical position on internal marginalizing relations, such as domestic violence and teenage pregnancies. Internal claims on identities of difference need by necessity positive self-images. Despite this need, both NaNE and Khetanipe exercise self-criticism concerning some perceived Roma cultural features, such as unhealthy lifestyles or a lack of solidarity with victims of domestic violence. Most importantly, those criticized aspects of perceived Roma culture that are acknowledged, such as risk behavior leading to poor health, are not considered as essentially associated with Roma culture. Rather, these features are the consequences of other related conditions, such as poverty and low educational attainment.

**AS SHOWN ABOVE**, the four organizations identify their mission out of different positions placed in a matrix of societal relations. CICF’s concern with educational segregation raises a central NE issue, Khetanipe’s inquiry into health issues falls in the area of IC, while NaNE’s focus on domestic violence is a key issue within the GBV field. Based on the way they position themselves within these relations, different aspects of intersecting relations are revealed, while others become suppressed. With the exception of NaNE, the two other civic organizations do not deploy a feminist gender-critical perspective concerning domestic violence in Roma families. Rather, they resist culturifying perspectives contributing to external stigmatization. In this effort they turn their critical focus primarily to the role of majority institutions. As current developments show, NaNE increased engagement with Roma women’s civic associations. Engaging Roma women’s associations allows the issue of domestic violence to surface from the inside of the Roma community. This circumvents the utilization of the theme in the service of stigmatization, while at the same time it allows the issue to be voiced by Roma women – which, as argued earlier, makes it possible to address the intersectional aspects of their marginalization.

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**references**


Lev Ozerov

Born in Kiev, Lev Ozerov (pseudonym of Lev Adolfovich Goldberg; 1914—1996) studied in Moscow, then worked as a front-line journalist after the German invasion. After the liberation of Kiev in 1943, Ilya Ehrenburg commissioned him to write an article for The Black Book (a planned documentary account of the Shoah on Soviet soil) about the massacre at Babi Yar, a ravine just outside the city. In the course of six months the Nazis shot a hundred thousand people; nearly all of them were Jews. Ozerov also wrote a long poem about Babi Yar, published in early 1946. From 1943 Ozerov taught in the Translation Faculty at the Gorky Literary Institute, himself translating poetry from Yiddish, Hebrew and Ukrainian (languages he knew well), Lithuanian (which he could read) and from other languages of the Soviet Union with the help of a crib. He also wrote many books of literary criticism and did much to enable the publication of writers who had suffered or perished under Stalin. He was the first editor to publish Zabolotsky (his translation of The Lay of Igor’s Campaign) on his return from the Gulag in 1946.

Ozerov has yet to win due recognition. His finest book, Portraits without Frames (published after his death) comprises fifty accounts, told in a variety of tones and with deceptive simplicity, of meetings with important figures, many – though not all – from the literary world. One poem tells how Yevgenia Taratuta, an editor of children’s literature, kept her sanity during brutal interrogations by reciting Pushkin and Mayakovsky to herself. A second describes Ozerov’s first meeting with Zabolotsky on his return from the Gulag. The poem ends with Zabolotsky’s daughter telling Ozerov, decades afterwards, how later that day her father had said to her: ‘I had thought I was forgotten, but people still seem to remember me.’ Remarkably, Ozerov is able to write with compassion not only about such truthful and gifted writers as Zabolotsky but also about such writers as Fadeyev, a Soviet literary boss who shot himself when Stalin’s crimes, and his own complicity, began to be exposed under Khrušchev.

Among the subjects of other ‘portraits’ are Babel; Platonov; Shostakovich; Tatlin; the ballet dancer, Galina Ulanova; and Kovpak, a Ukrainian partisan leader. One of the most charming poems tells of Slutsky’s generosity in making his room available to couples who had nowhere to sleep together; one evening he returns home to find a note: ‘Boris, / you are a great humanist, / and the heavenly powers / will reward you. The sins of others, / sins that are not yours, / will bring you blessings.’

Note: A complete translation of Portraits without Frames will be published in 2018 by Granta Books & NYRB Classics.

Reference


Shalamov

Forward and to one side,
like a knight on a chess board,
with a knapsack on his back,
Varlam Shalamov plods on,
battered by Kolymà.
Lonely, almost sullen,
he has the air of a sad
Russian peasant, or scholar, or writer
whom life has stung hard,
whom life has pressed down on
but not yet utterly crushed.
Deep in his soul
there is still strength,
still the will
to fight fate.
His wrinkled face is a hieroglyph
of all he has lived through
and keeps quiet about.
It’s a cold day.
We go into a café.
Not much to eat,
but it’s warm.
‘Varlam Tikhonovich,
read me some new poems.’
He turns one ear towards me.
Without a word he takes off
his rough, wind-battered knapsack.
Inside it a wooden spoon
hobnobs with crusts of bread,
notebooks
and documents –
dead, after all,
can creep up on you
any moment.
He reads slowly,
separating each word:
each word
ready to drop into the abyss.
Getting the words
out is easier
with pauses for breath.
‘Thank you,’ I say.
‘No, it’s for me
to thank you. Who
nowadays asks anyone
to read poems?’ he says
hoarsely, with feeling.
‘I’ve got an awful lot
of them.
How do I choose?’
He reads at random
jumping about, whatever

Cont.
he happens on.
Reading aloud,
he warms up.
‘All right. Enough of that.’
Someone brings coffee,
sausages, bread.
Steam rises from the cup.
Steam rises from the plate:
the renowned fragrance
of a Moscow
people’s café.
Shalamov tries not to eat
too quickly,
ot to show
that he’s very hungry.
I don’t ask about Kolyma
and he doesn’t mention it:
as if it hadn’t happened.
As he eats the bread,
he holds one hand
just below his chin.
Cr cust falls
into his palm.
Shalamov eats them greedily,
with particular relish.
His long experience
of malnutrition
is apparent.
This mouth accustomed to hunger
opens slowly, mistrustfully,
almost unwillingly, as if in shame.
Shalamov eats in silence,
with tried and tested
deliberateness,
sensibly, with pauses,
and to me he seems
not to be thinking
about food.
What is Shalamov
thinking about?
How can I ever know?
He puts his manuscript
back in his knapsack.
Out we both go
into the winter outside.
‘It’s a cold day,’ I say.
‘What do you mean?’ he says.
‘It’s warm.’

NOBEL PRIZE WINNER SVETLANA ALEXIEVICH: “Varlam Shalamov, the greatest writer of the 20th century, who spent 17 years in Stalin’s camps, said that the camps corrupt both the executioners and their victims. This is what has happened to us; this corruption is now in our genes. We come up against it again and again; we can’t find our way out of the trap.” extract from her preface to My Story by Andrei Sannikov, tr. Robert Chandler.
Introduction.

Economic development in Russia

Starting in the late 1980s, the Russian economy went through a painful transformation as it introduced institutions and practices associated with modern capitalism and market economy. Today, 24 years after the dissolution of the Soviet Union, the quality of the new economic institutions in Russia differs considerably from the vision advocated by the reformers of the early 1990s. The state still has a strong presence in the economy and “free market” mechanisms have not been a driving force of development. A façade of formal institutions of market economy conceals a reality in which the economy and politics merge in a complicated inter-play. Hence, mainstream economics and its dogmas can only provide limited insights on how the Russian economy actually works. Instead, other approaches can suggest viable pluralistic alternatives for studies of the contemporary Russian economy.

This section of Baltic Worlds contains one interview and six peer-reviewed articles devoted to the Russian post-Soviet economic transformation. The contributors were not confined to using a specific methodology or theoretical approach and drew on disciplines such as political economy, economic sociology, financial economy, and political science.

The section opens with a peer-reviewed article by Anton Oleinik. He deals with the European countries’ lack of a united response to the 2014 conflict in Ukraine. He questions whether Russian power elites influenced the policy choices of EU member-states through the energy policy they put in place. Oleinik’s answer is that a constellation of interests of the European countries and Russia in the European energy market could define the outcome. According to Oleinik, the Russian power elites’ strategy is to “wire” key European markets into Russian pipelines and to perform the functions of gatekeepers by providing access only to customers willing to further their interests.

Next comes an interview with professor Andrei Yakovlev of the Higher School of Economics in Moscow. Yakovlev, a leading Russian economist, has a deep knowledge of the transformation of Russian enterprise throughout the post-Soviet time. In this interview, he puts the microeconomic perspective within a broad political economic context and evaluates the policy choices made by Russia’s political elites after the Arab Spring in 2011. Although he is quite pessimistic about Russia’s prospects, Yakovlev suggests that the new geopolitical situation and sanctions have created promising opportunities for the Russian economy. However, these opportunities can be used only if Russian elites achieve a new consensus regarding redistribution of economic rent.

In their article, Leo Granberg and Ann-
Mari Sätre provide a new perspective on economic and social developments in the small towns and villages of Northern Russia. Since the 1990s, these rural communities have struggled with the scarcity of economic resources and poverty. Based on long-term field studies and interviews in four regions, the authors suggest that local entrepreneurial initiatives can generalize trust and social capital. Their main conclusion is that such activities represent a type of moral economy, which cannot be described in terms of a rational market.

Olga Golubeva discusses the business climate in Russia from the perspective of Swedish investors. She based her research on the Business Climate Survey by Business Sweden, which was conducted in 2012 and 2014 among Swedish companies operating in the Russian market. Drawing on this data, Golubeva’s main conclusion is that Swedish companies do not tend to abandon Russian market, notwithstanding such negative factors as corruption and increased political tensions with the West.

Susanne Oxenstierna analyses how the Russian leadership’s pursuit of political goals has affected economic policy. Ideally, a comprehensive reform agenda would lead to better economic growth and improve the quality of institutions. Her main conclusion is that the lack of such an agenda starting in the mid-2000s has played a negative role in Russian economic development. After 2014, the tendency for the economy to slide into depression was reinforced by new factors such as geopolitical tensions, low oil prices, and economic sanctions.

Mi Lennhag used a comparative approach to study how ordinary Russian and Ukrainian citizens experience corruption in everyday discussions. Her research, which drew on interviews conducted in Kaliningrad oblast’ and Ukraine in 2009 and 2014, enables her to show the differences in citizens’ anti-corruption demands. She also shows their attitudes toward the state’s versus individuals’ roles. Lennhag concludes that anti-corruption demands are strong in both Russia and Ukraine, but a more paradigmatic change took place in Ukraine after the events of the Maidan.

Alexander Radygin and Alexander Abramov in co-authorship with Maria Chernova investigate how compliance with financial regulation in Russia aligns with international trends in financial regulation and prudential supervision. In 2013, the Central Bank of Russia became a financial mega-regulator. Applying quantitative research methods, the authors found that the highly centralized integration of prudential supervision and regulation adopted in Russia does not take into account the level of institutional investors’ development. This increases the risk of excessive administrative pressure being put on the non-banking financial sector and weakens its competitive environment.

I WOULD LIKE TO thank our authors, whose diverse research experiences enabled us to demonstrate that the Russian economic transformation is multidimensional. Many anonymous reviewers also contributed to this special issue. I hope that the Baltic Worlds’ readership will enjoy the articles and be inspired to do further research on economic development in Russia and other post-socialist countries. 

Ilja Viktorov
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Russian economy at the crossroads

"Business is not particularly concerned with democratic values but rather with the existence of stable rules of the game and secured property rights for investors."

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The price of opulence
On a constellation of interests in the European market for natural gas
by Anton Oleinik illustration Ragni Svensson

The question as to whether the preferences and behavior of power elites in the EU member-states are influenced by the Russian power elite by means of implementing a particular energy policy has not yet received a satisfactory answer. Journalistic accounts of this matter outnumber careful scholarly analyses. Specifically, a publication in The Telegraph blog section on European power elites’ responses to the 2014 Russian military confrontation with Ukraine set a stage for a lively public discussion without yet leading to more systematic studies. In my reasoning I will use the country as a unit of analysis. By country I mean its power elite — a group of individuals “in positions to make decisions having major consequences”. A conventional definition of power says that the party in a position to impose its will on the other party despite the latter’s eventual resistance has power. The power holder changes the behavior of the other parties so they start to further the former’s interests. If Russia manages to change the preferences and policies of European countries in a manner beneficial to Russia then de facto this country has power. In particular, a demonstration of Russia’s power refers to some desirable reactions of the EU member-states secured by Russia to Russia’s role in the 2014 military conflict with Ukraine. The EU member-states’ unwillingness to impose severe sanctions on Russia serves the interests of the latter.

The purpose of this article is to explain Russia’s upper hand in relationships with EU member-states by the existence of a constellation of interests of Russia and the EU member-states in the European market for natural gas. The unveiling of Russia’s power requires a re-examination of conventional perceptions of the market as a constraint on a power holder’s discretion, namely in international relationships. Under particular circumstances that are arguably present in the European energy market (and in the national and regional markets in Russia) the market becomes a pillar of domination instead of being a liberating force. Domination refers to the situation when power is exercised “repeatedly, systematically, and to the detriment of the dominated agent”.

Techniques of power
Force as a technique of power involves “the creation of physical obstacles restricting the freedom of another”. In international politics the use of force amounts to a direct military invasion. Russia used its military force against Georgia (in 2008) and Ukraine while staying clear of relying on this technique of power in its relationships with the EU member-states. Are the European countries coerced into adapting a softer position with regard to Russia’s use of force against Ukraine? Coercion makes the use of force or the other negative sanctions optional. The coerced actor has a choice, however restricted this choice may be: either he or she obeys or the coercing actor applies negative sanctions. Russia’s willingness to cut natural gas supplies was demonstrated in January 2009 during unresolved payment disputes with Ukraine. Russia nevertheless values its reputation as a reliable natural gas supplier to the European Union and keeps repeating that it has never cut natural gas deliveries to its Western customers at will.

abstract
This article discusses the reaction of the EU member-states to Russia’s 2014 military conflict with Ukraine. The European countries’ lack of united response and unwillingness to apply severe sanctions (restrictive measures) on Russia in a timely manner is attributed to a constellation of interests of the European countries and Russia in the European energy market. Max Weber’s concept of domination by virtue of a constellation of interests and the related concept of the power triad set the general theoretical framework for the discussion. Statistical data on the energy dependence of the EU member-states on Russia inform it.

KEYWORDS: European energy market, Russia, Ukraine, military conflict, constellation of interests.
Maybe Russia manipulates the EU member-states? The technique of manipulation works through the limitation or selective determination of “the [manipulated] subject’s information supply, e.g. by withholding pertinent information not easily available to the subject from other sources”. The Russian power elite has managed to impose tight control over the mass media, a key vehicle for disseminating information. This control was initially asserted at the national level and, more recently, at the international level too – with the emergence of Russia Today, a global TV network heavily subsidized by the Russian government. Russia’s capacity to withhold pertinent information at the international level remains limited, however. Russia Today faces competition from a number of other, more established global TV networks.

Does Russia silence criticisms of its internal and foreign politics with the help of corruption? In this context corruption as a particular technique of power involves attempts to cause a decision maker to breach ethical and/or legal rules, which he or she is otherwise expected to follow, in the power holder’s interests. In the case of corruption obedience pays: the corrupt decision maker receives a pecuniary compensation for deviating from the prescribed course of action. In contrast to force, coercion and manipulation, the dominated agent (the decision maker) has positive incentives for aligning his or her interests with those of the power holder (the agent offering the bribe). The use of corruption by members of the Russian power elite to promote their interests cannot be excluded. There are precedents when the Russian power elite hired former high-ranking European officials offering them lucrative jobs, probably in recognition of their contribution to the promotion of Russia’s interests. Nevertheless, the use of corruption can hardly explain the persistent and widespread refusal of the European countries to take a more critical and tougher stance on Russia’s actions. The mean 2013 Transparency International Corruption perception index for the EU member-states is 63.6 out of 100 (Russia has the score of 28; the lower the score, the higher the perceived level of corruption), which suggests a relatively low level of corruption in the operation of government.

**THIS ARTICLE AIDS** to explore whether an often overlooked technique of power, namely, domination by virtue of a constellation of interests in the market, sheds new light on the European response to Russia’s internal and foreign policy, especially in its “near abroad” (Russia’s policy toward Ukraine is considered to be a case in point). Weber sets domination by virtue of authority, a well-researched topic in political sociology and political science, against domination by virtue of a constellation of interests without providing much detail. He simply notes that “because of the very absence of rules, domination which originates in the market... may be felt to be much more oppressive than an authority in which the duties of obedience are set out clearly and expressly”. I will focus more specifically on a possible constellation of interests of Russia and the EU member-states in the natural gas market.

The use of this technique of power involves reliance on the market but requires that the power holder creates structural imbalances that undermine the principles of free competition. The interests of the parties transacting in the non-clearing market form a constellation, which does not exclude one party having the upper hand and imposing its will on the others. If a rational agent acts under market constraints designed and imposed by the power holder, then the former has an interest in accepting the latter’s upper hand. The dominated agent’s gain is positive. Its other alternatives prove to be poorer in the circumstances. A similar observation applies to an agent that does not deal with the power holder in a direct manner, but transacts with the first dominated agent. The second agent is dominated by the power holder as well, but also receives a positive gain. At the end of the day all the parties involved have interest in maintaining the status quo, i.e. the domination of one of them. The dominated parties are better off in not criticizing the power holder than in challenging the latter and the system that it created.

**MY WORKING HYPOTHESIS** is that the stance of an EU member-state on the issue of the imposition of sanctions (restrictive measures) on Russia in the context of this country’s military conflict with Ukraine in 2014 will depend on the scope of the EU member-state’s reliance on natural gas supplies from Russia and the EU member-state’s position in intra-European trade. Natural gas supplies from Russia serve as a proxy for direct contacts between the power holder and the dominated agent. The indirect contacts are operationalized with the help of intra-European trade statistics. A country that does not buy natural gas directly from Russia may nevertheless benefit from having access to goods and services produced by the key customers of Russian natural gas. In other words, the interests of Russia as the key supplier of natural gas, its European customers and customers of products made with the help of Russian energy supplies are expected to form a constellation. This hypothesis will be formally tested using statistical data after I confront the concept of domination by virtue of a constellation of interests with the prevailing accounts of the European energy market at a theoretical level in the two next subsections.

**Markets versus empires**

There are two popular approaches to theorizing the situation in the European energy market. The “Markets and Institutions”
The scholarly discourse on energy policies in general and European energy policies in particular is currently framed in the “either-or” terms. Either the invisible hand of the market guides energy supplies or the visible hand of government or large corporations’ shareholders takes precedence over the market play. The two hands operate independently from each other. As a matter of fact, the invisible hand of the market is believed to make the visible hand of government unnecessary and redundant and vice versa.

**Predictions as to** the situation in the European energy market made on the basis of the “Market and Institutions” approach sound overly optimistic. Even if the market falls short of the perfectly competitive ideal, it still has the capacity for self-corrections. The existence of a monopoly or oligopoly (because the European market for natural gas has three key suppliers, Russian Gazprom, Norwegian Statoil and Algerian Sonatrach) does not necessarily mean that a monopolist or an oligopolist is able to impose his or her will on the other market participants.

**First,** all market participants win something: they receive a positive utility. Advocates of the “Market and Institutions” approach consider irrelevant the fact that a rent generated by a transaction might be unequally distributed.

**Second,** agents acting in an imperfectly competitive market develop a significant degree of mutual dependence. The European customers might depend on Gazprom, but Gazprom also depends on them. “Russia... find[s] herself substantially financially dependent on Europe, on the revenues generated by [her] export of oil and natural gas. Gazprom receives about 65% of its revenues from Europe, and directly generated 8% of Russian GDP in 2005”. Mutual dependence causes a strategic convergence of interests of Russia and the European countries that even major geopolitical conflicts do not undermine. The European countries continued to supply Russia (in the shape of its predecessor, the Soviet Union) pipes, binding tapes, drills and bits even during the economic embargo following the Afghan invasion, and credit terms remained favorable. Advocates of the “Market and Institutions” approach see it as a proof of the prevalence of “win-win” transactions in the market, however imperfect competition might be.

**Third,** in the conditions of restricted supply customers may also decide to form a countervailing monopsony. Proposals to move in this direction are being actively debated in the European countries without yet leading to practical changes, however. The existence of a bilateral monopoly limits structural preconditions for capturing the rent generated by a transaction and increases the importance of the strategies used by the parties involved. A party’s bargaining power refers to its ability to select the strategy of negotiation to maximize the share of the rent captured by the party.

Dowding differentiates luck and power in this respect. Luck derives from structural factors that enable one party to impose its will on the others. Narrowly defined power refers to a strategic component. The strategic component of power involves selecting a strategy, a technique for imposing one’s will on the others.

Are Russia’s positions of power in the European energy market due to luck alone? I argue that the structural imbalances that currently characterize this market have to be made endogenous to our models. In addition to exploiting its position of power to its advantage, Russia also invests heavily in infrastructural projects that will further enhance structural components of its power (namely, the Blue Stream, Nord Stream and South Stream pipelines). And European countries seem to be willing to accept Russia’s continuous expansion in the European energy market.

The recent developments in the New Institutional Economics, the NIE, help better differentiate the market for natural gas from the other segments of the European energy market. The NIE add a third element to the dichotomy of the market and the organization (government being one of them): hybrid forms or relational contracting. “The parties to [hybrid modes of contracting] maintain autonomy, but the contract is mediated by an elastic contracting mechanism”. Claude Ménard describes the contracting mechanism in the terms of authority, “that is, the conscious and deliberate delegation of the capacity to make a subset of decisions to a body in charge of coordinating”. The important role that authority as a particular case of power plays in the operation of hybrids deserves mentioning. The visible hand of authority complements the invisible hand of the market.

Transactions between the key oil and gas companies in the European Union and Russia take the form of long-term contracts with in-built mechanisms of adjustments (“authority”) to external shocks. Attempts to increase the share of transactions on the spot market (these transactions involve no long-term commitment of any party) have been unsuccessful so far, especially in the natural gas market. Gazprom clearly prefers signing long-term contracts and strategic bilateral agreements with its European customers.

**The preference** for relational contracting has an economic rationale. The New Institutional economists explain the choice between alternative forms, the market, the firm and relational...
contracting, in the terms of asset specificity. Specific assets cannot be redeployed without a loss of value. They produce the most when being employed only in a particular transaction. The specificity of assets has several components: site specificity (bilateral dependency results from location constraints), physical specificity (assets that use specific inputs such as customized computer programs), dedicated assets (large investments made for satisfying the needs of a particular customer), human assets (firm-specific knowledge and skills), brand name capital and temporal specificity (lock-in among parties involved in a technological process).

The three first components are present in the case of the natural gas market (the degree of asset specificity in the market for oil is also high, but tends to be lower than in the natural gas market). Major natural gas fields in Europe are located on Russian territory, which makes its delivery to non-European markets more expensive (“site specificity”). The cheapest way to transport natural gas over the long distances is in compressed form through a large diameter pipeline (“physical specificity”). Its construction requires substantial investments (“dedicated assets”). The development of the market for liquefied natural gas (LNG) also requires investment in specific assets (cargo ships and terminals).

**HYBRID FORMS INCORPORATE** power only in a weak form: they involve delegating a “subset” of decisions, whereas the rest of their activities are still coordinated by the conventional visible hand, i.e. the Russian government in the case of Gazprom. Parties maintain their autonomy and avoid relationships of subordination. So in the end, the concept of hybrids is of little assistance in explaining the eventual transformation of the market into a tool for enhancing power. We observe just the opposite: how authority as a particular type of power relationships helps maximize the output of specific assets in the market environment.

In contrast to the optimism of the “Market and Institutions” approach, the “Regions and Empires” approach leads to mostly pessimistic conclusions. Specifically, the latter approach predicts that power play will take place of market play. In market play, all parties involved win. In power play there is one winner whereas the others lose. The winning party achieves this outcome at the expense of the other parties.

When applied to the European energy market, the “Regions and Empires” framework suggests that Russia will use energy supplies as a lever for securing unilateral gains, pecuniary or geopolitical. “From the perspective of ‘Regions and Empires’, the EU’s energy relations with Russia (and other third states) are understood as a geopolitical power struggle”. Advocates of this approach produce numerous examples that, they believe, confirm its validity. The Soviet Union entered to the European energy market in the 1960s. Initially supplies of oil had an irregular character. For instance, the Soviet Union sold crude oil in exchange for various products that the Soviet economy failed to produce in sufficient quantities. In order to enter the market, the Soviet Union set ask prices sometimes two times lower than the market price at that time. In other words, the European countries had power over the Soviet Union as a new entrant to the European energy market. The situation later changed. The Soviet Union learned how to increase its power and to be less dependent on the market. Gaidar claims that the Soviet leadership in the 1970s actively participated in manipulating the European crude oil market by contributing to the prolongation of the “oil war” of Arab countries against the Western countries. Relevant operations of its ally, the People’s Liberation Front of Palestine, were instrumental in this regard.

**THE SOVIET UNION** was also an exclusive supplier of oil and natural gas to the East European market (now a part of the European market). This country was able to impose additional – mostly geopolitical and political – conditions for receiving its oil and gas. For example, “in exchange for a guarantee on energy exports the Soviet Union may demand that Eastern Europe as a whole follows a cautious line on economic reform, more in tune with its own conservative program” or limits contacts with the West European countries. At that time, however, the energy weapon played a secondary role in Russia’s repertoire of techniques of power, supplementing rather than substituting for force (military presence and control).

Russia, which succeeded the Soviet Union’s role as a key supplier of oil and natural gas to the European market, strengthened its position of power even further. Now this country imposes conditions for receiving its oil and gas not only on East European countries, but on West European countries as well. An analysis of voting patterns of a Parliamentary Assembly of the Council of Europe (PACE) resolution and a PACE recommendation criticizing Russia’s military conflict with Georgia August 2008 show that Russia succeeded in demanding that customers of its energy products take a more neutral stance. The course of action chosen by Russia less than one year later, in January 2009, further confirms arguments of advocates of the “Regions and Empires” approach. Russia used cuts in gas supplies to Ukraine to strengthen its bargaining position in a dispute with this country.

The representation of the two prevailing approaches in the opposite terms certainly facilitates the understanding of the underlying rationale: the market and power relationships are the alternative foundations of the European energy policy. At the same time this black and white take on the issue does not allow a more nuanced picture: namely, can the two hands, the invisible hand of the market and the visible hand of government, operate in concert instead of one excluding the other? Speaking more practically, can the power elite of a large energy supplier transform the market into a tool for enhancing its power without renouncing the centrality of the market? If the answer to this research and practical question is affirmative, then a combination of the “Regions and Empires” approach and the “Market and Institutions” approach may provide a better fit to the observed patterns in European energy policies.
Market-based empires

The concept of the power triad paves a way to considering both structural and strategic components of power within a single theoretical framework. This analytical tool aims to highlight the eventual transformation of strategic components of power into its structural components and vice versa. Russia’s efforts to embed the European natural gas market into an infrastructure that facilitates the further strengthening of its positions of power result from conscious choices made by the Russian power elite. The European countries’ power elites also make conscious choices when accepting Russia’s expansion: in 2011 Russia provided 21.23% of total energy supplies (natural gas, crude oil and solid fuels combined) to the EU member-states, 3.44% more than in 2004 (Table 1). The awareness that a high degree of dependence on energy supplies from Russia can be and actually has been used by this country as a tool for promoting its geopolitical objectives is outweighed by some other considerations, apparently. The concept of the power triad helps unveil these additional considerations.

**THE POWER TRIAD** includes three agents: a gatekeeper (C), an agent enjoying a structural advantage (A), for instance, facing limited competition, and an agent transacting with A, who has no structural advantage (B). C plays a key role within the power

### Table 1: Energy dependence and its stance on sanctions on Russia

<table>
<thead>
<tr>
<th></th>
<th>Coefficients of total energy dependence on total energy supplies (crude oil, natural gas and coal) from Russia, member-countries of the EU*</th>
<th>Average share of natural gas supplies from Russia in total net supplies</th>
<th>Average total trade turnover with Russia as a % of GDP</th>
<th>Open Europe’s Dove/Hawk scale (5 refers to a strong support, –5 – to a strong opposition)</th>
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<tr>
<td>Austria</td>
<td>23.433</td>
<td>22.312</td>
<td>21.351</td>
<td>60.00</td>
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<td>16.75</td>
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<td>18.72</td>
<td>17.19</td>
<td>23.43</td>
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</table>

Legend: * The coefficient of dependence equals the sum of products of the share of a particular source of energy in total energy consumption, the share of import in its consumption and the share of supplies from Russia in its total imports; **** Data on crude oil are missing; ******* including re-export.

Focus on a simple bilateral bargain between state actors and business. We could gain much insight. According to him, the introduction of a third party into the model is unnecessary. Do we really need to take into account all three actors, C, A, and B, when discussing power reproduced and enhanced through the market? If one considers a simple bilateral bargain, then the set of options available to its parties remains an endogenous factor to the transaction. Dowding agrees that changing the choice situation of people is an important way of altering their individual and collective power without showing how the choice situation can be subject to a bilateral bargain. To say that we have the available options by virtue of the circumstances, as Dowding suggests, is to acknowledge their endogenous character. The concept of the power triad aims to show how the choice situation can be changed and by whom. C, the gatekeeper, determines the choice situations of A and B. This concept also explains the acceptance of C’s and A’s power despite the unequal distribution of gains from the transaction. Even B, whose gain turns to be the smallest, does not object to the existence of the power triad.

The 2014 Ukrainian crisis

A study of the reaction of the European countries to the 2014 Russian military confrontation with Ukraine further illustrates the usefulness of the concept of the power triad. The crisis started after Ukrainian protesters in Kiev ousted Viktor Yanukovich, a pro-Russian president, from office in February 2014. Profiting from the weakness of the Ukrainian state at these turbulent times, Russia first seized Crimea and then started to support pro-Russian separatists in Eastern Ukraine (in the regions of Donetsk and Lugansk) supplying them with arms, including heavy, financial and human resources (Russia sent “volunteers” and military personnel to fight on the separatists’ side).

Details of the Ukrainian crisis and its internal dynamics are of no concern here. I will concentrate instead on the reaction of the European countries to Russia’s role in the crisis. One could have expected an immediate and strong condemnation of the violation of Ukraine’s territorial integrity by Russia. First, Ukraine is geographically a part of Europe and has land borders with the four EU member-states (Poland, the Slovak Republic, Hungary, and Romania). Second, one of the reasons behind the 2013–2014 Ukrainian protests refers to the desire for

“The bigger the share of natural gas supplied from Russia in a country’s total net supplies, the lower the level of support for tougher sanctions on Russia.”

Compared with more conventional models of power relationships, the power triad may seem to some as an excessively complicated construct. For instance, Dowding insists that by
Table 2: Summary of the result of the regression analysis

Results of Statistical (Method = Enter) Multiple Regression to predict stance on sanctions against Russia in the first half of 2014 (Y) from Coefficient of total energy dependence on total energy supplies (crude oil, natural gas and coal) from Russia (Lg10), average share of natural gas supplies from Russia in total net supplies (SQRT), average total trade turnover with Russia as a % of GDP (Lg10), average GDP per capita in current US$ (SQRT), average intra-EU27 trade balance (without raw materials) as a % of GDP and geographical location (dummies for common borders with Russia and Ukraine, for countries of Northern, Southern, Western and Eastern Europe), standardized (Beta) coefficients, 2010–2012.

<table>
<thead>
<tr>
<th>Model</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 coefficient of total energy dependence on total energy supplies (crude oil, natural gas and coal) from Russia (Lg10)(a)</td>
<td>0.031 (0.155)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average share of natural gas supplies from Russia in total net supplies (SQRT)(a)</td>
<td>-0.038 (-0.19)</td>
<td>-0.151 (0.64)</td>
<td>-0.249 (-1.23)</td>
<td>-0.455 (-2.56)*</td>
<td>-0.533 (-2.22)*</td>
<td>-0.419 (-1.96)*</td>
<td></td>
</tr>
<tr>
<td>Average total trade turnover with Russia as a % of GDP (Lg10)(a)</td>
<td>0.213 (0.9)</td>
<td>0.193 (1)</td>
<td>0.098 (0.54)</td>
<td>-0.013 (-0.44)</td>
<td>-0.130 (-0.55)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common border with Ukraine (dummy)</td>
<td>0.441 (2.32)*</td>
<td>0.276 (1.7)*</td>
<td>0.042 (0.22)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Common border with Russia (dummy)</td>
<td>-0.09 (-0.41)</td>
<td>-0.025 (-0.14)</td>
<td>0.255 (1.24)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Europe (dummy)</td>
<td>0.252 (1.02)</td>
<td>0.516 (2.37)*</td>
<td>0.185 (0.62)</td>
<td>0.211 (0.74)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern Europe (dummy)</td>
<td>-0.099 (-0.4)</td>
<td>-0.294 (-1.39)</td>
<td>-0.673 (-2.74)*</td>
<td>-0.799 (-3.34)*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Europe (dummy)</td>
<td>0.805 (2.79)*(c)</td>
<td>0.875 (3.7)*(c)</td>
<td>0.297 (1.03)</td>
<td>0.384 (1.42)</td>
<td>(d)</td>
<td>(d)</td>
<td></td>
</tr>
<tr>
<td>Average GDP per capita in current US$ (SQRT)(b)</td>
<td></td>
<td>-0.761 (-3.25)**</td>
<td>-0.824 (-2.49)*</td>
<td>-0.658 (-2.87)**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average intra-EU27 trade balance (without raw materials) as a % of GDP(e)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C (unstandardized coefficient)</td>
<td>0.127 (0.09)</td>
<td>0.485 (0.48)</td>
<td>0.104 (0.09)</td>
<td>-1.791 (-0.81)</td>
<td>7.808 (2.53)*</td>
<td>11.464 (2.18)**</td>
<td>11.577 (3.3)**</td>
</tr>
<tr>
<td>R²</td>
<td>0.001</td>
<td>0.001</td>
<td>0.034</td>
<td>0.588</td>
<td>0.740</td>
<td>0.568</td>
<td>0.585</td>
</tr>
<tr>
<td>R²*</td>
<td>-0.039</td>
<td>-0.038</td>
<td>-0.046</td>
<td>0.436</td>
<td>0.625</td>
<td>0.376</td>
<td>0.431</td>
</tr>
<tr>
<td>F-statistic</td>
<td>0.24</td>
<td>0.36</td>
<td>0.425</td>
<td>3.876**</td>
<td>6.414***</td>
<td>2.966*</td>
<td>3.818**</td>
</tr>
<tr>
<td>Observations</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
</tbody>
</table>

Legend: * significant at α=0.1, ** significant at α=0.05, *** significant at α=0.01, **** significant at α=0.001. (c) with the Baltic states, (d) without the Baltic States (they are included in Eastern Europe).

Sources: (a) see Sources of Table 1; (b) World Bank. World Development Indicators (http://data.worldbank.org/data-catalog/world-development-indicators, extracted on July 9, 2014); (c) European Commission, Eurostat. Table ext_lt_intratrd (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ext_lt_intratrd&lang=en, extracted on July 14, 2014)
access to the pipeline, A, have a structural advantage over the national companies with no direct access to the pipeline, A’. As a result, the national economies of the European countries with direct access to the pipeline get a competitive advantage over the other European national economies. A produces goods and services at relatively lower costs (the price of gas is directly or indirectly – via the price of electricity – included in cost calculations for most goods and services), which makes them more competitive in the European market. Consumers of these goods and services, B, benefit too: they buy products for a better price (compared with domestically produced goods and services), all other things being equal.

C, A and B all receive a positive gain. Their interests form a constellation in the European natural gas market embedded in the network of pipelines either inherited from the Soviet era or built recently. In these circumstances C’s power has both components, structural and strategic (the latter refers to Russia’s efforts to set prices in a selective manner in relation to how a particular customer furthers Russia’s interests and to promote new infrastructural projects that will further enhance its gatekeeping ability).

If the European natural gas market operates as the power triad so described, then several predictions can be formulated and empirically tested. Namely, the bigger the share of natural gas supplied from Russia in a country’s total net supplies, the lower the level of support for tougher sanctions on Russia (in other words, A’s and C’s interests tend to be positively associated). Also, the bigger the share of natural gas supplied from Russia in a country’s total net supplies, the more positive the country’s trade balance (C’s, A’s and B’s interests tend to be associated). B buys A’s goods and services, thus a negative trade balance serves as a proxy for playing B’s role.

**TO TEST THESE PREDICTIONS, I ran several OLS regressions of a EU member-state’s level of support for tougher sanctions on Russia on the coefficient of its dependence on total energy supplies from Russia, the share of natural gas supplies from Russia in net total supplies, the total trade turnover (export and import combined) with Russia as a percentage of GDP, GDP per capita, the intra-European Union trade balance without raw materials as a percentage of GDP and several dummy variables specifying the European country’s geographical location.** I used 3-year average values of the ratio-level variables (2010-2012) to eliminate possible fluctuations and the impact of the inauguration of Nord Stream’s first line in November 2011.

The European country’s stance on the sanctions is used as a proxy for Russia’s interests as C within the power triad. Only a non-pecuniary, geopolitical dimension of these interests is taken into account in my model. I operationalize the degree of the European country’s dependence on energy supplies from Russia through two variables, the aggregate coefficient of total energy dependence and the share of natural gas supplies from Russia. The higher their values, the more chances that a particular European country plays A’s role within the power triad. The European country’s trade turnover as a percentage of its GDP represents the other dimension of its economic dependence on Russia. It should be noted that of these three indicators of the European country’s economic dependence on Russia, the share of natural gas supplies refers to the most specific assets (pipelines, storage facilities and the other transport infrastructure) whereas the trade turnover relates to the least specific.

The intra-EU trade balance serves to operationalize A’s and B’s interests: A’s interests if the particular country’s balance is positive and B’s interests in the opposite case. A’s and B’s interests have a pecuniary dimension in my model. A and B’s motivation is pecuniary and their choices rational in the circumstances. A control variable – GDP per capita – is also entered to test the assumption of A’s pecuniary interests.

**TABLE 2 SUMMARIZES** results of the regression analysis. Models 1 and 2 show that, taken separately, neither the coefficient of total energy dependence nor the share of natural gas supplies from Russia explains the variation in the level of support for tougher sanctions on Russia. The addition of the trade turnover with Russia in Model 3 does not change the situation. Outcomes of the regression become statistically significant with the addition of several dummy variables specifying the European country’s geographical location in Model 4: namely, the North European countries and the countries sharing land borders with Ukraine support tougher sanctions to a greater extent than the other countries. The entry of GDP per capita significantly improves the quality of the model (Model 5) and makes the impact of the share of natural gas supplies from Russia significant. The control variable, GDP per capita, “is discovered to be the mediating factor through which an independent variable [the share of natural gas supplies] has its effect on a dependent variable [the stance on sanctions on Russia]”. This finding turns out to be relevant to my argument about A’s pragmatic interest in accepting C’s power.

**THE UNCERTAINLY AS TO WHERE** to place the Baltic States (Lithuania, Latvia and Estonia) – some sources include them in Northern Europe, whereas the other consider them to be a part of Eastern Europe – led me to run regressions using two versions of the dummy variables for Northern and Eastern Europe. Model 6 is identical to Model 5 except in relation
to the Baltic States (now included in Eastern Europe). The negative impact of the share of natural gas supplies becomes even stronger. At the same time the positive impact of sharing land borders with Ukraine almost disappears: the original relationship is “shown to be false through the introduction of a test variable”, GDP per capita. In these circumstances I decided not to enter the two dummy variables for countries with common borders with either Ukraine or Russia in Model 7. Instead, I entered the intra-EU27 trade balance. This variable has a negative – and marginally statistically significant – impact on the dependent variable. In other words, the European countries with a positive intra-EU27 trade balance tend to adopt a softer position on sanctions against Russia. A converts its privileged access to Russian gas pipelines into competitive advantages in the intra-European trade. B, a customer of A’s products, has a negative trade balance. B buys more products from A, but receives relatively fewer benefits from the existence of the power triad than C and A. B-type countries tend to concentrate in Southern Europe: Italy, Spain, Portugal and Greece all have negative intra-EU27 trade balances. Model 7 explains slightly more than 43% of the variation in the European country’s stance on sanctions on Russia.

The price of comfort and opulence

In the final account, the hypothesis about the existence of the power triad in the European natural gas market turns out to be tentatively confirmed (it would be necessary to run more comprehensive tests using a longer list of indicators, especially with respect to B’s interests, before making any definitive claims). Russia, C, provides European countries with relatively cheap natural gas. Compared with the other sources of energy (namely crude oil and coal), the market for natural gas can be manipulated relatively more easily since its infrastructure includes highly specific assets (pipelines and storage facilities) that may possibly be transformed into a structural component of power. Russia’s power elite seized this opportunity by developing a second component of power, strategic. The strategic component of Russia’s power consists in getting the key European markets “wired” to Russian pipelines and in using the strategy of gatekeeping, i.e. providing privileged access to the pipelines only to those customers who willingly further the Russian power elite’s interests.

The reaction of the EU member-states to Russia’s military confrontation with Ukraine in 2014 is a case in point. The Russian power elite got what its members wanted, i.e. the refusal of the European power elites to impose tougher sanctions on Russia. The concept of the power triad shows that it would be a mistake to explain the European response to the Ukrainian crisis in the terms of bilateral relationships only. The interests of European countries, including those outside the reach of Russian pipelines (at least so far), form a constellation. Focusing on bilateral relationships overshadows the fact that B-type agents, customers of goods and services produced by the countries with privileged access to Russian pipelines, lose in relative, but not in absolute terms.

Neither A nor B has an interest in changing the status quo, i.e. in taking serious steps undermining the power triad in the European energy market. In these circumstances the considerations of “mutual solidarity” and even duty (the United Kingdom accepted the role of guarantor of Ukraine’s unity and territorial integrity in 1994) become irrelevant. A’s and B’s pragmatic interests turn to be more powerful drivers of their behavior. It means that the power triad will likely continue to exist in the European energy market.

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References

1. As of the publication date of this article, the military conflict is not over. Despite several efforts to “freeze” it (they resulted in two Minsk agreements brokered by Germany and France in September 2014 and February 2015), a potential for escalation continues to exist as long as Russia has not been forced to pay a full price for its violation of Ukraine’s sovereignty. An agreement dated September 2015 on the extension of an existing natural gas pipeline between Russia and Germany, Nord Stream 2 (see also End note 13), suggests that prospects for making Russia pay the full price remain uncertain. However, since the confrontation started in 2014 and the data used in the paper do not reflect the most recent developments, I will use the term “2014 military conflict”.


13 For instance, Gerhard Schröder, a former Chancellor of the Federal Republic of Germany, is a member of the Shareholder Committee of Nord Stream AG, the operator of a natural gas pipeline directly connecting Russia to its largest European consumer, Germany, through the Baltic Sea. Accessed July 16, 2014, http://www.nord-stream.com/about-us/our-management/.
23 The South Stream project is now put on hold. Russia considers developing an alternative project with similar parameters, Turkish Stream, however.
27 Williamson, “Comparative Economic Organization”.
30 The “Market and Institutions” approach can be described in the terms of “pure collaboration” games, whereas the “Regions and Empires” approach refers to zero-sum games. In the “pure collaboration” game the players win or lose together, having identical preferences regarding the income. The zero-sum game represents their opposite, see Thomas S. Schelling, *The Strategy of Conflict* (Cambridge, MA: Harvard University Press, 1960), 84.
33 Gaidar, *Gibel’ imperii*, 191. One of the objectives of Russia’s military operation in Syria that started in October 2015 refers to a similar rationale, arguably.
34 Maddock, “Energy and Integration”, 34.
35 Bryon Moraski and Magda Giucanu, “European Reactions to the 2008 Georgian-Russian War: Assessing the Impact of Gas Dependence”, *Studies in Comparative International Development*, 48 (2013), 432–456. As of 2014, the PACE includes 28 national delegations of the EU member-states and 18 national delegations from the European countries that are not members of the EU.
41 On March 27, 2014 Ukraine secured a resolution of the United Nations General Assembly titled “Territorial integrity of Ukraine” (100 votes in favor to 11 against, with 58 abstentions) that calls on member-States to “desist and refrain” from actions aimed at disrupting Ukraine’s national unity and territorial integrity, including by modifying its borders through the threat or use of force.
44 Which does not exclude that B overpays for goods and services compared to the situation when A produces them in conditions of perfect competition.
45 The distribution of these variables was visually inspected prior to regression analysis. This “eyeballing” suggested that the normality of distribution condition was not significantly violated.
46 Outcomes of Levene’s Test of Equality of Variances show that the assumption of homogeneity of the variance in the dependent variable, the European country’s stance on sanctions in Russia, is met for all the dummy variables.
47 Croatia joined the European Union in 2013, which explains its exclusion from the present analysis.
50 p=0.13.
51 The entry of the coefficient of total energy dependency into the regression models instead of the share of natural gas supplies from Russia shows that the latter variable has a weaker predictive power: the models’ quality decreases.
52 Schmidt-Felzmann, “EU Member States’ Energy Relations with Russia”.
53 As per Budapest Memorandum on Security Assurances of December 5, 1994. Two other guarantors were the United States and the Russian Federation.
The Russian economy at the crossroads

Before and beyond the Ukrainian crisis

An interview with Andrei Yakovlev

Andrei Yakovlev is head of the Institute for Industrial and Market Studies at the Higher School of Economics in Moscow. His research on Russian industrial policy, corporate management, state-business relations, and the political economy of the Russian transition has garnered much attention, and Professor Yakovlev has an extensive list of publications in international academic journals. Ilja Viktorov met Yakovlev in Moscow in the spring to discuss Russia’s economic development and its mechanisms and challenges. A poor business climate is commonly cited as one of the main systemic factors that impede Russia’s economic development. Ilja Viktorov asked Yakovlev, first, to explain the fundamental reasons for this institutional disadvantage:

“The poor investment climate in Russia is deeply rooted in the price formation inherited from the Soviet economy. It also depends on the particular circumstances of the transition to the market economy in the 1990s. The fundamental reasons are closely interrelated with the rent-seeking behavior from both state agents and Russian business. Most of the business models developed in Russia since the late 1980s rested on rent-seeking mechanisms when quick and exclusive enrichment was secured for a limited number of insiders. Unfortunately, Russia experienced more opportunities for such rent-seeking behavior than most of other postcommunist economies. Historically, the planned economy, with its price distortions, lasted longer in the Soviet Union than in countries in Eastern and Central Europe. This means that the disproportion between higher prices on consumer durables and investment goods, on the one hand, and lower prices on raw materials, electricity and transport costs, on the other, was stronger in post-Soviet countries. This created an illusion that investment projects like huge industrial plants in remote places in Siberia and in the Far North were economically effective. As soon as the Russian economy was opened and foreign trade was quickly liberalized, exports of raw materials became a source for rent-seeking, simply because of the price gap on raw materials between the domestic and the world markets. The period of liberalized, uncontrolled export was very short, and a highly selective group special exporters started to control the lucrative export flows by the mid-1990s. This export mechanism was the main source of rent-seeking behavior and pursuit of wealth for economic and state agents in post-Soviet Russia.”
Yakovlev continues:

“Paradoxically, the scale of the economy and the availability of abundant resources made the Russian situation worse than that of Central European economies. Here, the stakes were much higher, and the size of the pie to be divided was greater. From the business’s point of view, the potential gain from distortion of competition and violation of unclear rules of the game were higher in Russia. This in turn led to institutional distortions that accompanied the development of the nascent Russian market economy from the beginning. The business environment that emerged from this process was characterized by a lack of genuine competition and a violation of property rights.”

Did the privatization of the 1990s play an important role in this negative outcome?

“It certainly did. Privatization proceeded in different ways and was the result of complex arrangements and compromises between the old Soviet enterprise managers and the new Russian political elite. Boris Yeltsin’s privatization minister Anatoly Chubais and his team had the clear political goal of making privatization irreversible, so the state assets became private during what was, historically, a very short period – three to four years, in the early 1990s. This political goal was achieved, but at a price. These several years were completely lost in terms of economic growth since the new private owners were not interested in investments but rather mostly in asset-stripping and the subsequent bankruptcies of their companies that resulted. Only in the late 1990s did the owners start to think about development of their businesses in Russia.

“And there were also a third, very controversial part of the story, the loans-for-shares scheme, which put the most lucrative state assets under control of a handful of insiders, the future oligarchs. At first glance, this was better from an economic point of view, since these companies quickly underwent restructuring and started to grow, as happened in the case of Norilsk Nickel and Yukos. But there was

THE LOANS-FOR-SHARES SCHEME PUT THE MOST LUCRATIVE STATE ASSETS UNDER CONTROL OF A HANDFUL OF INSIDERS, THE FUTURE OLIGARCHS.”
the other side of the coin, namely social injustice and the lack of legitimacy of this kind of privatization. Through the loans-for-shares program, these large companies were sold at a much-discounted price; they were practically given away. Unfortunately, the new owners had to learn the consequences of this lack of legitimacy when the Russian people supported the state attack on Yukos in 2003 and 2004. Strategically, Russian big business lost the battle because the population never trusted the new entrepreneurs and new businesses. This depended to a great degree on the dramatic drop in the standard of living for the majority of the population after 1991.”

Yes, the situation was alarming in the mid-1990s. In 1998, the economic crisis altered the situation even more. But then, in the aughts, the standard of living started to increase again?

“That’s true, but the population did not understand this to be a result of Russian capitalism’s development but rather as an outcome of Vladimir Putin’s rule. And that corresponded to the real state of affairs to the degree that his governments acted quite rationally by redistributing part of the national income in favor of the population as a whole. The narrow circle of Putin’s friends was never forgotten in terms of enrichment, of course, but the mass electorate was and continues to be the real social basis for Putin’s presidency."

Professor Yakovlev adds that this situation is not unique to Russia; similar tendencies could be observed in autarchic regimes throughout the world, such as in Latin America and Asia. Such hybrid regimes restrict democratic institutions and freedoms but at the same time need to appeal to the population at large for their political survival, he notes. He returns to the Yukos affair: He suggests that the outcome of the Yukos affair was the key element of the new political-economic regime that gradually emerged under Putin in the two-thousand aughts. It was not only about the personal conflict between Mikhail Khodorkovsky and Vladimir Putin, but it also reflected a more fundamental conflict between the oligarchs and the federal bureaucracy over the control of rent flows. The top bureaucratic elite needed additional resources to support political stability by redistributing natural rent in favor of deprived regions and parts of the populace to compensate for the imbalances brought about by the initial economic growth that followed the 1998 devaluation. Yakovlev comments that, naturally, not all of these resources were used to support the population, but this moment was still a very important part of the story. Before the Yukos affair, the largest resource-rich companies rejected the sharing of rent flows with the state.

“Unfortunately, both sides in this conflict, Russian big business and the federal bureaucracy, demonstrated a very restricted mode of thinking. Russian capitalism was perceived rather as a marriage between the state and big business, a model, so-to-speak, of oligarchic capitalism similar to what existed in South Korea between the 1960s and the 1980s. The only difference concerned who would control the rent flows. The dismantling of Yukos meant that the federal bureaucracy won this battle. A new set of informal rules emerged that presupposed the presidential administration’s ultimate informal control over big business. At the same time, private owners were able to retain operative control over their corporations and were still permitted to receive a quite substantial part of the rent income. This model of institutional compromise brought about some stability and enabled economic growth during Putin’s first two presidencies. Foreign investments also started to flow into Russia. This is because business is not particularly concerned with democratic values, but rather with the existence of stable rules of the game and secured property rights for investors.”

The global financial crisis and the Arab Spring of course had an effect on the Russian economy, and fears were raised among the Russian ruling political class. What did the global financial crisis demonstrate regarding Russian economic development?

“The 2008–2009 crisis revealed that this post-2003 authoritarian model that resembled the South Korea of the period between the 1960s and 1980s did not work. The set of informal rules inherent in this model created a highly centralized system, the famous power vertical, that reacted quite poorly to the global financial crisis. The reaction to the crisis was delayed, the panic was not prevented; in terms of financial resources spent on minimizing the negative effects of the crisis, as well as the results these financial injections produced, Russia was one of the worst performing economies in the G20 Group. The 2008–2009 crisis reversed the trend of positive expectations of economic agents. The ensuing pessimistic stance continues to this day. The crisis demonstrated that those in power did not completely comprehend what was actually happening in the economy. This was dangerous, since it called into question the legitimacy of the Russian political decision makers. The latter understood it quite well; they initiated a new dialogue with the business and expert community which entailed, among other measures, discussions during 2011 of the Strategy 2020. This dialogue re-
resulted in a number of institutional reforms aiming to ease the bureaucratic pressure on the Russian business and entrepreneurial class, including the establishment of the Agency for Strategic Initiatives, the introduction of an entrepreneurial ombudsman, amnesty for entrepreneurs sentenced for economic crimes, and other initiatives that potentially would further the interests of Russian business."

**Did these initiatives produce visible results?**

“Unfortunately, this tendency towards liberalization and creation of a new model of economic development was interrupted by the events of 2011. The street protests in Moscow did not actually play the most decisive role in this respect. It was rather the Arab Spring and its outcome that spread fear at the top of the Russian bureaucracy. The anti-Western stance that finally resulted in the aggressive media campaigns during the recent Ukrainian crisis first started in 2012 and originated in this fear. This change affected both foreign and domestic policy, entailed repressions against opposition, and finally left a very negative impact on the Russian economy.”

“The creation of the conservative anti-Western think tank, the Izborsk Club, in 2012, illustrates this tendency. Izborsk Club relied on the initial support from the Presidential Administration and united a quite broad circle of people under its umbrella, including some famous economists like Presidential Adviser Sergey Glazyev and Mikhail Delyagin, but also some radical anti-Western persona such as the writer Alexander Prokhanov. Unofficially, the first deputy prime minister, Dmitry Rogozin, is also affiliated with the Club. Their message is expressed in their Manifesto, and appeared on their website in January 2013, both in Russian and in English. This document is quite logical and straightforward. Its first main thesis is that during the next five to seven years the world will face the Third World War, started by global financial oligarchy, and directed against everybody, but first and foremost against Russia, because Putin was one of the few who attempted to resist the hegemony of this oligarchy. This provision is not discussed but presented as a self-evident truth. The second thesis deals with the mobilization of the Russian economy and society similar to the previous historical mobilizations under Peter the Great and Stalin. The rest of the document, including the practical suggestions, such as the reform of the state apparatus and so on, rests on these two provisions. Izborsk Club envisions Russia as a beleaguered fortress that would be in conflict with the rest of the world. This vision is actually not favored by the powerful, since until recently the Russian political and economic elites have been extremely pro-Western. They keep their money in Swiss banks, their children study in the UK or the US, and they do not wish to partake of the increased confrontation with the West, especially with Europe. The initial support that Izborsk Club received from the presidential administration eventually decreased. But the very fact of its appearance reflected both the fear of and search for new ideology inside the Russian political elite.

Professor Yakovlev suggests that what has happened during the last year, since the outbreak of the Ukrainian crisis, is historically unprecedented.

“Putin is de facto the Russian leader. His decision to unleash a period of open confrontation with the West challenged the fundamental interests of Russia’s ruling class that was and continues to be pro-Western. At the same time, this radical change has not so far entailed a radical change of the Russian political and economic elite. This is a contradiction that entails a possible inner conflict, and this conflict has not yet been resolved. That is why I would claim that Russia is currently at a crossroads.”

**Is there any feasible liberal alternative that would compete with the ideologies advocated by such think tanks as the Izborsk Club?**

“Unfortunately, the liberal expert community has so far not been unable to formulate something new that would appeal to Russian society. The 2020 strategy was in reality not a strategy at all, just a compilation of some ideas and policy measures. Russian liberals continue to reproduce the old visions about democratization, liberalization, and the like, rooted in the 1990s political reality. These visions are correct in and of themselves, and many effective economies in the world are based on these values. But the probability that all these concepts can be realized in Russia in the coming years, or even decades, is almost non-existent. This means that the liberal expert community should think about the formulation of alternative models that could be reconciled with the current political, social, and economic realities in Russia. It is clear that the Russian population supported the Crimea accession in 2014.
Those in power who started this wild propaganda in the state-controlled media, they use this public mood to receive social and political support.”

**The problem, according to** professor Yakovlev, is that the model of liberal capitalism attempted in Russia in the 1990s promised great opportunities and freedoms for the majority. In reality, however, only a tiny minority could enjoy these freedoms and use those opportunities. This is one of the reasons why the anti-Western mood among the Russian population started to grow as early as in the 1990s, especially during the war in Kosovo, he notes. And the liberal reforms of the 1990s are closely associated with Western influence.

“There are objective reasons for the current propaganda. The Russian ruling class did not invent this mood; they just used it for political mobilization purpose.”

He underlines that it is very important to understand that Russia does not currently face an alternative between democracy and authoritarianism.

“To be realistic, real prerequisites for the development of authentic democracy will not exist for many years. Instead, the real choice is between state-led authoritarian modernization and chaos. It is crucial that the Russian elite achieve an inter-elite consensus about informal rules of the game, about redistribution of rent flows, to make the alternative of the authoritarian modernization feasible. This consensus should rely on a broader coalition of interests, beyond the federal bureaucracy, oligarchs and the security services, and include representatives from the middle-level business sector and public sector alike. The character of anti-Western media propaganda and its cynicism, the dramatic ruble devaluation in December 2014, and the killing of one of the leading oppositional politicians, Boris Nemtsov, just outside the Kremlin in February 2015, among other things, have demonstrated that the current political and economic system in Russia does not work properly. The alternative, chaos and disintegration of Russian society, is quite realistic.”

**The negative consequences of the Ukrainian crisis in terms of sanctions and counter-sanctions are currently being widely debated in academic literature. Can you identify any positive effects for the Russian economy since the start of the sanctions?**

“It is beyond question that the isolation entails great challenges; those are apparent to everyone. At the same time, this new situation provides additional opportunities that should be used by Russian business. Take the example of the Russian counter-sanctions of the food embargo. It might seem ridiculous, that we’re just punishing ourselves with it. Yet the embargo provides new growth opportunities for Russian agriculture, and the businesses involved have started to make quite good profits from it. The recent dramatic ruble devaluation makes Russian goods even more competitive in the domestic market. High-quality cheese, which previously was mainly imported from the EU, was almost absent in Russia before the counter-sanctions were enacted. However, I believe that quite soon, probably in one to two years, high-quality Russian cheese will appear, because there is a strong demand for it. After the 1998 ruble devaluation, it was impossible to buy yogurt in Moscow, because until the 1998 financial crisis all yogurt was imported from Germany. Yet the demand from the population led to the emergence of reliable Russian yogurt producers, and since then we have no shortages of this particular product. Such effects could be potentially used for economic development and growth. However, the current political uncertainty may impede the development of these positive consequences. In a number of branches and industries like metals and chemicals, Russian entrepreneurs make substantial profits due to sanctions and counter-sanctions. Yet they face a dilemma: to invest these new profits to expand their businesses, or to convert them into foreign currency and withdraw them from Russia to offshore accounts. That is why the capital outflow from Russia was as high as USD 150 billion in 2014.”

**The post-Crimean political reality made the 2014 changes irrevocable, according to Yakovlev. It is apparent that any full restoration of the pre-2014 relations between Russia and the West is unrealistic, he notes, and predicts this to be true for the foreseeable future:**

“The current situation with Russia’s economic isolation will persist for many years, probably decades, and it does not depend on any particular person, Putin or somebody else, occupying the presidency. We need to learn how to live in this new situation and to formulate new economic strategies based on the new reality.”

Ilja Viktorov, PhD, researcher, Department of Economic History, Stockholm University.
Agency & development in Russia

Using opportunities in a local context

by Leo Granberg and Ann-Mari Sätre

After the dramatic transformation and collapse of economic structures in the early 1990s, all progress in the Russian countryside and small towns seemed to come to a standstill. Society was frozen in a state of collapsed economy and abandoned former production sites, where one could see ruins of buildings which were under construction in the 1980s and never finished, sport fields which could no longer be used in their original function – sad memories of the Soviet empire. In metropolises and central parts of regional capital cities, the modern market economy was already progressing and state funds were used to polish their appearance. In the countryside nothing similar happened; agriculture was not taken into the hands of farming families after the sovkhozes collapsed, buildings were not renovated, roads not reconstructed, and garbage was not collected and transported out of villages and towns. Several municipal leaders and local experts were asked for their explanation for this situation as part of the Ladoga Initiative project in 2012. Passivity was recognized by many interviewees to be general in the countryside and some of them gave as the reason the ‘kolkhoz mentality’ or ‘consumerist attitude’ among the rural population: “The majority of the population occupies the consumerist position: if we have a government, it should provide us with this or that in our district.” However, at that time signs of change were also noted in rural areas and small towns: new buildings, new-born children, modern guest houses and cafés.

The aim of this article is to list and analyze different types of local action in the light of case studies in four regions in Russia. Our focus is a part of the wider question of the role of people at the local level in social change. We examine whether ongoing local activity is leading to local and wider development in Russia. For this purpose we divided action types into two main categories: Coping with everyday problems is aiming to survive from one day to another, while strategic agency is attempting to change the situation in qualitative sense. On the basis of our material we later added the third category to describe activity which does not lead to any direct personal benefits but facilitates the emergence of common goods such as meeting places and sport fields, among others.

The writers of this article have studied local development in Russia since early 2000, and since 2012 have started explicitly to analyze different actions of local people aiming to improve their lives. In some places we have followed the development systematically every year and in other places less frequently. We hope to identify such tendencies that could increase our understanding of what the situation might look like for a large section of the Russian population.

In order to understand what is happening now in Russia, one important starting point is to identify the basic nature of Soviet economic system. It has been defined by Kornai and Davis as “economics of shortage”, with dramatic differences between priority and non-priority industries and these features still seem to have a strong impact in Russia after socialism. Also, the writers find the institutional approach useful as developed...
by Douglass North4 and others, differentiating between formal and informal institutions. However, the question of agency is partly open in this approach. Amartya Sen’s5 (1984) capability approach, originally worked out in studies about developing countries, is helpful in this respect.

**Table 1: Examples of different types of action in Russia in the 2010s**

<table>
<thead>
<tr>
<th>With whom?</th>
<th>Coping</th>
<th>Facilitative Action</th>
<th>Strategic Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individually and with family</td>
<td>Plot farming</td>
<td>Education</td>
<td>Entrepreneurship</td>
</tr>
<tr>
<td></td>
<td>Taking extra job</td>
<td></td>
<td>Migration work</td>
</tr>
<tr>
<td>Informal groups and voluntary organizations</td>
<td>Borrow from a neighbor</td>
<td>Foster family club</td>
<td>Entrepreneurs’ club</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cultural house</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>Getting support</td>
<td>Funding for building a village house</td>
<td>Program for young specialists</td>
</tr>
<tr>
<td></td>
<td>from social worker</td>
<td></td>
<td>Foster family program</td>
</tr>
</tbody>
</table>

Local society and “other Russia”

Russian local society is the object of centralized state top-down planning and control by authorities. It is also a recipient of the patriarchal cultural heritage, the successor to the patriarchal society6 of the past. The centralized structure of society has often left local people facing a deficit in relation to their basic material needs, which is precisely the reason why the local population has been forced to act locally from time to time to solve urgent problems of livelihood. However, formal civic organizations have been under pressure before, during and after socialism and therefore networking in Russia is based less on formal associations and more on personal relations than in Western Europe.

Today, local authorities in Russia bear an increased responsibility for job creation and survival at the local level. This is one effect of Russian reforms and has been supported by a new law on local government from 2006 and various national programs for local development. In effect this also means that it is now up to the local level to find their own ways to deal with problems of development. The local measures are developed against the background of socio-economic change. The present paper is based on material from Northern and Central Russia and aims to highlight some development trends in these regions, first and foremost in “other Russia”. “Other Russia” refers to: society outside of political or business elites and high priority sectors of economy, such as energy production, international relations and the defense industry.7 Economically, the local societies studied are dependent in different ways on local resources. Culturally people are excluded from high politics and national decision-making on distribution or redistribution of the nation’s economic resources. Many of them experience the feeling of being an outsider and a lack of interest in politics. This research also studies otherness in the context of transition. “Other Russia” refers to local people in low-priority sectors, having to adapt themselves in the transition process.

Therefore, although the places studied offer little access to profits from priority branches, these are places with a relatively high level of freedom in terms of interference from the central level: “You just have to be active and try, and try again, not to let bureaucracy get you down”.8 Sometimes decentralization without allocation of resources from the central level is referred to as centralization, therefore in fact arguing that local space has diminished. In the present paper we pay attention to the opposite tendencies. There are now new possibilities for individuals and local firms thanks to an access to resources, along with central funds for local development and social programmes, to which the local level can apply for resources. We will argue that from time to time a space for development opens up. Specifically, the aim is here to analyze possible strategies at the local level to benefit from such openings and to raise the quality of everyday life in other Russia.

The situation in local societies in 2002–2009 was characterized by job losses and outmigration of the younger generation. Governmental subsidies to rural areas were inadequate and local authorities did not have the resources to support local development. Few civic associations were found at local level (female clubs being most remarkable exception), and few individual people were socially active. Changes to local governance were under way and have been implemented since 2006.

New local governance seemed to contribute to the changing situation. Another part of the picture are the state programs, as described later in this text. We noticed during our field trips after 2010 that the degree of activity by local administrations and their subordinate levels varied considerably. In some administrations, activity was rather low, while others were trying to take part in as many programs as possible. One community leader calculated that they take part in 54 programs.9

Actors in local administration have different backgrounds. In one urban village the former head of police was in charge. He was able to mobilize local entrepreneurs to contribute the required materials for renovating local roads, for repairing the roofs on the house of culture, for the construction of two ponds and for the building of new private houses.10 In some other places women in administrative positions, with skills to write applications, created new possibilities.11 There was also a difference between communities in terms of their experiences of external support and participation in international projects.

The Russian state’s active role in social welfare

At the end of the 2000s, the Russian Federal State started a large-scale program to reform social structures, called “National Priority Program”, or “Presidential Program.” The program has been implemented since 2007 and is composed of four main areas: health, housing, education and agriculture. Many parts of the program concern the countryside and small towns. The worrying health situation and decreased life expectancy (in 1990–2002, from 68 to 59 years for men), the need for new and
repaired houses as well as the school system, teachers’ living conditions, children’s school transportation etc. were addressed by state’s new initiative. Even if agricultural programs were developed mainly for large-scale agriculture, they also included support for small farming and included opportunities to improve socio-economic conditions in rural communities.

These programs have a large number of sub-programs, such as “Sustainable development programs of rural areas” (2008—2013 and 2014—2020) and “Social development of rural communities till 2013”.

Some more concrete examples of tasks in these umbrella programs are: to encourage non-agricultural activities in rural areas; to improve housing conditions for people living in rural areas, including young families and young specialists; to develop social and technical infrastructure; to arrange pilot projects; and to grant support for initiatives to ameliorate living conditions.

Funds are promised, among others, to local needs. The question of implementation remains: to what extent do these plans really have an impact at local level.

Gathering local experiences of getting out of poverty

The empirical data of this article is based mainly on interviews made 2012—2014 in villages and small towns in four Russian regions. A total of 151 semi-structured interviews were recorded, while another 27 semi-structured interviews were unrecorded during eleven separate field trips. The original purpose and course of interviews varies slightly, because they are connected to one of two different projects. One set of interviews (45 recorded and 20 unrecorded interviews) is connected to monitoring of long-term results of a development project by the Swedish International Development Agency (SIDA) in the Archangelsk oblast’ (region) in the early 2000s. Another set of interviews (43 recorded and seven unrecorded interviews) was made to test the results of a rural policy experiment: the Ladoga Initiative in the Republic of Karelia and Leningrad oblast’ (region) 2011-13. The main set of interviews focused explicitly on local experiences of getting out of poverty; the data was collected first and foremost from Nizhni Novgorod oblast’ (63 interviews) but also in the course of interviews in other regions.

Interviewed persons were chosen, with the exception of Ladoga Initiative, applying the snowball method, firstly on the basis of professions (civil servants, entrepreneurs, local administrators) and recommendations concerning active persons or such persons who might be able to inform about local development, as well as persons working in jobs where they assist others in one way or another. In addition to this data, our earlier data from 2002—2011 and the newest data from March 2015 also give background for our considerations. Observation and informal discussions are also used in all regions. In Karelia, focus group meetings were a part of the field research.

To study this question, the following section shows a typology of local action, after which the results from the field research are presented. Then, action targeted to getting out of poverty is analyzed in Nizhni Novgorod oblast’.

**Typology of action: copying and solving**

The data collected shows three main types of action which local people take, each type with different consequences for their personal well-being and for local development. The two main types of action are coping and (strategic) agency. In principle, coping is a reaction to every-day difficulties, the consequences of poverty, by low-income people who are trying to overcome their daily difficulties but have no prospect of escaping their situation. Agency refers here to activity which is at least trying to find a permanent solution for daily troubles, to raise incomes and/or reach a better life quality.

In the Table 1 a third possibility is also marked, which contributes but does not give a direct solution to the actors’ situation. Facilitating communication and collaboration, e.g. through the creation of common meeting places, refers to action which produces social capital, or which creates favorable circumstances for producing social capital. This type of action may increase
future opportunities for strategic agency. Taking an example from infrastructure, when a village community builds a cultural club, the inhabitants get a public space to meet each other, to communicate and to get advice from each other for individual efforts, as well as an opportunity to work together to plan some joint efforts to improve their lives. The same space might be used to arrange training courses, to assist some of them to find ways out of poverty.

For individuals, the most common strategies of agency are studying, starting a business and changing work. Studying is typically a next-generation plan: Parents and grandparents in Russia do often much to arrange an opportunity to study for their children and grandchildren. Establishing enterprises has been difficult, but possible, for some individuals. When successful, it puts an end to the family’s poverty. The Russian labor market still follows the old Soviet track of relatively safe jobs and low salaries. In priority industries and in Moscow or other metropolises much higher salaries are possible, making vakhtovy method, a period of high-salary work away from the home settlement, a common method of raising material living standards. State programs can be used for agency among others by teachers, who may get generous assistance towards arranging housing in rural settlements and small towns after their academic studies. The third form of strategic agency is networking and collaborating. A new form of this agency is to establish a local TOS, which we will return to later. In the following we take a look at the effects of the SIDA and Ladoga Initiative local development projects.

**Enterprises as outcome of the SIDA project from 2002**

The Swedish International Development Agency, SIDA, implemented a development program in three communities in Archangelsk oblast in early 2000s. The goal for this project was to help individuals to start their own businesses in a local context in Russia. 15 persons took part in this project, which involved education in business development, including assistance in developing business plans in 2001, law, and a study visit to Sweden, where they visited individual entrepreneurs within the same business sphere. This project gave training for local people to start an enterprise and also included a many-sided information exchange on regional level. An outcome of the project was that some individuals succeeded in starting small enterprises. In 2014, three of the women were still running their businesses, although two of them in their daughter’s name. One of the men, who had been able to set up a Swedish-Russian timber-cutting firm in 2003, was out of business in 2008 but back again in 2012. Some of the others who had tried were running their businesses without being registered. Others could use their experiences in administrative positions and, naturally, some others did not succeed. Three of the women had engaged in local politics, of whom in 2014, one was a vice-mayor in one of the communities and another was a head of administration at the lowest political level in another community. A longitudinal follow-up study gave evidence of the importance of Soviet experiences for local women as a kind of school for entrepreneurial capacities to work in non-priority industries like tourism, food production and the garment industry.

SIDA’s project clearly demonstrated that local agency is possible in Russia, even in a small, peripheral community, and that there are local people who are willing to catch the opportunities when they get access to the know-how and small resources needed to start their activity. Small seeds in the sand have in some places led to further flourishing in the local sphere in mutually enforcing processes of development. The project had another, unexpected consequence, namely, it was the spark that started TOS activities in the Archangelsk region.

**Active civil society during the LADOGA initiative 2011–2013**

A Finnish university department, Ruralia Institute, ran a project with Russian partners in Ladoga area 2011–2013. The project was part of the EU’s “Neighborhood Program” (ENPI) and was funded by the EU and Russia. The project aimed to experiment with the LEADER approach. LEADER is European Union’s main means of rural development. It is ideally based on local bottom-up initiatives, which are supported in their development into small-scale projects. This process is steered by setting up a local development program: the priorities of each program are settled in village meetings and put together by a district level LAG (Local action group). For the Ladoga Initiative a Local Initiative Group (LIG) represented the local rural population and its composition followed the partnership principle. Partners were from administration, entrepreneurs, and local people and their groups or NGOs.

The projects got minor funding for material needs, and nothing for salaries. Funds were directed during 2012 to 30 local projects, contributing some or all of the finance required to build or renovate seven children’s playgrounds, three sport...
In Russia, which is often indicated by the low number of NGOs. On the other hand, tend to underline the weakly developed civil society development. Western scholars and opinion leaders, on the one hand, the passivity of local population as one of the reasons of weak rural handicraft makers. Some projects organised cultural events and the collection of local historical memories, and also developed a brand for local handicraft makers.

As mentioned, some Russians we interviewed believed in the passivity of local population as one of the reasons of weak rural development. Western scholars and opinion leaders, on the other hand, tend to underline the weakly developed civil society in Russia, which is often indicated by the low number of NGOs. In this project, however, the local civil society worked well during project activities. A good number of active people were found to lead the mini projects, as well as many more participants to plan and work on voluntary basis to implement them. The most active persons were school and kindergarten teachers and cultural workers. Participants were more often women than men, and partners for projects were found both among local entrepreneurs and in the local administration. Independently of the project plan, the funding became a problem when EU and Russian book-keeping practices did not fit together. The projects reacted to the problem in varying ways; some were stopped until the solution was found, others prepared to finalize the project rapidly after funding and some even organized the work and collected small cash funds from the local population. In this group was a children’s playground, where volunteers cleared the playground on Saturdays and made play equipment for children from trees and rubber wheels. The coordinator told us that in Russia, they are used to problems with funding. In this case civil society was strong, even if not permanently organized. In another case, an ice skating area was built in a small town by the local school. Funding only covered part of the cost; the other part was received through volunteer work. Interviewed activists stated that they were surprised that funding came from EU; later they applied more funding from the Russian authorities. According to the project leader, the project led to a sense of empowerment, increased self-confidence and activation of the people involved. A year later, many plans around this skating area were implemented and lively sporting activity seems to be emerging in the area.

**Effects on entrepreneurship, social capital and integration**

In the EU and SIDA projects, bottom-up activity had a strategic role. Local activists made proposals for the projects; they also ran the local projects themselves. They negotiated with municipal and district authorities on the rights to use certain areas for a playground or sports field, or which building they could rent for the purposes in question.

The main priority of SIDA’s project was to improve livelihood among others by creating entrepreneurship; one LEADER mini-project also supported the local entrepreneur (hair salon). In four cases out of fifteen, the entrepreneurs succeeded in making the breakthrough and the side-effects on the local environment were clearly positive.

Some of those involved in the SIDA-project contributed to local development by helping others to start their own businesses or in other ways, promoting an improved quality of life through activities at the House of Culture and the like.

Most Ladoga-projects created common goods. Children’s playgrounds and sport fields and the renovation of cultural clubs and museums create public space. It is an important common good which facilitates face to face communication, leading in positive cases into increased trust and social capital among local inhabitants and potentially producing empowerment on individual level. Also, negative aspects emerged – like breaking the play equipment – and the overall outcome depends on how successfully such behavior is handled and corrected.

Several projects worked on identity. Grandchildren gathered their grandparents’ memories; a symbol for local producers were developed; the local museum’s roof was renovated. And of course sports fields support identity formation. A sense of local identity is an important antidote to frustration when outmigration and unemployment have been part of every-day life for years. It may also support processes of empowerment.

**Russian development policy and federal state funding**

Russian Federal funding has been flowing down to local level in several ways. Over a period of more than five years, building activity has experienced a boost in many small localities, including family houses and larger buildings for veterans and workers. A lot of new houses have been finished, and still more renovations are under way. Also, building areas on e.g. former state farm land is being planned. Roads and sidewalks are being repaired; schools and cultural houses are getting their share of increased state funding.

Some social policy programs have been especially important for local development. Young professionals get remarkable subsidies when they settle down in rural areas – including central

A new playground, built by a TOS group, central village of rural community in Archangelsk oblast.
settlements. The “Foster Family Program” has enabled many married couples to take foster children and to earn moderate incomes in relation to local conditions, to renovate and often extend their houses. Also, kindergartens are being built again in small towns and villages, after a 20 years’ break. 

The increase of funding took place after National Priority Programs were launched in 2007 and have continued until 2014, after which new estimations are needed because of the critical situation of the Russian economy. In North-Western Russia, however, no signs of crucial change were to be seen on the local level during field trips to the Archangelsk Region in September 2014 and the Republic of Karelia in September 2014 and April 2015.

**TOS: Social movement & social innovation**

TOS is a ‘self-managed local association’ (*Territorial’noe Oshchestvennoe Samoupravlenie*), which can be very informal or formal, not registered or registered. A TOS is based on common will to implement a concrete project together, and is organized by defining the task, listing the persons included, and nominating a chairperson. TOS is a special legal form of local collaboration mentioned in Russian law. There were only a few before 2009 but in recent years they seem to be mushrooming, perhaps most of all in the Archangelsk Region. According to an information bulletin on ‘Pomorian TOSs’[^10], 721 TOS projects were already formed there by 2013. In an interview in the Ministry in September 2014[^11] an even higher total figure was given (880), which could be compared with the number of NGOs: 1,200—1,300.

The Archangelsk Region accepts TOS to apply funding for local projects; each can get a fixed sum of money for material needs. In practice, the local authorities of each district (*raion*) take care of the organization and allocation of funding. Archangelsk oblast* has also renewed its governmental structure to answer to the needs of local development efforts. The ‘Archangelsk Regional Ministry for Local Government and Domestic Politics’[^12] (*Ministerstvo po razvitiyu Mestnogo samoupravleniya Archangelskoi Oblasti*) aims to support the work of local TOSs.[^33]

In view of the rapid increase in the number of local projects, it seems TOS is an answer to some basic problems in social development. A member in a Regional Parliament (*Duma*) mentioned that ‘Russian administration had forgotten how to work with problems on local level’. TOS offers concrete and practical means in this context. It brings some local people with similar problems together, is easy to organize, and aims for concrete results. Is it a social innovation?

According to Dees et al. ‘Social innovations are production and integration of new knowledge in the form of programs, organizational models or definite sets of principles and other means which are utilized at local level to respond and react to positive and negative results of restructuring.’[^13]

The Russian TOS is quite similar to the EU’s LEADER. It is an organizational model. Partnership between local people, enterprises and administration is part of the model and what is new is that local people are an active part of this partnership – instead of the partnership only being between business and administration. TOS is integrating new knowledge to local circumstances in Russia. It is clearly a reaction to negative results of restructuring. TOS has wider consequences, such as recruiting activists to the local administration. TOS is integrating both old and young participants and some of these younger ones have become new staff in local administration, as we could prove in some cases.

Supporting local activity can suffer from management problems and lack of autonomy in financial operations. Some TOSs are steering funding through municipality accounts, and accounts of traditional NGOs have also been used. There are not many NGOs in small places, however, and these solutions were impractical, because TOSs may have an ongoing need for collecting and using money. We were told about proposals to change some TOSs to NGOs, through registration, and opening of the TOS’s own bank accounts. This has already been done several times (*Vestnik TOS 2013*).

To sum up, TOSs do actively solve local problems, they produce solutions and activate people for local society’s needs: in doing so they empower people, produce trust and social networking. In brief, in the best cases they successfully renew the socio-economic living environment to a much more positive state.

**A capability to act at local level**

The SIDA and Ladoga projects, the development of TOS, along with concrete examples of using the Federal and Oblast’ programs for local needs: All these cases provide evidence for a capability to act on behalf of local populations. For analytical reasons we use Sen’s classification of assets into resources, rights and relations to distinguish between the different actions the local population has used.[^14] This particular framework helps distinguish different kinds of agency, transforming the assets in question into goods or services. While some of the resources,
rights and relations are more associated with coping other kinds of agency is connected to local development. For example, while getting social benefits would be related to coping, getting access to land for agricultural production or to establish an enterprise is more connected to strategic behavior. As you have to apply yourself to get social benefits or a grant to start a business or to build a house, both coping and strategic agency requires some form of intentional action. Therefore in the present context we will focus on the type of actions that actually lead to development in a local context, contributing to improving life quality for the ordinary population. Interviewees talk about using land in order to produce food for their family’s consumption and also to build their own houses on it. This is about using grants from the federal programs and about having a capacity for manual work. But it is also about using rights to unemployment benefits and other benefits. One of our female respondents has mentioned as the most valuable resource “the hard-working husband who does not drink”.37

Sen’s analytical framework also connects agency to the issue of empowerment. He seeks not only to determine the actual needs for a resource (e.g. money, housing), but also to identify the kind of support needed to transform resources into goods and services.38 This requires agency on the part of those receiving support based on individual perceptions of what they need. The core of the empowerment concept lies in the ability of the individual to control her own destiny. Agency represents people’s ability to act towards goals that matter to them. Sen argues that this includes an aspect of freedom which is a vital ingredient of social change.39

The use of social relations

Social relations are a basic unifying element in the LEADER approach of the European Union’s rural policy. Partnership between local actors is institutionalized in Local Actions Groups. Russian local initiatives also contain partnership, even if not in such a systematic form as LEADER. One of the main differences is that while LAG is responsible for making local development plans, in Russia such plans are not made at local level. In our data, local projects were not integrated into any larger local plan and project activists did not work together with municipal leaders and business people in order to find a coherent path for development. In any case, social relations are also developing in Russian local projects. Some authorities seem to get support from citizens’ networks, not least in social policy programs. In one case foster families were organized in a club which was finding ways to collaborate and to mediate their needs to donors and to authorities.40

Social relations enhance the growth of social capital while opening opportunities for the empowerment of participants in the process. New social relations increase opportunities to find ideas and make initiatives for new steps to go further in personal agency and local development efforts. Interviews with entrepreneurs reveal that they did not like to start with somebody outside the family.41 On the other hand, it was important to have good relations with the local administration in order to get a contract. It could matter when it comes to being able to rent a building to run a restaurant or a shop, or being assigned the task of building or renovating a road.42

The use of rights

With reforms, ordinary people gained some new rights while losing others. For example, they received the right to start businesses or private farming, but they lost the right to get a job, along with different rights to services they had been entitled to in the Soviet period.

They also tried to find solutions to structural problems, of which the non-finalized privatization of state property had a big role in small settlements. An important stage was achieved in this process 2010, when the owners of virtual land plots lost their right to realize their ownership if not yet completed. After that e.g. former sovkhoz land could be privatized and sold for building activities, agricultural enterprises or other purposes.43

It appears that some state or regional programs have provided opportunities. Interviews describe families using the opportunity to gain a grant to build their own house from the “Federal Program for Young Families” from 2010.44 We also heard about families using the motherhood program “Mother’s Capital” to improve living conditions. Communities also use the possibility of taking part in federal programs. There are, however, great differences between communities in this respect, indicating that the agency of local administrations makes a difference. This is also clear when it comes to the creation of TOSs. In one community, it was fairly clear that the Mayor did not consider TOS to be an important ingredient in local development, but he did not prevent one of the employees from working with their development. Consequently, the idea of creating TOSs to realize local ideas spread, increasing grass-root level activities in the community quite rapidly in a couple of years.45

It is also clear that this includes an aspect of freedom which is a vital ingredient of social change.46

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It appears that some state or regional programs have provided opportunities. Interviews describe families using the opportunity to gain a grant to build their own house from the “Federal Program for Young Families” from 2010.48 We also heard about families using the motherhood program “Mother’s Capital” to improve living conditions. Communities also use the possibility of taking part in federal programs. There are, however, great differences between communities in this respect, indicating that the agency of local administrations makes a difference. This is also clear when it comes to the creation of TOSs. In one community, it was fairly clear that the Mayor did not consider TOS to be an important ingredient in local development, but he did not prevent one of the employees from working with their development. Consequently, the idea of creating TOSs to realize local ideas spread, increasing grass-root level activities in the community quite rapidly in a couple of years.49

The use of social relations

Social relations are a basic unifying element in the LEADER approach of the European Union’s rural policy. Partnership between local actors is institutionalized in Local Actions Groups. Russian local initiatives also contain partnership, even if not in such a systematic form as LEADER. One of the main differences is that while LAG is responsible for making local development plans, in Russia such plans are not made at local level. In our data, local projects were not integrated into any larger local plan and project activists did not work together with municipal leaders and business people in order to find a coherent path for development. In any case, social relations are also developing in Russian local projects. Some authorities seem to get support from citizens’ networks, not least in social policy programs. In one case foster families were organized in a club which was finding ways to collaborate and to mediate their needs to donors and to authorities.50

Social relations enhance the growth of social capital while opening opportunities for the empowerment of participants in the process. New social relations increase opportunities to find ideas and make initiatives for new steps to go further in personal agency and local development efforts. Interviews with entrepreneurs reveal that they did not like to start with somebody outside the family.51 On the other hand, it was important to have good relations with the local administration in order to get a contract. It could matter when it comes to being able to rent a building to run a restaurant or a shop, or being assigned the task of building or renovating a road.52
Local administrations often use their relations with entrepreneurs to ask/insist on them becoming sponsors for local events and projects or fulfilling social contracts. One local head succeeded in getting support from local entrepreneurs for building a church.

The use of resources

In line with earlier research, respondents express the view that it has become more difficult to set up private businesses than before. However, people still start their own businesses in, for instance, trading or taxi-driving. Interviews show how entrepreneurship increases in crisis years, when families’ incomes are not enough to live on (these businesses are most likely not formally registered in order to avoid taxes). In particular, it seems difficult to survive after the first year. The three to four successful examples of business development from the SIDA project reveal that it is possible to build up businesses even in the 2000s. These examples show that slow step-by-step development based on investments from the entrepreneur’s/business’s own resources could be a viable strategy for survival and gradual development. Some interviewees mentioned the option of the vakhtovyi metod, which usually means that the husband goes away for specific periods to work in, for example, the oil fields or the forest, although they pointed out that this way of working could be detrimental to the family. Respondents further indicated that plot production is important for most people. We also heard about the use of other natural resources.

The local administration uses resources to increase the local budget available for the co-financing of federal or oblast’ projects. Well-educated women working in the budget sector provide a valuable human resource, and we have heard some of them talk about how the smallest projects showed them new possibilities. This, in turn, encouraged them to take new initiatives.

Conclusions

Our data gives a lot of evidence of strategic agency in the Russian countryside and small towns (Table 1). The Russian local economy is still experiencing major structural changes. Bankruptcies of post-Soviet type large-scale enterprises take place, and newer entrepreneurs increase their activities. It is sometimes said that it is more difficult to start a business now than earlier. However, some young entrepreneurs seem to act even in smaller communities. One aspect is the view that there are more options now, that society/opportunities is (in a regional sense) more democratic. New Governmental programs have clear positive effects, not only within metropolitan areas. Private-public mixtures and project funding are becoming more widespread, which might mean more flexibility and decreasing negative consequences from the traditionally very hierarchic administration in Russia.

Local governance has stabilized after reforms in late 2010s. Privatization of local land has achieved its culmination, which offers opportunities to reorganize land-based activities in housing as well as in business and agriculture. In the authors’ experience, local authorities are very willing to support the local economy and activities, but have very scarce resources. To solve their acute economic and social problems, they try to find ways forward using sponsoring funds and increasingly, with project-type funding.

Concerning the views of how passive people are, the present research provides evidence of the opposite tendency. Studies of foreign experiments, SIDA and Ladoga projects and above all the regional TOS movement reveal a relatively large potential for activity among the local population. Each of the established projects needed enthusiastic project leaders and several active participants. They realized resources, which both produced material things and secured new social capital. To sum up, SIDA and Ladoga projects and TOS activity indicate that it is possible, in Russian conditions, to realize successful projects and to facilitate social capital and empowerment.

To interpret what is taking place on the local level in Russia, one needs to go further to understand the logic of economy in the Russian framework. It is not pure market logic; entrepreneurs have a lot of troubles other than prices and markets of their products, credit rates and salary levels. The Russian state has a strong hold on the economy both through various controlling measures and because of state-owned business. A major proportion of business people work on the basis of public orders and the state’s authoritarian character has consequences on local companies’ working possibilities. Furthermore, Russian local administration is economically weak and needs the state’s redistributed funds.

Another option for local administration is to have strong private enterprises, which contribute to the local economy both through taxes and donations. Taxes are normally not enough and therefore donations are needed. Donations follow Soviet traditions, even if local private enterprises which donate money are often smaller and weaker than Soviet state farms or big industrial companies. The existing local companies contribute a lot in the local social and economic sector. The general picture is not very clear; however, discussions with local authorities and enterprises themselves give evidence of continuous donations to charity and to local development efforts, such as building walkways or sports fields. Charity is often promoted: for children’s needs, as when a children’s home found a local entrepreneur to support its activities. Later the entrepreneur disappeared but the support from his company continues. Development efforts are often allocated to the entrepreneur’s own home village, as when one TOS received a remarkable sum of money from a local female entrepreneur for building a village house for local events.

What makes enterprises donate money? This question is in fact a variant of the basic question of informal institutions for an institutional economy. An answer to this question can be sought from the field of moral economy. According to Andrew Sayer – the developer of new moral economy – the question in moral economy is about norms, dispositions and commitments, which concern interrelations between individuals and institutions, their mutual responsibilities and rights. Our field study results indicate that norms of contributing to local social needs are very strong in Russia.
It is not possible in this paper to go further into the question of the moral economy in Russia. We suggest, however, that the Russian economy is not only characterized by paternalist and authoritarian features but also by a special type of moral economy, demonstrated in the interdependency of economy and moral commitments.

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1 The authors contributed equally to the study.
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12 Interview, head of local administration, Archangelsk oblast', 2012.
13 Interview, vice mayor, Archangelsk oblast', 2014.
14 Interview, head of local administration, Nizhnii Novgorod oblast', 2014.
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28 E.g. Interview, two foster parents in Archangelsk oblast’ 2013, and one foster parent in Nizhnii Novgorod oblast’, 2014.
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50 E.g. interview, civil servant, small town, Nizhnii Novgorod oblast’, 2013.
51 E.g. interview, teacher of college in small town, Nizhnii Novgorod oblast’, 2013.
52 Interview, head of district, small town, Nizhnii Novgorod oblast’, 2013.
53 E.g. interviews, civil servant in economic unit of district administration, Archangelsk oblast’, 2014, and librarian, village, Republic of Karelia, 2014.
54 E.g. one entrepreneur raised the problem that he was denied permission to buy the land on which he had built a house, and therefore he had no prospects of keeping the house in his ownership. The reason for the negative decision seemed to be his critical newspaper articles. Another entrepreneur remarked this is a relative question, and depends on what branch one is working with. The construction industry is particularly depended on public contracts but e.g. the restaurant branch is not.
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Ikea in Khimki, Moscow.

PHOTO: ANDREI RUDAKOV/BLOOMBERG
The notion of business climate is commonly used by international policy-makers, researchers and business people to address the set of location-specific factors shaping the opportunities and incentives for firms to do business in a particular country. The use of this concept is often more rhetorical than tangible as different parties include diverse factors in the definition. Nevertheless, business climate has been institutionalized as a concept that contributes to a country’s economic growth and competitiveness. The poor business climate in Russia is, according to the OECD, “a glaring and persistent handicap for the Russian economy. Doing business in Russia is difficult and risky, due to the heavy administrative burden, widespread corruption and a weak rule of law.”1

Facing up to the problem, Russia’s top leaders express their commitment to making improvements in the business climate. In October 2014, President Vladimir Putin assured the audience of the Russia Calling Investment Forum in Moscow: “We will continue system-wide work on improving the business climate in Russia”.2 Putin also cited the considerable changes to many laws in Russia and the optimization of administrative procedures which has taken place. In appreciation of such steps, the World Bank’s Doing Business Ranking, one of the proxies for business climate, moved Russia from 120th place in 2012 up to 112th in 2013.3

Today, over 400 Swedish companies are present in the Russian market.4 Sweden is currently among the top ten foreign investors in Russia with 15.8 billion USD of accumulated investments.5 In 2013, Russia was Sweden’s 13th biggest export market and 7th biggest import market.6 But why are Swedish and other foreign companies interested in Russia?

A large and potentially expanding consumer market, rich natural resources and sizable government investment projects are cited as being central to Russia’s competitiveness. It is, however, broadly recognized that Russia should establish a more balanced economy and diversify areas of growth. In order to improve the business climate in Russia, economic and political advisors often suggest that Russian government intensify its efforts to reduce administrative burdens, minimize bureaucracy and corruption, increase transparency, consolidate the rule of law, foster entrepreneurship and develop innovation capacity.7

While the importance of the business climate is emphasized by economists and policy-makers, there is still little guidance about what aspects of business climate in Russia are important and what specific reforms are needed. The influence of different variables in the business climate on Russia’s attractiveness for foreign investors is an important issue that needs closer examination.

The purpose of this article is to analyze the business climate in Russia from the Swedish investors’ perspective. The case presented is related to general theoretical discussions regarding the concept of business climate and its definition in social science. The article also aims to present and analyze recent empirical survey data on the subject.

The article addresses the issue of the business climate in Russia from the Swedish investors’ perspective and relates it to general theoretical debate in the field. Statistical test suggests that the majority of variables relating to the business climate has deteriorated between 2012 and 2014. The findings support several mainstream theories regarding the business climate but also demonstrate some contradictions that would require further investigation. These include the reaction of Swedish business to the escalation of political tensions between Russia and the West and the factor of corruption, which is not viewed as serious enough to fully discourage foreign investors from staying in Russia.

KEY WORDS: Business climate, firm-level approach, business climate theories, survey analysis, T-test for paired samples, foreign (Swedish) investors, Russian market.
2014 in cooperation with Magnusson Law and Raiffeisen Bank.9 The survey presents the perception of the business climate in Russia among Swedish companies operating in the market. Experienced top executives, mainly Swedish nationals representing 82 companies, or 20% of all Swedish companies operating in Russia, participated in the survey in 2014. The survey was conducted using approximately 55 closed questions, while several questions allowed respondents to write comments and recommendations. Managers from small, medium-sized and large companies answered the questions; the proportions of service, production and trading companies across different industries is almost equal.

A similar survey was also conducted by Business Sweden in 2012. Since 2012, Russia’s relations with EU and US have deteriorated. The annexation of the Crimea by Russia, the armed conflict in the eastern Ukraine, the introduction of sanctions against Russia by the EU and the US and the response by the Russian government with counter-sanctions have created challenges that were not on the agenda in 2012.

Although the current dynamics between Russia and the West do not yet constitute a new Cold War, Business Monitor International (BMI) expects a turbulent period to prevail for the next few years.29 Such a situation decreases the attractiveness of Russia for foreign investors. There is a serious concern as to whether Russia can continue to improve its business climate if it is in opposition to major parts of the global economy. The possible impact of an escalation of the conflict between Russia and the EU/US on the business climate in Russia, therefore, remains currently unknown.

The research paper compares the answers of top managers on different aspects of the business climate in Russia for 2012 and 2014. Does the managers’ perception follow the global investors’ current negative views on Russia? One might expect that the recent escalation of the conflict between Russia and the West would be reflected in the answers provided by top managers.

The study analyzes whether business climate in Russia has deteriorated due to the recent escalation of turbulence between Russia and the West.

The research design combines qualitative and quantitative methods in order to address the research issue. Qualitative methods are a vital aid in identifying possible trends and developments as well as understanding which variables of the business climate are of major importance for foreign investors.

The methodology includes a quantitative T-test analysis for 20 selected business climate parameters.10 The analysis starts with an estimation of a sample mean11 for responses of managers during 2012 and 2014. Managers chose suggested alternatives ranging from 1 (low risk assessment or positive developments) to 5 (high risk assessment or negative developments). If the situation had deteriorated in 2014 compared to 2012, the scores provided by managers would be expected to rise to reflect higher risks associated with business climate in Russia. We assume that the answers have approximately normal distribution. T-test analysis was carried for paired samples of different business climate variables for 2012 and 2014.

The null hypothesis $H_0$ states that there is either an improvement of the mean of the 20 selected variables of the business climate in 2014 compared to 2012 or they are unchanged. The sample mean for 2012 ($\mu_{2012}$) is assumed, therefore, to be equal or higher than the sample mean for 2014 ($\mu_{2014}$).

The alternative hypothesis $H_1$ suggests that the sample mean for selected variables deteriorated in 2014 compared to 2012 reflecting higher (respectively, more negative) scores in the managers’ replies. We can express the null and alternative hypothesis as follows:

$$H_0: \mu_{2012} \geq \mu_{2014} \quad H_1: \mu_{2012} < \mu_{2014}$$

$H_1$ hypothesizes that there has been deterioration in the assessment of different parameters of the business climate by managers in 2014, therefore a one-tailed T-test is performed. The level of significance of 5% is chosen ($\alpha = 0.05$).13 If the null hypothesis is rejected, then we have statistical support for the alternative hypothesis. If the evidence shows that the null hypothesis is false, we can conclude that the data supports the alternative hypothesis regarding a deterioration trend in selected variables of the business climate in 2014 compared to 2012.

The empirical data presentation combines qualitative analysis with an output from the T-test statistics.

Finally, topics regarding theoretical frameworks for and empirical investigations into business climate are suggested for future research.

Business climate, theoretical frameworks and definition

The concept of business climate has no significant body of shared views but is fragmented into different schools of thought. Various theoretical frameworks have been developed to study business climate.

The institutional theory takes as its point of departure that organizations are under pressure to adapt and be consistent with their institutional environment. Companies are assumed to aim for legitimacy and recognition, and they do so by adopting structures and practices defined as appropriate in their business environment. Pande and Udry conclude that long-run growth is faster in countries with a favorable business climate including higher quality contracting institutions, and higher levels of trust in such institutions.14 According to Yakovlev, the incompetence of public institutions in Russia imposes serious restrictions on the development of the business climate.15 A lack of institutions forces companies to search for their substitutes. The weak legitimacy of formal institutions in Russia, therefore, pressures firms to rely excessively on informal institutions, including personal networks.16

The macro-economic mainstream literature has generally used cross-country samples to explain GDP-based outcome variables with broad, country-level indicators of the business climate such as institutional quality, the policy environment and infrastructure. The majority of such analyses have found that these business climate variables have significant effects on eco-
nomic performance. The macro-analyses obviously generated useful insights, among others about the central role of secure property rights and good governance for the business climate. The findings of the macro-econometric literature are often questioned due to concern about the robustness of the results. The explanatory variables at country level obscure variations across different regions within a country, across different types of firms (by firm size, age, ownership type, etc.), or both. The precise channels through which business climate variables affect economic growth are still not fully understood, and recent studies have been more cautious in their interpretation of the evidence. Other econometric problems, such as the failure to account for model uncertainty in cross-section studies, persist. Banerjee and Duflo, for example, stressed that macro-economic models can hardly account for the behavior of firms in a world full of different constraints and uncertainties. The impact of constraints such as infrastructure limitations, lack of access to finance, or political issues on individual firms’ decisions can be better analyzed at company level with the help of non-aggregative methodology.

In an effort to break through these limitations of macro-economic models, recent research attempts to search for micro-level evidence on the business climate and for ways to trace the climate’s impact on company decisions and performance. While policy-makers and researchers often have very specific objectives regarding business climate, the firm is more likely to appreciate the holistic view of the business climate rather than any one specific goal.

One of the new frontiers of economics is, therefore, the analysis of business climate from a micro-economic perspective. Company theory puts the focus on a company as the core element, instead of the broad aggregate numbers in macro-economic analysis. Dethier et al. use enterprise surveys to provide an overview of literature with the focus on the impact of the business climate on productivity and growth in developing countries.

The crucial prerequisite for finding more disaggregated evidence is the availability of raw disaggregated data. Before the 1990s, standardized firm-level business surveys spanning multiple countries were practically nonexistent. The key development of the early 2000s was a push for greater standardization in order to build up a single, centralized database of comparable business climate surveys from around the world. The World Bank’s World Development Report (2005) was the first to bring together insights from two World Bank initiatives, namely the Investment Climate Surveys and the Doing Business Project. The EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS) is another initiative aiming to capture indicators of the business environment and track changes in the business environment over time.

There have been considerable discussions about the possible weaknesses of subjective, perception-based surveys compared to objective, quantitative data. Carlin et al. highlight the ease with which a subjective ranking of constraints is used for comparisons. Exploring such concerns, Gelb et al. examine subjective data yielded by the core Enterprise Survey perception questions. They conclude that while perceptions of business climate constraints may not always correspond fully to ‘objective’ reality, firms do not complain indiscriminately, and response patterns correlate reasonably well with several other country-level indicators related to the business climate. Examination of data surveys provides evidence that a good business climate favors growth by encouraging investment and higher productivity. Various infrastructure, finance, security, competition, and regulation variables have been shown to have a significant impact on enterprise performance.

Because business climate is obviously affected by political factors, some researchers suggest a political process approach as a theoretical framework for analysis. Curmudgeon analyses the business climate as a cumulative aggregation of policy decisions across departments, policy areas, and time periods, which are based on the decision-makers’ belief. Bittingmayer et al. stress an explosion in the use of the business climate concept during last ten-fifteen years, among other things as a tool to affect public opinion and policy change.

Several researchers have demonstrated the great relevance of the political process approach to studying the business climate in Russia. Frye, for example, admits that ideally one would like to make investment decisions primarily on economic grounds where political power matters less than economic efficiency, but this is far from the case in Russia. Rochlitz provides some empirical support for the view that political motivation to acquire electoral votes by the federal government in Russia had an impact on the business climate of a particular region.

There is no way to prove which of these (or any other) theoretical approaches is more appropriate to analyze the business climate. Currently, no single approach can fully accommodate the concept of business climate and explain its nature. Neither of these approaches in isolation can give guidance on policy recommendations on how to improve business climate in different countries and regions. There might be room, therefore, for the co-existence of different academic approaches as they address different aspects and issues of business climate. Instead of deciding on which approach is the most suitable for analyzing the business climate, the current challenge might lie in systematizing the contributions of different theoretical schools and understanding their added value for different business environments.

But what is business climate? Business climate is often de-
fined as an environment that surrounds firms within a given geographic area, where conditions and circumstances have a profound effect upon the success or failure of businesses. It is also commonly stressed that differences in business climate are a reason why some countries are economically more successful than others.

Eathington, Todd and Swenson distinguish three major meanings in the concept of business climate: (1) an overall measure of growth or business health in a region; (2) a set of factors believed to contribute to regional economic growth; and (3) an intangible asset in the form of a regional reputation for business friendliness and receptiveness to growth.

The definition of business climate as an intangible asset is supported by the importance of sending a pro-growth, pro-business message to the international and local business community. Countries are, in that case, booking the business climate onto their balance sheets in the hope it will yield future ‘earnings’ from other businesses attracted to the region. Business climate in that context becomes a message, not a measure. This conceptual definition of business climate is perhaps the most problematic one for sound policy development. In the name of improving the region’s reputation for business friendliness, countries and regions may commit significant public resources. In any case, the notion of business climate as a regional asset deserves the additional attention of researchers.

It is also possible that business climates may have their most crucial impact variables outside existing frontier definitions. Bittlingmayer et al. claimed that the business climate indexes with the best outcome explained only 5% of the total variation of performance. A tentative conclusion might be that business climate ratings do not capture the concept of business climate in the right way.

Literature on the importance of different aspects of business climate for foreign investors is characterized by a certain inconsistency in conclusions between the studies.

Dollar et al. reach conclusions about the importance of the investment climate (including physical and financial infrastructure variables) for attracting foreign investors into eight Latin American and Asian countries. Kinda shows that physical infrastructure problems, financing constraints, and institutional problems discourage foreign investors, particularly for Sub-Saharan African countries. The study supports the thesis that introducing additional explanatory variables of the investment climate can enhance understanding of the issue. Mottaleb and Kalirajan argue that socio-economic and political variables such as regulatory frameworks, bureaucratic hurdles and red tape, regulations relating to setting up a new business, judicial transparency and the extent of corruption in the host country may impact foreign investors.

Several researchers question whether a conventional set of business climate variables is really important for foreign investors. The empirical results of the study by Goswami and Haider suggest that the host government policy has little impact on foreign investors. Rather, cultural conflict and the attitude of the foreign investor country towards the host country are found to be mostly significant variables. Empirical results by Blonigen et al. also reflect little support for the view that government policies are an important indicator. Researchers found no robust evidence in the analysis that business climate policy variables controlled by the host country (such as multilateral trade openness, business costs, infrastructure, and political institutions) have an effect on foreign investors.

It can be concluded that the importance of different business climate variables for foreign investors remains an ambiguous and open-ended issue in the literature. The reason behind such uncertainty might be our limited understanding of the concept of business climate and its theoretical framework. Another explanation might be the complexity of the phenomenon itself. We obviously face a challenge: researchers, policy-makers and the business community should pool their resources in order to reach consensus, even on a partial basis. There are many ways to describe business climate and plenty of variables that might be included in the definition. In the face of such uncertainty, the right approach might be to search for factors identified by the business climate concept that can enhance economic growth and competitiveness and attract foreign investors.

**Business climate from the point of view of Swedish companies**

The BCS data was collected for both 2012 and 2014, while for newly introduced questions, the empirical response is available only for 2014. Besides this, several responses are more of a qualitative nature and do not suit T-test methodology. However, they provide a valuable insight into different aspects of business climate from the point of view of Swedish companies operating in Russia. Therefore, statistical conclusions are complemented by a qualitative analysis.

The empirical data presentation and analysis is carried in two steps. First, we address strategic issues related to Swedish companies’ establishment in Russia, including the perception of the Swedish brand in Russia, the profitability of business, establishment of local contacts in Russia and future plans of Swedish companies. Secondly, we summarize the empirical data for 20 selected variables regarding business climate in Russia. This data was used to carry a statistical paired samples T-test. Findings from the statistical T-test are complemented by the qualitative empirical data acquired from managers.

**Strategic issues for companies’ business establishment**

An encouraging starting point for our empirical data presentation is that Sweden is perceived as a brand that is welcome in Russia. In 2012, for example, 79% of respondents emphasized that they were positively treated as Swedish business people in Russia, the figure being raised to 90% for 2014. According to the data, the escalation of conflict between Russia and the West was not directly reflected in the reception of Swedish companies by Russian society. On the contrary, Swedish brands were more appreciated in Russia in 2014 compared to 2012. This topic deserves further analysis, especially from the point of view of policy and government structures aiming to enhance co-operation between
Sweden and Russia in different areas. Evidently, certain measures promoting the image of Sweden in Russia contributed to offsetting the negative effects caused by political disturbances.

On the negative side, the empirical data suggests that it is hard for foreign companies to find the right business contacts in Russia. Many foreign advisors stress the importance of investing time in building up relationships with local partners: Russians do business with people, not with companies. According to the analysis, only 15% of respondents believe that it is easy to find reliable business partners in Russia; the figure is almost unchanged between 2012 and 2014. The amount of respondents that found very difficult to find a reliable partner in Russia rose from 3% in 2012 to 21% in 2014. The data indicates, therefore, that more efforts and promotion actions are required to assist foreign companies in establishing business contacts with local firms in Russia.

The analysis suggests that Russia offers a high potential return in combination with a high growth rate. Good profitability was reported by 72% of respondents in 2014, down from 82% in 2012. Good growth potential in 2014 was reported by 82% of respondents, compared to 95% in 2012. Although appreciation of return and growth potential by Swedish investors is high, the trend seems to be negative for both indicators. An interesting observation is that 10% of managers in 2014 expressed uncertainty about profitability of Russian business, compared to none in 2012.

The survey demonstrated that in 2014, 55% of goods or services produced by Swedish companies in Russia are sold on the local domestic market against only 8% on the international market. The analysis supports the view that that Russia’s large, expanding consumer market continues to be one of its most attractive features for foreign companies. A large population, rising disposable income and a burgeoning middle class are drawing the attention of foreign investors.

A question about Swedish companies’ expansion plans in Russia for the next three years deserves special attention. Surprisingly, in 2014, as many as 65% of managers did have expansion plans in Russia. Business executives remain upbeat about Russia’s growth prospects in the medium term. Although in 2012 this figure was 82%, the current level of expansion plans in Russia seems to be at a high level in view of the recent deterioration in the relationship with the US and EU. We do not seem to have a good explanation regarding how the conflict escalation impacts particular firms operating in Russia. Foreign investors that are already established in the Russian economy might be more optimistic about the country’s future than those who do not have practical experience and knowledge and form their judgments based, for example, upon mass media articles.

In summary, the consensus view on strategic issues related to Swedish companies’ business establishment in Russia remains rather positive. Foreign investors appreciate the good profitability and growth possibilities, including the sizable domestic consumer market. Several potential pitfalls include the difficulty of finding reliable business partners as well as some signs of slow-down in potential growth possibilities. More analysis is, however, needed in order to understand the potential impact of an escalation of conflict between Russia and the US/EU, in particular on foreign investors and their plans for Russia.

**Selected variables regarding business climate**

The empirical data for the paired samples T-test for selected variables regarding the business climate is summarized in Table 1.

From statistical tables for T-distributions, we can determine...
the critical value, which should be used for comparison with a computed T-value. 44

The null hypothesis states that there is no worsening of the mean for selected variables of the business climate in 2014 compared to 2012. Based upon calculated T-values, the for the following 11 variables of the business climate can be rejected: political risk, currency risk, counterparty risk, inflation risk, getting information, availability of statistics, customs procedures, payment discipline, postal infrastructure, IT infrastructure, and corruption. For these variables, we have statistical evidence that situation deteriorated in 2014 compared to 2012.

How confident are we in rejecting the null hypothesis? P-value is the probability (assuming that the null hypothesis is true) of getting a value of the test statistic at least as extreme as the value actually obtained. If the p-value is smaller than the significance level (in our case 0.05), \( H_0 \) is rejected. P-values for a one-tailed T-test are presented in the last column of the Table 1.

We rejected \( H_0 \) hypothesis for 11 variables of the business climate. For all these variables, the p-value is far beyond 0.05, which gives us additional support to the strength of the decision to reject the null hypothesis.

Furthermore, very low p-values have been observed for 3 other variables: Russian law, short-term banking, and English proficiency. A p-value is a way to express the likelihood that \( H_0 \) is false. While the p-value for these 3 variables is as low as 0.000..., the conclusion about the rejection of the null hypothesis is statistically supported.

The statistical test, therefore, supports the alternative hypothesis regarding a deterioration trend in 14 (of 20) variables of business climate in 2014 compared to 2012.

In economic literature, the term ‘political risk’ usually applies to a country as whole, being associated with nationalization or expropriation, possible changes in regulation, trade agreements and general instability. The same approach is also valid for currency and inflation risks. However, there have been few attempts to analyze these risks as company-specific factors. 45 In our study, managers emphasized the importance of political, currency, inflation and counterparty risks for their business in Russia.

Our analysis suggests that political risk in Russia increased between 2012 and 2014 from the point of view of foreign investors. Currency, inflation and counterparty risks have also increased between these two years, which is in line with the deterioration of selected variables of the business climate in Russia.
in the current economic and political situation in Russia.

In 2014, a new question was posed inquiring about managers’ views regarding the impact of the recent escalation of conflict between Russia and the US / EU. The response is rather mixed and hard to interpret. About 39% of respondents claimed that they were seriously affected by such relationship crises, while 42% found very little impact from the conflict on their business activities in Russia.

While it is hard to generalize from one survey, there is an obvious need to deepen our understanding of how major political and economic risks as well as escalation of international conflicts impact particular companies. It seems rather confusing that more than 40% of managers indicate very little impact from a conflict escalation between Russia and the West on their business in Russia.

Several researchers stressed the importance of acquiring the basic knowledge about the factors that govern the Russian market. Such factors involve economic, political, cultural, and ethical barriers that companies need to manage when working with Russia. Our analysis indicates that it is rather hard to obtain information from Russian authorities and difficult to find applicable Russian statistics. The situation worsened between 2012 and 2014. One suggestion could be a proposal to improve the distribution of information and relevant statistics from the Russian authorities to foreign investors. Many potential investments might fail at an early stage of the project cycle if the Russian government were unable to provide the necessary information support to foreign companies.

The data suggests that customer procedures do not work satisfactorily, and the trend is negative between 2012 and 2014. The Russian Federation has been a member of World Trade Organization (WTO) since August 22, 2012. There have been several achievements in Russia’s incorporation into WTO; the mission is, however, far from being completed. The high level of tension remains with the ongoing current disputes between Russia on one hand and the EU on the other. In addition, Russia’s customs organization is often accused of being corrupt and bureaucratic.

According to statistical analysis, payment discipline and short-term banking deteriorated between 2012 and 2014. Having been shut out of international financing due to sanctions imposed by the West, Russia’s banks started to experience certain troubles with funding. A worsening of payment discipline could also be the result of the general slowdown of the Russian economy.

Different infrastructure variables, including government authorities, transportation, IT infrastructure, registration and start-up of the company, etc., are important for the presentation of the business climate. According to the analysis, investors expressed concerns about the availability of infrastructure. Respondents acknowledged that meaningful improvements on many positions are not yet happening. P-values for postal services infrastructure and IT infrastructure indicated that there is a negative trend between 2012 and 2014. It is of vital importance to stop the negative trend and further develop infrastructure in Russia.

According to Transparency International, Russia occupies 127th place out of 177 countries, approximately the level of Togo and Uganda. Our study suggests that corruption is still a problem in Russia that limits business climate potential. Empirical data also indicates that there has been an increase in corruption in Russia between 2012 and 2014. When deciding to establish their business in Russia, 45% of managers calculated with the risk of facing corruption in 2014, while 53% of managers estimated that the risk of becoming exposed to corruption in Russia is high.

About 82% of respondents confirmed that Swedish companies have developed a code of conduct or similar policy documents dealing with the topic of corruption in Russia. Establishment of a code of conduct by foreign companies operating in Russia plays an important role in shaping the future of the business climate in the country. However, in 2014, only 6% of managers acknowledged that their companies were considering leaving Russia due to corruption while 64% were not evaluating such an option. A very tentative conclusion might be that although corruption plays a negative role in the business climate in Russia, the impact of corruption is not enough serious to fully discourage foreign investors from staying in Russia. Due to the fact that managers confirmed widespread corruption, the only explanation might be that the profit received by business is enough to accommodate the necessary payments, if required.

**RUSSIA IS KNOWN TO HAVE CONFLICTING, OVERLAPPING, AND FREQUENTLY CHANGING LAWS, DECREES AND REGULATIONS, WHICH COMPLICATE THE BUSINESS CLIMATE.**

**RUSSIA IS KNOWN** to have conflicting, overlapping, and frequently changing laws, decrees and regulations, which complicate the business climate. Poor rule of law is often seen as one of the risks that foreign investors face in Russia, leading to uncertainty. Corruption, for instance, is a significant barrier to entry and development, as it can be costly and time-consuming to navigate the legal and regulatory framework.

The study indicates a rather negative assessment of Russian law by foreign investors, and the situation deteriorated between 2012 and 2014. The government is trying to create a more balanced and business-oriented set of rules, which could regulate business relationships more flexibly and effectively protect their participants’ rights and interests. In line with achievements to improve Russian legislation, some managers acknowledged a few positive developments. These positive changes, however, have not yet resulted in changing the negative trend. It also ex-
explains why Russian businesses continue to structure themselves under offshore holding companies in order not to fall under Russian law.

In 2014, a new question was introduced into the survey regarding arbitration court proceedings in Russia. Surprisingly, 53% of managers had no knowledge regarding arbitration courts while the remaining answers were almost equally split between different alternatives. The efficiency and reliability of Russian courts, especially arbitration courts, have been studied by several researchers. Timothy Frye demonstrated that in 2000, 76% of managers from the survey believed that the courts could protect their legal interests in a dispute with another firm, while this figure increased to 89% in 2008. In both surveys, however, managers were significantly less confident in their ability to use the courts against regional governments in Russia. Gans-Morse suggested that during the 2000s new threats emerged in Russia in the form of attacks on business by lower and higher-level state officials such as regulators and law enforcement agents themselves.

Unfortunately, in the empirical survey BCS, no distinction was made between protection by the courts against private firms and against the Russian government bodies. It can be strongly recommended, however, that future surveys should include this distinction. The issue of strengthening of property rights in Russia might have less to do with the capacity of the state to decide disputes between private firms in the arbitration court than with the necessity of legal constraints on the power of corrupt state officials. Lucy Chernykh, for example, demonstrates that lack of trust between the authorities and private business is an important feature of the business environment in Russia.

It is not clear why such a large proportion of managers are not aware of the situation regarding arbitration in Russia. One possible explanation might be that they did not need to turn to the courts for commercial disputes. Another explanation is that there is a common practice of holding potential arbitration proceedings outside the Russian jurisdiction. Therefore, foreign managers do not possess information on the subject.

Managers also stressed that there are still few English speakers in Russia. According to Education First English Proficiency Index 2012, Russia displays a low proficiency for the English language: it ranks 36th (and the lowest) in Europe. In our analysis, English proficiency by Russian people deteriorated between 2012 and 2014. There is no good explanation of the reasons behind this deterioration. In any case, an increased availability of English proficiency is needed to match requirements of foreign investors.

According to Table 1, several variables have relatively high p-values. If the p-value is large, then it is likely that $H_0$ is true. Therefore, there is an indication that $H_0$ might be true for the following 4 variables of the business climate: corporate taxation, VAT refunds, manager’s availability, and long-term banking.

There is some statistical evidence that these 4 variables of the business climate have improved in 2014 compared to 2012.

The analysis indicates that there is progress regarding developments in taxation issues in Russia from the point of view of foreign companies. Managers also provide rather a favorable assessment of the development of the VAT refund process.

According to the analysis, the availability of qualified staff in Russia has improved between 2012 and 2014. Availability of managers affects the economy, and lack of human capital can adversely affect the business climate. Respondents pointed that in the Moscow region, for example, there is still competition for highly qualified personnel. Besides, although Russia’s education system is well respected, it still needs to cover more material relevant to businesses. As a result, Western companies need to spend a considerable amount of time attracting, training and retaining Russian talent. The trend for the availability of qualified managers, however, seems to be positive between 2012 and 2014. It seems that it has become easier to find qualified managers, which could perhaps be explained by the economic slowdown in Russia.

Surprisingly, the analysis suggests that long-term banking has improved between 2012 and 2014. This is in contradiction with previously received indication on the worsening of payment discipline and short-term banking. On the other hand, several managers explained that they observed certain improvements on how the banking system in Russia works in general and reflected these positive changes in their assessment of long-term banking. Current turbulences, on the other hand, were reflected under the assessment of short-term banking. Besides, many Swedish companies get long-term financing from their headquarters in Sweden, while they use short-term banking products locally. Therefore, possible disturbances of the Russian banking system might be more obvious in short-term banking.

A new question was introduced into the 2014 questionnaire regarding the impact on Swedish companies of the withdrawal of Nordic banks from Russia. Surprisingly, 70% of respondents were not affected by such a withdrawal and only 16% experienced some troubles. This can be explained by the fact that Russian banks and other foreign banks quickly took over the market share of Nordic banks. Possibly the quality of banking services offered by Russian banks to the foreign companies was high enough to offset the withdrawal of Nordic banks from Russia.

For two variables of the business climate (company registration and employees’ fraud risk), the p-value is slightly lower than the significance level of 0.05. Statistically, we can reject the null hypothesis, although with a small margin. These two variables, therefore, probably deteriorated between 2012 and 2014, i.e. it became harder to register a company and the level of employees’ fraud increased.

It is interesting to note that several Swedish managers expressed concerns regarding the high risk of fraud from their own...
employees. There is a severe problem with human resources as almost half of western managers do not trust their employees in Russia. Serious discussion is needed including topics of education as well as ethical norms of business behavior.

Conclusions

One of the central assertions of the 2005 World Development Report on the business climate is that a good business climate drives growth by encouraging investment and higher productivity. Despite the established importance of a positive local business climate, we have shown in the article that current knowledge regarding elements that constitute business climate remains broad, elusive and hard to define. The reader should not draw the conclusion that business climate as a strategy or concept is worthless and does not deserve our attention. On contrary, we believe that business climate plays an important role in economic development.

For this reason, it is important to study this concept, including uncertainties about the very scope of the term business climate. Instead of a one-dimensional concept, we might need to pay more attention to different aspects of business climate. This approach highlights not only the complex nature of how the business climate affects firms, but also emphasizes that a region can excel in some areas while lagging in others. It is necessary to further explore the definition of business climate to include: the role of government, demographic configuration, political culture, natural resources, settlement and immigration patterns, geographic location and population distribution among city, suburb, small town and rural environments. Characteristics such as history, geography, community values and attitudes can be also considered for the future research agenda.

Our study suggests that the following variables of business climate deteriorated between 2012 and 2014: Political risk, currency risk, counterparty risk, inflation risk, getting information, availability of statistics, customs procedures, payment discipline, postal infrastructure, IT infrastructure, corruption, Russian law, short-term banking, and English proficiency. Our observation is in line with the worsening current political and economic situation in Russia. When someone does business in Russia, they need to have a long-term commitment. This would be impossible if the investors’ picture on different risks continues to deteriorate. In order to break the trend and make Russia more attractive for foreign investors, the Russian government needs to build a business climate based on transparent and predictable rules, reducing risks and uncertainty.

While corporate taxation, VAT refunds, manager’s availability, and long-term banking continue to evolve and foreign investors still face various challenges in navigating the system, our analysis indicated that they have enjoyed positive developments between 2012 and 2014.

To improve its business climate, Russia needs to change the way that foreign investors, particularly potential ones, see the country. This concept – viewing business climate as an asset – could be relevant for Russian politicians and government officials. Russia needs to send a welcoming message to encourage new investors to enter the market and current investors to stay.

This is, however, impossible without radical reforms aiming to enhance the quality of the “business climate” itself. An intangible asset “business climate,” being booked on Russia’s balance sheet, should provide the high quality features insuring long-term prospects for investors.

The findings provide support to several mainstream theoretical arguments regarding the business climate but also demonstrate some contradictions that require further investigation. These include the reaction of the Swedish business to the escalation of political tensions between Russia and the West and the corruption factor, which is not viewed as sufficiently serious to fully discourage foreign investors from staying in Russia.

The article does not identify any strong reasons for preferring one school of thought for analysis of business climate at the expense of another. This paper applied a micro-level analysis, and some results on company-based business climate work are encouraging. Company-level enterprise has proved a rich resource for research to explain firms’ performance as a function of different aspects of the business climate.

For future research, a more disaggregated approach (company or industry level) is suggested as the relative importance of each component is likely to differ from business to business. The international research community is also well placed to develop more standardized measures of the business climate in order to make cross-country comparisons. When more survey analyses become available, proper data macro-economic regressions could test for the impact of changes in the business climate on productivity, investment returns, and growth.

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references

8. Business Sweden, the Swedish Trade & Invest Council, was founded on January 1, 2013, to facilitate the growth of Swedish companies abroad and investment opportunities in Sweden.
The survey Business Climate Survey – Russia 2014 is a public document prepared by Business Sweden, info@business-sweden.se.

The level of significance of 5% means that we have a 5% probability of rejecting the null hypothesis when it is true.

The sample mean is calculated using the formula $X_{\bar{\mu}} = \frac{1}{n} \sum_{i=1}^{n} X_i$, where $\bar{X}$ represents particular values chosen by managers, ranging from 1 to 5, and $n$ is the number of values in the sample.

The computed value of the T-test is lower than -1.664. The decision rule is to reject the null hypothesis if the computed value of the T-test is lower than 1.664.

For example, the presumption of acting in good faith has been replaced by an obligation to do so – in line with many European jurisdictions. There have been steps to recognize escrow accounts, and legislation regarding a host of financial and contractual activity was modernized.


The decline of the Russian economy
Effects of the non-reform agenda
by Susanne Oxenstierna

In 2014 the Russian economy showed almost zero growth and the forecasts for 2015 indicate a contraction of 3–4%. This stands in sharp contrast to the high growth rates of the 2000s but also compares poorly with the more moderate expectations of 3–4% GDP growth after the economic crisis in 2009. Nevertheless, instead of choosing the path of modernization after the crisis, the Russian leadership opted for more state intervention and more state control of the economy and it continued to support non-viable production by old state enterprises despite the decline in growth rates. The non-competitive environment where political ties and subsidies have been more important for survival than market performance has slowed the development of new private small- and medium-sized enterprises that represent the future of the economy. Weak institutions have been the trade mark of the economic order under Vladimir Putin and rule of law, effective governance, control of corruption and other governance indicators have deteriorated during his time in office. Why has the Russian leadership become so uninterested in promoting growth and further prosperity for the country?

The downgrading of economic goals is linked to the increased prioritizing of geopolitical objectives in Russian foreign policies. As early as in his speech to the Federation Council on April 25, 2005, President Vladimir Putin claimed that “the collapse of the Soviet Union was a major geopolitical disaster of the century”. In his speech to the Munich Conference on Security Policy two years later Putin described the unipolar world that developed after the Cold War, with the US as the only superpower, as “unacceptable” and that “[t]he United States has overstepped its borders in all spheres — economic, political, and humanitarian and has imposed itself on other states.” Thereafter, preserving its influence over the post-Soviet states became an overriding goal in Russian politics, taking precedence over other things such as economic growth. Likewise, the imperative of domestic stability and the anxiety over color-themed revolutions and a potential Russian Maidan have decisively influenced the way Russia’s domestic politics have evolved with significantly limited citizen rights, persecution of NGOs with foreign funding as “foreign agents,” and repression of all political opposition. Thus it appears reasonable to state that geopolitical aspirations and the preeminence of maintaining the political status quo at home have become more important than economic growth in Russian politics. This article explores the effects of not reforming the economy and strengthening the market economy but instead letting political objectives overshadow concerns for economic development.

abstract
The objective of the article is to analyze the economic effects for Russia of pursuing political goals instead of reviving the economy and carrying out necessary reforms. The “non-reform agenda” since the mid-2000s means that for many years, the economy has been sliding due to structural problems and weak institutions. These tendencies were reinforced with the re-election of President Vladimir Putin for a third term in 2012 and his economic agenda. Since 2014 the additional problems of geopolitical tension, low oil prices and economic sanctions have resulted in the economy contracting. Despite the depressed economy the leadership keeps military expenditure at a high level. Import substitution as a means to mitigate the economic crisis is not convincing.

KEY WORDS: Russia, economic decline, political versus economic goals, institutions, rent addiction, rent management, sanctions, import substitution.

THE OBJECTIVE OF the article is to analyze the economic effects for Russia of pursuing political goals instead of reviving the economy and carrying out necessary reforms. The “non-reform agenda” since the mid-2000s that was reinforced with the reelection of President Vladimir Putin for a third term in 2012 has led to the economy sliding due to structural problems and weak institutions over many years.
Since 2014 with the additional problems of geopolitical tension, low oil prices and economic sanctions these weaknesses have been revealed and the economy is contracting.

The article is organized as follows. In the second section the foreign political background to the present crisis is described. In the third section the structural reasons for the economic decline are analyzed. In the fourth section Putin’s economic policy since 2012 is investigated and in the fifth section the economic situation 2013–2015 is explored and effects of sanctions are discussed. The final section draws the conclusions of the article.

**Political background of the crisis with the West**

The deterioration of the relationship between Russia and the West after Russia’s annexation of Crimea reflects a deep disagreement over the post-Cold War security order in Europe that has existed over some time. In brief, Russia has become dissatisfied with the arrangements that developed after the collapse of the Soviet Union in 1991 and wants to preserve at least what is left of the former Soviet “sphere of influence,” which includes the remaining former Soviet republics in Europe, Ukraine, Belarus, Georgia and Moldova, Armenia and Azerbaijan and Central Asia. Meanwhile the West regards these countries as sovereign states that are free to engage in any international cooperation and form the alliances they choose. Russia’s former satellites in Europe and the three Baltic republics joined NATO in 1999 and 2004 and they acquired full membership in the EU in 2004 and 2007. When Georgia and Ukraine pursued attempts to join NATO in 2008 and the alliance spoke positively of these countries eventually joining the alliance, this was too provocative for Moscow and resulted in the military conflict in 2008 with Georgia over South Ossetia and Abkhazia in which Western countries were not inclined to intervene.

After the Georgian war the EU launched the Eastern Partnership which was to include Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. This was mainly an economic initiative, offering the opportunity for economic reforms through increasing interaction and exchange with the EU; however, it also included goals of building a “common area” of democracy, prosperity and stability. The idea was thus to create stronger economic cooperation with the EU and strengthen the market economy in the Eastern Partnership countries and also to transfer Western values of democracy, rule of law and fighting corruption. Russia disliked this initiative and found the EU trespassing in its “sphere of influence”.

In response, Russia announced that it intended to form the Eurasian Customs Union (ECU) by 2015. Belarus and Kazakhstan signed the agreement to establish ECU in 2011, but the union would be insufficient with only these two countries. In addition Russia opted to include Armenia, Moldova and Ukraine, and of these countries Ukraine mattered most to Russia because of its size and strong economic, historical and cultural ties with Russia. If Ukraine signed the Association Agreement with the EU, which was planned for November 2013, it could not join the ECU. For Russia it was vital to prevent any further expansion of “EU’s sphere of influence” and especially to block Ukraine’s accession to the Eastern Partnership. As is now known, the then President Yanukovych did not sign the agreement with the EU in November; instead he signed an agreement with Russia for a bail-out loan of USD 15 billion in December 2013. This was the last straw that triggered the still ongoing crisis in Ukraine.

Pro-European protests on Maidan, Independence Square, in Kiev started in November 2013. After the failure to sign an agreement with the EU, tension increased and the government tried to fight the uprising by force, resulting in many casualties. On February 22, 2014, the protesters ousted President Yanukovych who fled to Russia. On February, 27 Russia’s “little green men” took the airport in Simferopol and occupied the Supreme Council of Crimea, enabling a pro-Russian government to be installed. By 18 March Russia’s annexation of Crimea was a fact.

**Factors behind the economic decline**

Russia’s current economic situation stems from multiple accumulating problems; it does not simply reflect the consequences of the international reactions on policies towards Ukraine or to Putin’s authoritarian domestic policies in his third presidency. First, despite a lot of discussions over the years and a serious modernization proposal by then President Dmitry Medvedev in 2009, Russia has not managed to escape its dependency on exporting hydrocarbons and there seem to be very few new up-coming innovative products “made in Russia” in view. Second, the inability to leave the extensive energy-export-driven path of development is explained by the power vertical’s dependence on rents from the commodity trade and the distribution of rents that has evolved under Vladimir Putin. Oil rents are used to subsidize economic actors that are not economically viable, so called “rent addicts”, who support the regime in exchange for subsidies and further survival. Third, new private small and medium-sized enterprises that as a rule are outside Putin’s rent distribution system find it difficult to attract investment and manpower in order to grow. Institutions are weak and the business climate is unfriendly for these market actors.

These factors have been on the scene since the mid-2000s, long before more acute depressing factors were added in 2014. The new tendencies have seriously damaged the economic prospects and the economy has gone from a stagnating muddling-through to a meltdown. The confidence in the Russian economy declined as the Ukrainian crisis developed with a fall of investments and FDIs as a result. Economic sanctions have made it difficult for the Russian state banks and companies to access Western capital markets which has negative multiplier effects throughout the economy, and some specific exports to Russia were banned which has suppressed technology transfer from the West on which the Russian industry depends. In particular, this has caused problems for oil exploration on the Arctic shelf and the defense industry. The final blow was the dramatic fall in the oil price which appears likely to stay low at around USD 50 per barrel for at least 2015, which has decreased income to the federal budget. The value of the Russian ruble (RUB) was halved against the dollar, which has made imported goods
The Russian economy has suffered from structural problems since the early 2000s and unfortunately the modernization program launched in 2009 by then President Dmitry Medvedev—which addressed the need for diversification from the heavy reliance on the export of hydrocarbons, too much state involvement in the economy, the weak business climate for small and medium-sized businesses problems and corruption—was too much of a challenge for the various political elites and never materialized. Yet the popular protests in the fall of 2011 and early 2012 against electoral fraud and Putin’s standing for president again showed that a considerable part of society wanted a change in the political sphere as well.

A major obstacle to any modernization program in Russia is that the economic system that has developed since the reforms in the 1990s still bears features of the Soviet command system. Despite the change of system from a command economy to a market economy, the institutions that normally support market allocation are weak and are overruled in many ways by informal institutions surviving from the Soviet era and new variants of manual management that have evolved during Putin’s reign. That Russia’s market institutions are deficient is reflected in the Worldwide Governance Indicators. The WGI project constructs aggregate indicators of six broad dimensions of governance: political stability and absence of violence/terrorism; voice and accountability; government effectiveness; regulatory quality; rule of law; and control of corruption. When these indicators are studied over time it is found that in Russia they have generally been low, that they improved up to the early 2000s, but that since 2004 there has been a marked deterioration in vital institutions like “rule of law” and “control over corruption”. Voice and accountability shows a downward trend over the whole period of Putin’s leadership since 2000. Weak institutions create scope for manual management of economic matters, which is also a reason why institutions need to be kept weak—so that political goals rather than economic goals can be pursued.

**Putin’s economic policy**

On the macro level the Russian economy performed well in the 2000s and its fiscal management won praise. Economic policy under former Minister of Finance Alexei Kudrin was commendable for its restraint and low government debt. The crisis management during the 2009 economic contraction resulted in Russia recovering from the crisis, and growth in 2010 was 4.5%. In connection with Kudrin’s resignation in September 2011 the direction of economic policy became less consistent and the idea of Russia taking its own route with a “Russian economic model” seriously challenged the liberal paradigm. This idea matches the general nationalistic trend in Russian policy which is based on the notion that Russia is a special country with a special mission that should pursue its own path and not follow the “decadent West,” ideas that have been developed after Putin’s return as president in May 2012.

President Putin presented the main directions of his economic program immediately after his inauguration in May 2012. In his first decree on economic policy, he spelt out the economic improvements that should be achieved by 2018–2020. These included: the creation of 25 million highly productive work-places by 2020; an increase in the share of investment in GDP to 27% in 2018; an increase in investment in state priority industries; an increase in labor productivity by a factor of 1.5; preparations for the privatization of state assets outside the commodity-energy sector; and an improvement of the rating of Russia in the World Bank Ease of Doing Business Index from 120th place in 2011 to 50th in 2015 and 20th in 2018.

Moreover, despite the negative Soviet experience and evidence from other countries that high military spending does not guarantee high growth, the increased role of the defense industry was stressed in Decree No. 603 and in the budget address 2012. There the defense industry was named “a driver” in
economic development. The government’s economic program up to 2018 also stressed the importance of the defense sector in technological modernization and for generating economic growth.21

Several of Putin’s goals appeared difficult to achieve even before the sharp decline in growth in 2013. Raising the investment ratio to 27% would have been a difficult task even before the surge in capital flight in 2013–2014. Creating 25 million highly productive workplaces would also have been difficult before the present economic stagnation since the rent-dependent companies hoard labor in order to motivate continuous subsidies and Russia is experiencing labor shortages due to the decline in the working-age population and the low geographical mobility of the workforce.22 The labor market is tight and for new jobs to be manned old, inefficient “Soviet-type” jobs need to be scrapped and labor motivated and helped to move. As the reform economist Vladimir Mau remarked, there is no labor surplus to employ in these new jobs. Mau also notes that a large part of the educated middle class living in the big cities is ready to leave the country.23 The trend in emigration supports this notion. According to Rosstat data, annual emigration has quintupled since 2010.24

The weak business climate has been a characteristic of the Russian economy despite years of reform aimed at improving it. Nevertheless, Russia’s ranking in the World Bank Ease of Doing Business Index has improved since Putin’s Decree No. 596. In 2013 it had improved to 92nd among 189 countries (from 120th place 2012). In 2014, Russia had reached place 64 in the ranking and in 2015, place 62.25 The aspects in which Russia still has substantial disadvantages are “getting electricity”, “obtaining construction permits” and “trading across borders”. Moreover, between 2014 and 2015 the rank of the indicator “getting credits” has deteriorated. However, this index reflects performance with respect to six different indicators and it does not capture the balance between old, large enterprises with political influence existing outside market competition and small and medium-sized firms struggling to stay in business and expand. Nevertheless, it is worth noting that with respect to the business climate Russia has taken some steps in the right direction, although the credit crunch will probably continue for the foreseeable future.

Economic growth and policy 2014–2015

In 2013, Russian growth plummeted to 1.3% a year instead of the 2–3% forecasted. The confidence crisis following Russia’s annexation of Crimea in March 2014 and its continuing aggression against Ukraine lowered growth expectations, and in October the IMF revised its forecast to 0.2% growth for 2014, 0.5% for 2015 and a recovery to 1.5% only in 2016.26 In January 2015, however, the preliminary result for 2014 was 0.6% growth and the IMF now projected a contraction of -3% for 2015 and -1% for 2016.27 Western sanctions, Russian counter-sanctions and the dramatic fall in the oil price added to the negative trend. In April 2015, the World Bank presented three scenarios with growth rates between – 2.9 and – 4.6 for 2015 and 0.1 to -1.0 for 2016; the baseline scenario is described in Table 1 and predicts -3.8% for 2015 and -0.3 for 2016.28

Impact of the economic sanctions imposed by the US and the EU

In July 2014 the US and the EU imposed economic sanctions on Russia affecting its financial sectors, energy sector and defense industry.29 As a result, in 2015 six major state banks and major energy and defense companies in the listing can only apply for loans and issue debt not exceeding 30 days of maturity on EU and US capital markets. The defense and energy sectors have also been hit by the prohibition to export arms and dual-use goods and advanced technology for oil exploration to Russia.

There is still no comprehensive analysis on how the sanctions hit the Russian economy and even less on the magnitude of the effects because this cannot be separated from the impact of other factors. More time need to elapse before these matters can be fully investigated. Nevertheless, the World Bank argues that Western sanctions have hit the Russian economy through three channels: first they have caused volatility on the foreign exchange market and a significant depreciation of the ruble.30 This has also led to capital flight and deterioration of international reserves. The second channel through which sanctions have hit the economy is the restriction on access to international financial markets. The tighter domestic and external credit conditions have negatively affected investment and consumption.31 This is the sanction that has impacted the economy most in the short-run since it inhibits investments and refinancing of major state banks and other financial institutes. The third channel cited by the World Bank is the confidence crisis that has developed as a consequence of the geopolitical tension and sanctions that have

| Table 1: Macroeconomic development 2012–2015 (World Bank baseline scenario 2015) |
|-----------------|----------|----------|----------|----------|----------|
| Oil price, USD/bbl | 105      | 104      | 97.6     | 53.2     | 56.9     |
| GDP growth, %      | 3.4      | 1.3      | 0.6      | -3.8     | -0.3     |
| Consumption growth, % | 6.4      | 3.9      | 1.5      | -5.3     | -1.9     |
| Gross capital formation growth, % | 3.0      | -0.6     | -5.7     | -15.3    | 11.1     |
| General government balance, % GDP | 0.4      | -1.3     | -1.2     | -3.6     | -31.1    |
| Current account, % GDP | 71.3     | 34.1     | 56.7     | 73.7     | 62.9     |
| Current account, % GDP | 3.6      | 1.6      | 3.0      | 6.0      | 4.4      |
| Capital and financial account, % GDP | -32.3    | -56.2    | -143.2   | -122.1   | -60.1    |
| Capital and financial account, % GDP | -1.6     | -3.0     | -7.7     | -10.0    | -4.2     |
| CPI, average, %    | 5.1      | 6.8      | 7.7      | 16.5     | 8.0      |


The table shows the macroeconomic development for 2012–2015 in Russia.
In the initial three-year budget for 2014–16 there was an aim to reduce the federal budget as a share of GDP from 20 to 18% by 2016. Social policy expenditure, which has had high priority since 2009, was to fall from 6 to below 5% of GDP. The shares of education and health were also to decline. Defense spending remained at a high level and was planned to rise from 3.1% of GDP in 2013 to 3.8% by 2016. Fiscal policy during 2013 remained restrained and actual budget expenditures were slightly lower than approved. Table 2 shows the actual federal budget shares for 2012–2014 and here the austerity in 2013 is reflected: the federal budget’s share in GDP dropped to 19.8%. However, in 2014 the share increased again to 20.9%. The increased priority given to defense and Russia’s increasing security policy ambitions with Putin’s return to power is reflected in that the share of national defense rose from 2.9% in 2012 to 3.1 in 2013 and to 3.5% in 2014 (Table 2).

### Table 2: Federal budget items as shares of GDP in 2012–2015 (percentage of GDP)

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<tbody>
<tr>
<td>Federal budget as % of GDP</td>
<td>20.6</td>
<td>19.8</td>
<td>20.9</td>
<td>20.0</td>
<td>20.8</td>
</tr>
<tr>
<td>General state issues</td>
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<td>1.4</td>
<td>1.3</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>National defense</td>
<td>2.9</td>
<td>3.1</td>
<td>3.5</td>
<td>4.2</td>
<td>4.3</td>
</tr>
<tr>
<td>National security and legal system</td>
<td>2.9</td>
<td>3.0</td>
<td>2.9</td>
<td>2.8</td>
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<td>4.3</td>
<td>3.0</td>
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<td>Media</td>
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<td>0.5</td>
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<td>–3.7</td>
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<td>GDP bn RUB</td>
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<td>67,519</td>
<td>70,976</td>
<td>77,499</td>
<td>73,119</td>
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</table>


Data for 2014 and 2015: Poyasnitel’naya zapiska k proektu Federal’nogo Zakona “O Federal’nom byudzhe...[ViewDoc]?OpenAgent&work/dz.nsf/ByID&04D187289DAC194943257D6300510063/$File/%D0%9F%D1%80%DF%ED%F8%44%87%C0%E5%F0%BA%F4%3257D630051063/$File/%D0%9F%D1%80%DF%ED%F8%44%87%C0%E5%F0%BA%F4%3257D630051063/$File/%D0%9F%D1%80%DF%ED%F8%44%87%C0%E5%F0%BA%F4%3257D630051063/$File/%D0%9F%D1%80%DF%ED%F8%44%87%C0%E5%F0%BA%F4%3257D630051063/$File/%D0%9F

In addition trade flows have been impacted and imports have decreased mainly due to the weakened ruble and the Russian counter sanction banning certain food imports. Effects on Russia’s oil and gas export volumes have not been too evident yet. This is due to the fact that oil and gas contracts are usually set for a longer period. Effects of the sanctions on targeted sectors such as the prohibiting the export of arms, dual-use technology and advanced technology for oil and gas exploration and the defense industry are still to come according to the World Bank assessment.32

### The federal budget

The budget for 2015–2017 (FZ-384) was adopted by the Duma in November 2014. The Ministry of Finance had opted for a minimal budget deficit of less than 1% and fierce discussions had accompanied the budget process in the government on where the cuts should be made, not least on how far defense spending could be preserved at high levels when other public spending had to be reduced. The budget law implied a defense budget of 4.2% of GDP in 2015. However the Minister of Finance Anton Siluanov had already signaled that a new defense program needed to be developed that took into account the changed economic situation, even though the deputy Prime Minister Dmitry Rogozin in charge of the sector had ruled out any cuts in military spending.33 “A new defense program will be prepared now, and in its framework we want to reconsider the amount of resources that will be spent from the budget in order to make it more realistic,” said Siluanov. This was an echo of his veteran predecessor, Alexei Kudrin, who quit in protest when the rise in military spending was initially proposed under President Medvedev in September 2011. At that time, however, the funding of the military reform and the rearmament program were based on the assumption that Russia would maintain its unprecedentedly high growth rate of 6% per year throughout the decade. Now times had changed and Siluanov stated quite bluntly “Right now, we just cannot afford it”.

The lower growth due to the dip in oil prices, the halving of the value of the ruble against the US dollar, and the Western sanctions impeding Russian banks’ free access to Western capital markets and restricting exports of advanced technology to Russia, had clearly shattered the Minister of Finance RF (2015), accessed March 25, 2015. http://asozd2.duma.gov.ru/main/peer-reviewed-article/91
would contract, the Ministry of Finance prepared amendments to the budget that were discussed during the first months of 2015. The new amended budget for 2015 was adopted by the Duma April 7, 2015 and has a much lower GDP estimate for 2015. As seen in Tables 2 and 3, forecast GDP is almost 6% below that in the original budget law (Table 3). The new law applies to 2015 only and the Ministry of Finance will introduce changes related to 2016 and 2017 in September 2015. The new law is based on the assumption of an oil price of USD 50/bbl and GDP contraction by 3%. Budget revenues are projected to decrease by 3.3% of GDP while expenditure decreases only marginally from 20.9 in 2014 to 20.8% of GDP in 2015. The deficit rises to 3.7% of GDP and the Reserve Fund will be the main source of deficit financing. This means that in total RUB 3.2 trillion (about USD 50 billion) will be drawn from the Reserve Fund, which corresponds to about 60% of the whole fund (USD 85 billion). This reduces Russia’s fiscal maneuvering room for future years if the economy does not recover or Western financial markets do not open up for Russian state banks.

As shown in Table 3, the defense budget has been cut by almost 5% in nominal terms compared to the original FZ-384. National security – much less discussed but also an item that has had high priority and grown during the Putin era – also sees reductions. Support for the national economy is cut by 8.8%, which is quite courageous of the government considering the difficulties Russian companies are experiencing under present circumstances. Furthermore, spending on many of the items that affect the population most, such as the health sector, protection of the environment, education, and culture, has been reduced and it may be interesting to see if this has any effect on public opinion. Nevertheless, social policy has been allocated increased funding, which will be devoted to pensions and social provisions for households.

The anti-crisis program and import substitution

So what is the government doing to mitigate the poor economic prospects? The government has initiated an anti-crisis program worth USD 35 billion (about 1.5% of GDP). The plan was rather vague as to what was to be cut in other public spending in order to afford this program since it was presented before the new budget that was adopted only in April. Some investments are to be financed through the National Wealth Fund and redistributions have been made from other unnamed projects. Most of the spending goes to the banking sector since Western sanctions impede Russian state banks’ and big state companies’ access to Western capital markets, thus hindering production.

“Import substitution” is the new paradigm of Russian economic policy. The idea that the Russian economy should use the current situation to advance domestic industry and production also permeates the Russian counter-sanctions imposed August 7, 2014. In April 2015 the Ministry of Industry and Trade presented a plan on how Russia should become more self-sufficient by implementing 2,059 projects in 19 branches of the economy up to 2020. The cost is estimated at RUB 1.5 trillion, of which only RUB 235 billion will come from the federal budget (ibid.). Many observers point to the difficulty of this scheme given the relatively high import dependence of the Russian economy after almost 25 years as an open economy and that the funds available for necessary investments are too small. Olga Berizinskaia and Alexei Vedev highlight the fact that the general dependence on imports in production has almost doubled between 2006 to 2013 (Figure 1). In machine construction the figure has risen from 13.4 to 36.5%. High shares may also be noted in communication and transport (Figure 1). The Russian counter-sanctions have to a large extent been geared towards banning food imports, which demands that domestic production of these goods is increased. However, here

<table>
<thead>
<tr>
<th>Table 3: Federal budgets 2014 and 2015 and proposed changes in 2015 (million RUB [current prices] and percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong></td>
</tr>
<tr>
<td><strong>Actual</strong></td>
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<tr>
<td>Total spending</td>
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<tr>
<td>State administration</td>
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<tr>
<td>National defense</td>
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<tr>
<td>National security and legal system</td>
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<tr>
<td>National economy</td>
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<tr>
<td>Housing and municipal services</td>
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<td>Environmental protection</td>
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<tr>
<td>Education</td>
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<tr>
<td>Culture</td>
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<td>Health</td>
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<td>Social policy</td>
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<td>Physical culture and sports</td>
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<td>Media</td>
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<td>Debt service</td>
</tr>
<tr>
<td>Transfers between budgets</td>
</tr>
<tr>
<td>Deficit</td>
</tr>
<tr>
<td>GDP billion RUB</td>
</tr>
</tbody>
</table>

Source: See Table 2. Sources for data for 2014 and 2015.
too it is evident that there is a significant dependence on imports in Russian production. Apparently, in meat production there is a dependence of 20%. In fish and seafood production the corresponding figure is 28% and in the production of vegetables and fruits, 33%. In order to cope with the increasing demand, these sectors need to be modernized and to make that possible significant investment is required. In more advanced production there is a need for more advanced technology if Russia is to become more self-sufficient, e.g. in the production of food enzymes the import dependence is presently 68%. At the moment the opportunity for getting necessary investments and acquiring the technology needed for this kind of production is small due to the weak ruble and the lack of equipment on the Russian market.

**Can Russia change its economic orientation from the EU?**

The EU has been Russia’s most important trade partner since Russia introduced the market economy in the 1990s. In 2013, 53% of Russian exports of goods went to the EU and 46% of imported goods came from the EU. European banks hold 75% of foreign bank loans to Russia and substantial stocks of FDIs. It follows that it will take time for Russia to change its trade orientation if it wants to replace part of the previous export and import activity to and from Europe with trade with Asia, BRICS or the post-Soviet space. In the 2010s, about 80% of its energy exports went to the West and 10% to Asia. Cooperation with BRICS cannot solve Russia’s major challenges of attracting investments and technology. To expand the cooperation with the countries in the Eurasian Customs Union (ECU) is plausible but it would imply stressing Russia’s “special route” away from the West, market economy and democracy; that is, going backwards rather than forwards.

Could Russia turn to China and increase economic cooperation? China is one of Russia’s main trading partners — 6.8% of Russia’s exports go to China and 16.4% of its imports come from China. China has bought Russian oil since 2009, and in 2013, Rosneft agreed to double oil supplies to China in a deal valued at USD 270 billion. This means that 20% of Russia’s oil exports will eventually go to Asia. In May 2014, after relations with the West were upset, a gas agreement worth USD 400 billion was signed between Moscow and Beijing, under which Russia will supply 38 billion cubic meters (bcm) of gas to China over 30 years starting in 2018. If a second pipeline is built to China’s western provinces this would expand Russia’s annual gas sales to China to 61 bcm. This is a large amount but still just a fraction of what Russia exports to Europe: in 2013 pipeline gas exports to Europe amounted to 162.4 bcm. In addition to the oil and gas cooperation, China and Russia are partners in the nuclear energy field.

The defense industry is a priority and the Western sanctions have closed Russia’s access to Western defense technologies and technologies of dual use, which may become a problem for the defense industry that is not as self-sufficient as is sometimes claimed. More importantly, however, Russia has lost its quite extensive arms cooperation with Ukraine and with it supplies of important arms components (in particular gas turbines and helicopter engines) which were essentially produced in eastern Ukraine. Also, Russia lacks production of electronics, but China has developed its indigenous production, and Russia could use Chinese electronics in its arms development.

**Conclusions**

The third term of Vladimir Putin as president of the Russian Federation has implied that geopolitical aspirations and the precedence of maintaining the political status quo at home have become the overriding goals in Russian policies. Economics and economists have very little influence over the present political development, which stands in sharp contrast to Putin’s first period and to Dimitry Medvedev’s term as president. Presently, becoming a great power of the world is far more important than attracting investors, achieving high economic growth and increasing the living standard of the Russian population. During his third term Putin has given priority to the military sector, military spending has risen substantially as share of GDP, and the defense industry has been launched as a “driver” in the economy.

As a result of these choices and a rent management system giving advantages to non-viable producers in exchange for loyalty to the regime, economic performance has been weak for several years and growth dropped to 1.3% and 0.6% growth in 2013 and 2014. Russia’s annexation of Crimea and the subsequent war with Ukraine have added to the declining economic trend and created an economic meltdown. The currency was depreciated by half and on top of this Western sanctions have been imposed and the oil price has dropped from a level of USD 100/bbl to USD 50/bbl. Together these factors have led to that the economy will contract at least by 3% in 2015 and the prospects for the coming years are very bleak.

In response to the economic decline the government has launched an anti-crisis program that is small in comparison...
to the measures imposed during the crisis 2009 and which is mainly geared at supporting the banks and increasing social programs. The innovative policy initiative that has been launched to curb the negative development is “import substitution” meaning that Russia, like the USSR, should produce more domestically and become less dependent on the outside world. Unlike the USSR though, Russia is quite import dependent after having been integrated in the global economy for twenty-five years; to cope even with the restricted nomenclature of products presented by the Ministry of Industry and Trade does not seem realistic even in the medium-term. Of course, domestic production sheltered by the weak currency and import bans will imply low quality goods at high prices for the consumers.

Productivity growth occurred during the high growth years but Russia did not use the opportunity to invest and create an innovative economy. Instead of modernization and institutional reform the political leadership opted for a political resource allocation preserving rent addiction and non-viable economic actors that need constant state support and subsidies to survive.

**The Western Financial Sanctions** sanctions have impacted the Russian economy severely and contributed to difficulties in refinancing debt and raising funds for investments. In addition, trade flows have been impacted and imports have decreased mainly due to the weakened ruble and the Russian counter-sanctions banning certain food imports. Effects on Russia’s energy export volumes have not been too evident yet because oil and gas contracts are usually set for a longer time. The effects of the sanctions on the weakened ruble and the Russian counter-sanctions banning have been impacted and imports have decreased mainly due to the low and near-to-stagnation living standard for the population.

Despite the depressed economy the leadership keeps military and at home clearly have a price. Low and near-to-stagnation economic crisis are not convincing. All these factors imply lower expenditure at a high level. The ideas on how to mitigate the negative development is “import substitution” meaning that Russia, like the USSR, should produce more domestically and become less dependent on the outside world.

The present Russian leadership’s political ambitions abroad and at home clearly have a price. Low and near-to-stagnation growth have been exchanged for a major economic contraction. Despite the depressed economy the leadership keeps military expenditure at a high level. The ideas on how to mitigate the economic crisis are not convincing. All these factors imply lower living standard for the population.

Susanne Oxenstierna deputy research director at the Swedish Defence Research Agency, FOI.

**References**

3. The protests on Independence square (Malick Nezalezhnosti) in Kiev started in November 2013 and are often referred to as Maidan or Euromaidan.
6. The European Union entered the EU in 2004 and Bulgaria and Romania in 2007.
7. Referring to the masked unmarked soldiers in green army uniforms wielding Russian military weapons and equipment within Ukraine. A retired Russian admiral revealed that the little green men belonged to the army Spetsnaz and said that according to his information the Russian troop deployment in Crimea included six helicopter landings and three landings of IL-76 with 300 people. “NATO Recons Missed Everything: Admiral Reveals Details of Crimea Operation,” Sputnik, March 3, 2015.
11. The modernization program “Russia, forward!” was put forward by Medvedev in September 2009 (Susanne Oxenstierna, *The Russian economy 2009: Steep decline despite crisis management*, FOR-R-2853–SE (Stockholm: FORI, 2009): 43–45. This program saw the energy industry, nuclear energy, the pharmaceutical industry and IT as the core areas. The program aimed at improving the conditions for development – better institutions, more investment, developed infrastructure, innovation and support to intellectual achievements. Medvedev’s analysis of the situation in 2009 was in many respects a strong criticism of the results of Putin’s previous two terms: the economic structure was backward, corruption was out of control and society was too paternalistic.
14. This particularly refers to companies in the defense sector that are rent-dependent and have been allotted substantial state funds over the years e.g. the tank and rail car producer Uralvagonzavod. Clifford G. Gaddy and Barry W. Ickes “Putin’s Rent Management System and the Future of Addiction in Russia”, in Oxenstierna, The *Challenges*, 20–21.
Russia's official statistics service, Rosstat, states that 186,382 Russians left the country.


These figures are calculated in current prices, in fixed 2005 prices the average import dependence in the Russian economy is assessed at 21% (Berezinskaya and Vedev, 2015): 106.

Ibid. 108.


Ibid. 108.


Ibid. 51.


Ibid. 51.


Ibid. 51.


Ibid. 51.


Ibid. 51.


Ibid. 51.


Ibid. 51.


Ibid. 51.


Ibid. 51.


Ibid. 51.
Blaming the state or sharing responsibility

The Ukrainian Maidan movement and changing opinions on Ukrainian and Russian corruption

text & photos by MiLennhag
Corruption is often said to be a phenomenon hard to combat; it is even harder to fight if, over time, it becomes increasingly widespread, well known, persistent and sometimes almost institutionalized. Ordinary citizens whom I have interviewed in Eastern Europe often express their hatred of systems of extensive corruption, typically blaming state authorities and politicians. However, they simultaneously feel trapped by the informal economic “rules,” without real — or for them obvious — possibilities for either leaving or changing this ongoing “game.”

On a day-to-day basis, citizens feel caught in a post-Soviet system of everyday informal connections, which has a great deal of similarity with the informal distribution networks of Soviet times, but also has new and emerging “market-based” characteristics. From a wider perspective, citizens also express widening disappointment with high-level corruption among politicians, political parties, leading civil servants, and businessmen.

During recent years, Russia and Ukraine have undergone dramatic and rapid political, economic, and military changes. The media climate in both countries changed simultaneously and fundamentally, including Russian media restrictions and increased state media propaganda, as well as the rise of extensive impact of social media in Ukraine. It has however become more dangerous to be a Russian or Ukrainian journalist. Nevertheless, a free press, freedom of speech and adequate protection of whistleblowers are thought to be key components in the fight against corruption.

Over the past few years, corruption has been highlighted on the Russian and Ukrainian agendas, both as a widespread problem in society and as basis for new public demands and political initiatives. The Russian opposition politician Alexei Navalny has acted as a spokesperson for anti-corruption work. During 2014 the Maidan movement became an important factor for concrete Ukrainian post-Soviet attempts to curb corruption through legislation and new bodies, and it was also the beginning of a process where corruption is described and discussed in new ways.

The World Bank has identified corruption as “the single greatest obstacle to economic and social development.” Corruption is a prioritized crime area for Interpol, and the United Nations states that corruption “contributes to governmental instability” and “attacks the foundation of democratic institutions.” Transparency International defines corruption as “the abuse of entrusted power for private gain.” Michael Johnston, professor of political science, defines corruption as “the abuse of public roles or resources for private benefit,” while also emphasizing “that ‘abuse,’ ‘public,’ ‘private,’ and even ‘benefit’ are matters of contention in many societies and of varying degrees of ambiguity in most.”

Transparency International’s Corruption Perceptions Index (CPI) ranked 175 countries in the latest index, with number one being least corrupt. Ukraine ranked 142nd — with the highest levels of corruption in Europe — and Russia was classed as number 136.

According to opinion polls conducted by the independent Russian research organization Levada Center, Russian public opinion and perception of corruption have changed to some extent. Corruption has long irritated Russians, but the topic has since become more commonly raised as a major problem in society, with the same importance as unemployment, education and medical care. According to a 2013 survey by Levada Center, 39% of respondents stated that corruption and bribery was a key issue of concern, compared with 23% in 2006. In the Levada polls after Vladimir Putin’s press conferences in December 2013 and December 2014, citizens were asked which of the issues raised by Putin was the single most urgent one. In both years, the most common answer was “the fight against corruption.”

In the latest Global Corruption Barometer (2013), 59% of Ukrainians answered that “the levels of corruption” had increased over the past two years. As many as 43% declared that corruption had “increased a lot”. Only 5% answered that levels of corruption had decreased. 74% stated that corruption is “a serious problem” within the public sector in Ukraine. The most common replies to a question about governmental actions in the fight against corruption are that they are “ineffective” (43%) or “very ineffective” (37%). Institutions described by respondents as “corrupt/ extremely corrupt” are the ju-
diciary (87%), police (84), public officials and civil servants (82), medical and health services (77), parliament/legislature (77), political parties (74), educational systems (69), and business (65). According to large-scale surveys on perceptions of corruption in Ukraine conducted by Kyiv International Institute of Sociology (KISS) during 2007, 2008, 2009, and 2011, Ukrainian citizens stressed that the main reasons for corruption are the abuse of power by officials, the absence of adequate government control, the lack of political will to curb corruption, and confusing legislation. We can clearly see how Ukrainians experience corruption in most arenas in society.

Citizens’ perspectives on corruption

A great deal of contemporary corruption research places the focus on high-level corruption among politicians and high ranking state officials, or on economic crime in the spheres of business, trade or foreign aid. Moreover, corruption research in political science is regularly based on quantitative methods for inference, and economists might try to measure the “size” of the black or grey economy. Everyday corruption is not excluded from corruption research, but citizens’ opinions in the post-Soviet region might not have had a sufficient hearing, through qualitative interviews for instance, as an important basis for research within social sciences.

Despite this, our everyday informal behavior and interactions, along with traditions, attitudes and norms among ordinary citizens, have great impact. They affect the creation of formal institutions and might limit state authorities in creating functional formal rules. Widespread informality and the persistence of parallel economies can be regarded as threats to (weak) states. It can also be an illustration of a government’s failure to incorporate or even consider existing norms and social systems of behavior — or a sign of a state being too weak to be able to adopt new practices or to exert control over its citizens.

Studying corruption — a phenomenon said to undermine democracy, equality and possibilities for social trust and functioning formal institutions — is sometimes quite a discouraging activity for a researcher. It is not made easier if the countries studied are facing a downward spiral — in terms of economy, security and aspects of democracy and freedom of expression — with no predictable end. However, it does become easier when, during interviews, individuals encourage you, trust you, express the wish for changes, and point out that they — ordinary citizens with ordinary jobs — feel excluded when it comes to matters regarding corruption and anti-corruption work.

This study examines and contributes to the understanding of how ordinary citizens (i.e. not politicians, company executives or experts) in parts of contemporary Russia and Ukraine experience, describe and relate to corruption. This article focuses on the role of corruption (high-level, everyday, political, etc.) as a subject in everyday discussions, as a political topic, and as a component in public demands among ordinary citizens — toward state authorities, politicians, political parties, civil servants, but also toward fellow citizens.

In essence, I show how citizens in the Russian Kaliningrad oblast and in central and western Ukraine frame corruption, and whom they blame for its existence and appearance. I focus on citizens’ attitudes to the state’s role versus their own in contemporary corruption, and on anti-corruption demands.

My new empirical interview material explores the contemporary informal economy in two former Soviet style economies as a stable informal institution. According to my respondents, however, corruption has become a more frequently discussed issue. During several fieldwork visits to post-Soviet states, I arranged interview situations in which ordinary citizens trusted me with extensive information, stories, and personal reflections. During interviews I tried to comprehend 1) how today’s everyday informal economic behavior is described in terms of goods and
services involved, and 2) how the extensive corruption is described, explained, motivated and justified by citizens. I also asked questions about corruption, the economy and politics in general, letting respondents discuss those topics more freely.

This article is based on 4421 anonymous, in-depth, semi-structured interviews, which I conducted and recorded in Ukraine in 2009 and 2014, and in the Kaliningrad oblast in 2011. Additionally, several relevant discussions with citizens under other circumstances than recorded interviews contributed to my understanding.

The inhabitants of Kaliningrad can present opinions and perceptions like Russians in general, but Kaliningrad cannot automatically be treated as representative of Russia as a whole. Kaliningrad, like Ukraine, has a history of frequent contact with surrounding countries in terms of movement of people and goods, and has important EU and Schengen borders. Ukraine and Kaliningrad share a contemporary history: many citizens moved there from other countries or territories, and the regions incorporate, within today’s borders, territories that used to “belong” to other states.

THE OUTLINE OF THIS ARTICLE is basically chronological; first the Kaliningrad context in 2011 is presented through interview material, followed by the Russian debate on corruption from 2011 to 2014. Next, the Ukrainian context in 2014 is discussed, based on interviews and media debate, and contrasted to both the Kaliningrad case of 2011, and that of Ukraine in 2009.

The Russian and Ukrainian national debates on corruption are emphasized to enhance the understanding of national differences in citizens’ descriptions. Excising survey data on public opinion improves our understanding of the interview contexts, but is of course methodologically treated as something different from qualitative personal stories. Personal stories, however, capture unique, important knowledge.

Based on respondents’ descriptions and explanations, this study highlights differences in Ukraine and Kaliningrad regarding anti-corruption demands and in citizens’ attitudes to the states’ role in corruption versus their own. Furthermore, the article shows how corruption – both everyday and high-level – quite abruptly became a more significant and important component of Ukrainian everyday discussions, media debate, and within civil society, through the Maidan movement and the new political climate that followed Kyiv’s deadly riots in 2014. Corruption in Ukraine in 2014 was not only mentioned when describing society, but also as part of newly expressed demands for change.

Both the Maidan movement’s and the citizens’ strong focus on new, efficient anti-corruption projects marks a significant change compared to my previous interviews. When the rather exceptional case of Ukraine in 2014 is compared to previous interviews from Ukraine and Kaliningrad, different narratives emerge regarding everyday discussions on corruption. Most interesting is how personal/individual responsibility related to corruption – based on descriptions by my respondents – became a highly debated topic in Ukraine during 2014. Individuals in Ukraine, unlike in Kaliningrad, are starting to accept a share of the blame for the widespread corruption. In Kaliningrad, in citizens’ minds, the state is still the main enemy blamed for extensive and pervasive corruption.

The rather dissimilar social movements in Kaliningrad versus Ukraine will not be compared, but describing them is important for seeing the context for the personal stories, and the movements themselves stress the importance of studying individuals’ perceptions of corruption. This article aims to demonstrate
I study corruption and conduct a narrative analysis by looking for recurring descriptions, explanations, and motivations presented by ordinary people, I gather subjective, personal stories. I do not present objective reasons explaining the informal economy (or its change or persistence) with the help of those stories. My standpoint is, however, that those explanations and perceptions themselves are noteworthy and important. Personal stories can through thoughtful selection of respondents, combined with enough material to comprehend the recurring stories, increase the understanding of post-Soviet corruption.

My interview sampling is strategically determined and varies along demographic and social status criteria, portraying the Russian and Ukrainian population. To gather information both from generations who lived and worked during the Soviet era, and from those without memories from Soviet times, the respondents are aged between 18 and 85. Respondents are not “experts,” nor “exceptionally corrupt individuals,” but ordinary citizens. They furthermore embody sectors which during both Soviet and post-Soviet times have been associated with extensive corruption, i.e. universities; kindergarten/schools; medical care; public administration; state employment; police/military; customs; private business/trade; public transportation; journalism/cultural events; politics/opposition.

Interviews were conducted throughout the Kaliningrad oblast. Ukraine is represented by central and western regions, even if several respondents had moved there from other regions, including eastern oblasts. Ukraine of 2014 was not represented by more “activists” than in 2009. The number of interviews performed was determined by the amount of relevant information gathered; I continued until the later interviews stopped providing substantially new “stories”.

My respondents were offered anonymity and felt surprisingly comfortable when talking with me about the informal economy. Reliability in an interview study is mostly affected by confidentiality, trust and respect. Several ethical dilemmas are associated with interviews on questionable economic transactions, or researchers dealing with potentially harmful information about respondents’ possibly illegal acts.23

I tackled the ethical problem of getting information about illegal transactions by not asking about respondents’ personal acts, but indirect questions about what they regard as “normal behavior” or the common ways (for others) to behave in their work places/generations/surroundings. If someone shared own experiences of giving or accepting bribes anyway, it always occurred at her own initiative.24

Studying and analyzing corruption

Studying corruption is important in many ways: to help understand a lack of efficiency, economic growth, and investments – but also to analyze why foreign aid is not helping as intended, to investigate political corruption and manipulations of elections, or to grasp the possibilities for implementing new laws, to correctly address economic inequities, or to understand low levels of trust and identification with (often recently established) states.

My respondents present stories comprising different informal economic practices. In addition to everyday corrupt acts which they might see or encounter in their daily life, citizens can naturally have thoughts about other corrupt practices, such as
political corruption or high-level corruption within public procurement, for instance.

All types of corruption, according to the most commonly used definitions, capture a tension between self-seeking acts (with both monetary and non-monetary ambitions) and public good. This makes it increasingly interesting to examine citizens’ subjective feelings regarding corruption in relation to the state, state representatives, politicians, and civil servants. However – a most important point – citizens might not present or see a clear distinction between bribing a state official, and “bribing” an employee in a private company. This was obvious throughout my fieldwork.

The informal economy, which ordinary citizens observe, take part in, or have opportunities to take part in during daily life, includes transactions and acts that I have chosen to label everyday corruption. Other terms for the more or less the same phenomena are: street-level corruption, petty corruption, low-level corruption, small-scale corruption, household corruption, social bribery, grey economy, administrative corruption, bureaucratic corruption, corruption of need, survival corruption, or the Russian/Slavonic word blat.

**Talking Exclusively About** everyday corruption would consequently exclude political corruption (when politicians (mis)use legislated power for illegitimate private gain); electoral corruption/fraud (illegal/criminal interference with the process of elections or the counting of votes); business corruption (additional payments or the counting of votes); and cartels.

To put it simply, everyday corruption excludes corrupt acts performed by companies and politicians and places the focus on ordinary citizens and civil servants. This includes everyday corrupt acts such as offering, giving, accepting or demanding bribes. A typical example would be “paying” a small “fee” or giving a bottle of cognac to a civil servant in order to either simply get what one is actually entitled to by law, or for any preferential or additional treatment. Everyday corruption can also include nepotism/favoritism/cronyism (“helping” relatives or friends to access goods or services, or to get an appointment regardless of qualifications), and extortion (e.g. when police officers demand payment in order to “help” citizens to avoid fines, imprisonment or violence).

It is however problematic to reduce the question of what qualifies as corruption simply to a matter of what is legal or not. In many new states (with the post-Soviet ones as good examples), the legal frameworks might show many weaknesses. In the book *Rotten states?*, political scientist Leslie Holmes, who has presented extensive research on post-Soviet corruption, highlights situations where “many actions or nonactions are not clearly forbidden by law”. Considering corruption solely in terms of illegal acts might not fully capture the informal economy and the public opinions and norms surrounding it.

Political scientist Keith Darden emphasizes environments where “bribery takes the form of a convention” in contact with officials. Darden elaborates informal acts as an obvious and permitted part of an informal agreement or contract in some societies, and describes situations where “the state is not grounded in the rule of law and functions largely through informal institutions.” He thereby traces and sees deeply embedded rules – enforced by the state itself or widely rooted in expectations among citizens and officials – as an institution, rather than a behavioral pattern. A somewhat similar reflection is made by Rasma Karklins in *The System Made Me Do It*, when describing the “self-sustaining system of corruption”, in which citizens become used to civil servants wanting (and later on expecting) bribes. When, over time, state officials seek bribes, citizens can become willing to pay and, eventually, also offer bribes of their own “free” will.

### Corruption in Kaliningrad Oblast

During 2009 and 2010, Kaliningrad faced growing protests related to socio-economic problems such as the rapid decline of the economy, the healthcare system and social institutions, along with rising taxes and prices, isolation from the EU, high unemployment rates, and corruption. These protests eventually also incorporated criticism of the government and Putin, and successful demands for replacement of Kaliningrad’s governor Georgy Boos. The now murdered Russian opposition politician Boris Nemtsov was part of the movement, which eventually engaged both common people and local elites. The demonstrations influenced national Russian media. It surprised the Kremlin, where the events’ impact was not predicted. These local protests make it even more interesting to conduct interviews in Kaliningrad and see how citizens frame corruption – even if the local protests did not generate changes in citizens’ opinions on corruption.

During my fieldwork in the Kaliningrad oblast in the summer of 2011, I was told that the inequalities in society are infinitely bigger than what is required for a revolution. Yet the main political and economic problems articulated by citizens seem to remain unsolved and mostly untouched. Ordinary Kaliningrad citizens described wide political resignation in 2011. They could not image how and when things could change for the better; few could even visualize things getting better during their lifetime. Politics was something happening on a level very far from their sphere of influence. For many respondents it did not matter whether Putin or Medvedev would win the then up-coming presidential election. People spoke of the two leaders with a somewhat surprising contempt. A retired nurse described Putin and Medvedev as a funny pair of parrots that just repeat each other. Respondents overwhelmingly agree that if Russia should establish itself for real, it would require a new leader who really sees the people, who is not corrupt, and who does not derive from the old political class. But according to ordinary people I talked to, no such leader was there to vote for. Without huge amounts of money and questionable contacts, the honest presidential candidates would never make it to the corridors of power.

**The Idea That Soviet** citizens “enjoyed beating the system” is often mentioned as a feature and consequence of the Soviet peri-
od, rooted in a perception of citizens as being outside of, and not represented by, or part of, the state. Leslie Holmes argues that most Soviet citizens had a clearly defined conception of “them” – the party and state authorities – and “us,” the fellow citizens. The Soviet so-called planned economy is said to have encouraged a lack of respect for formal institutions, as well as having generated cryptic laws and rules and extraordinary public feelings. Rasma Karklins describes this as a perception that institutions cannot be designed to serve the public good, which also seems to be applicable to the lack of political representation and possibilities of exercising influence, experienced and described by my Kaliningrad respondents. Trust, identity, and feelings of legitimacy are mind-sets that are difficult to implement.

My respondents described widespread Russian corruption. It might nevertheless be possible to “arrange” most things – but for this you need useful connections, know-how, time, and money. Citizens struggle to keep up with the growing sums of informal money demanded in exchange in Kaliningrad. A female doctor at a Kaliningrad state hospital described how one third of life is spent on finding “alternative solutions”. She said that everything today is about money, and that the levels of the bribes have doubled several times since year 2000. The Soviet non-monetary informal economy has developed into, or is replaced by, an informal system involving increasing amounts of money. The time-consuming aspects of the informal economy are however similar.

As an employee at a state hospital, the doctor described her salary as too low for survival without also accepting bribes or taking on a night job. The healthcare sector in many post-Soviet states is associated with extensive corruption, along with schools and universities, the police force, various authorities that either issue documents and licenses or conduct controls, as well as recruitment processes for state employment. In Kaliningrad, respondents described how one can bribe to access most goods and services: academic degrees, heart surgery, buying land for building, “correcting” failed school tests, passing driving tests, obtaining daycare places for children or permanent Schengen visas, or avoiding the long wait to get married.

In many situations, bribery is definitely what Keith Darden describes as a “convention” in contact with state officials. Karklins’ notion of the “self-sustaining system of corruption” also appears to flourish, since citizens are used to civil servants wanting (or needing) unofficial payment or small gifts, and so a common practice emerges of regularly offering them – since they will be required anyway. A Kaliningrad translator working for foreign companies told me that she had bribed a traffic police officer that very morning to avoid a trial, since that would have required her taking several days off work. It appears to be common for the traffic police to stop drivers, even when no law has been violated. It is in essence a convention, and citizens know that traffic police officers hardly can survive on their low salaries; the police job includes the possibility, and almost obligation, to “collect” informal money, and citizens simply cannot avoid that game and the informal rules.

The widespread everyday corruption in Kaliningrad is described by respondents as involving increasing amounts of money in a rising number of situations, with a growing number of autonomous bribe collectors. In 1993, Andrei Shleifer and Robert Vishny described how post-Soviet Russia (compared to the Soviet state) had a system of “independent monopolists” who collected bribes based on a free and easy entry to the bribe collecting market. Shleifer and Vishny argued that this model had “devastating economic consequences”, and that eventually “the total bribe rises to infinity and production output falls”. Based on my interviews, this statement seems to be valid in the Kaliningrad oblast in 2011. Furthermore, it is in line with estimations by Russian Interior Ministry’s Department for Combating Economic Crimes, indicating that the average bribe in rubles in 2011 was 26 times greater than in 2008.

The “FACT” THAT A BRIBE amounts to one third of an “official fine” – for instance if you pay a bribe to avoid a formal traffic fine – seems to be fairly common knowledge in Kaliningrad, based on my interviews (the amounts of money involved in other types of bribery – regarding preferential access to schools, hospitals etc. – follow a different logic, and seem, as said, to be rising). Hence I find evidence for an unofficial – but rather widely known – “price” or “informal fee” in contact with state employees. The unofficial is almost official, or: the informal price is a stable informal institution, appearing as general public knowledge. I therefore stress that today’s everyday corrupt practices actually show similarities with the “mafia-style” corruption, described by Shleifer and Vishny as the ruling type during Soviet times. Then, you knew whom you needed to bribe and what you informally had to “pay”. I noticed the same phenomenon of widely known informal “prices” in post-Soviet Ukraine in 2009, where young university students, independent of each other, referred to comparable “prices” for being accepted to popular universities, and “fees” for receiving better school grades. There also appeared to be commonly known prices useful in order to speed up the process of obtaining a new passport, for instance.

The system of corruption is not just rooted within state authorities and formal institutions, but also in the ways citizens interact, show distrust, and continue to feel that they need to collect useful “friends” in strategic places. In Kaliningrad I saw more resignation and anger than actual demands for curbing the widespread corruption. The main enemy in the everyday discussions about corruption is the state and, to some extent, politicians and rich businessmen. Respondents articulated a distinct and present division between the state and the citizens today, similar to how Holmes and others have described Soviet society.

A young Russian journalist I interviewed was very critical of how Kaliningrad has managed foreign, including Swedish, aid. He had himself assisted foreign journalists who tried to unravel corrupt foreign aid scandals. This journalist is a good illustration of a person criticizing corruption on different levels of society by including high-level corruption and state businesses involving huge amounts of informal money. In the years represented in Levada Center’s 2013 Russian public opinion poll (2000, 2004, 2007, 2010, 2011 and 2012) the most common reply to a question...
about the “main obstacle to democratic market reforms in Russia” was the “corrupt ruling elite.” In 2006, 2010, 2011 and 2012, about 60% of the respondents replied “definitely yes” or “most likely, yes” that Russia would face “high profile corruption scandals and resignation of ministers” within the next year.

An older historian whom I interviewed at his library office presented an unusual attitude toward Russian corruption. He described how he always took a pride in not using contacts to access anything, not even during Soviet times. People used to say he is a very honest man, and therefore a very poor man. He described himself as a happy man.

The most common stories during interviews however include rather good knowledge of informal economic routines and procedures, including numerous different concrete examples. Their reasoning is also advanced. A taxi driver told me that people in Kaliningrad prefer their neighbors to be rich, albeit because of corruption, because then some of their prosperity might benefit them as well. Many of my respondents stated, that according to public perceptions it is not beneficial to be part of the formal economy only. This does not in any way mean that these respondents like the system. The pessimism I could see in Kaliningrad comprised a sense of futility in the general public; there were few reasons for trying to do things legally since few fellow citizens were acting that way, especially not politicians and rich people. Furthermore, it was uncommon for my respondents to articulate the view that most people, within an imaginable future, would benefit from leaving the corrupt system. And since from citizens’ perspective, the roots of and reasons for the widespread corruption emanate from the state, the everyday discussions on corruption also place very little focus on how things could be changed.

**IN SUMMARY,** my respondents in Kaliningrad were comfortable talking about corruption – a phenomenon that according to them is time-consuming, widespread, and increasing. During interviews, citizens presented good “knowledge” of how to “act” in the informal economy, and pessimism about possible changes. Everyday corruption appeared to be a stable informal institution, and respondents often felt they lacked possibilities to create or even initiate change.

**Russia, Navalny, and public debate**

I will now move on to illustrate some important aspects of Russian public debate and national media since 2011. Even if Kaliningrad does not border “Big Russia”, its inhabitants have commonly access to Russian TV channels and newspapers. It is said that Kaliningrad inhabitants are more critical of Russian politics and the Kremlin, as well as Putin and the party United Russia, due to historical reasons and the geographical separation.

The Russian lawyer, blogger and political activist Alexei Navalny is known for playing a key role in encouraging the large-scale Russian demonstrations during the winter before the 2012 presidential election. The demonstrations in December 2011 were Moscow’s largest protests since the breakdown of the USSR. The big demonstration on December 10th was partly organized through a Facebook event. The gatherings on December 24th included rallies under the parole “For Fair Elections”. Reporters at The Moscow Times stated that approximately 80,000 protesters participated. Navalny gave a speech declaring there were enough people present to march and seize the Kremlin, but that they should avoid such violence.

As early as February 2011, Navalny described United Russia as a “the party of crooks and thieves”. The focuses of the winter demonstrations were Putin’s regime and leadership, the ruling party United Russia and the then upcoming so-called “stolen” parliamentary election (and after December 4th’s widely disputed election). Another focus, addressed during demonstrations and by civil society and Navalny, was widespread political and administrative corruption.

On March 3 – the day before Russia’s presidential election – The Wall Street Journal published a well-cited weekend interview titled “The Man Vladimir Putin Fears Most”, referring...
to Navalny. The article stated that “in Russia, poking into corruption is a serious health risk”. Navalny is quoted as saying, “it’s obvious now that [Putin’s] system of power is based on corruption, and people around him depend only on money and corruption”.44

Navalny is founder of the Russian “Anti-Corruption foundation”, which has met with several attempts to stop its anti-corruption activities.45 It unites several projects, such as RosPil (РосПил), based on voluntary contributions from citizens. RosPil urges ordinary citizens to report suspicious governmental contracts within public procurement, for instance.46 In the info section of the RosPil blog it is pointed out that “this is our money”.47 The present Russian situation – described as when the crooks in power grab money, while ordinary people barely survive – is compared with what could be an alternative situation, with normal medical care, high-quality education, safe roads, clean streets and better opportunities for everyone.

This is one of many examples of how the Russian anti-corruption movement focuses first and foremost on ways to combat high-level corruption, often in state-owned companies, and on framing high-level (political) leaders.

Another Russian initiative for curbing corruption was the smartphone anti-corruption application Bribr, launched in October 2012. It encouraged citizens to report incidents where civil servants demanded informal payment. One hypothetical example could be when traffic policemen “offered” drivers the chance to pay lower “direct informal fees”, instead of time-consuming procedures with formal traffic offences (which correspondingly most likely would be a more costly alternatives, since the “informal fees” are normally lower).48

The big demonstrations during the winter of 2011 were initially viewed as a possible start of “orange” Russian protests. In line with the tradition of naming post-Soviet protests, the 2011 to 2013 Russian protests began, mostly in foreign media, being called the “Snow Revolution” or the “Winter Revolution”. Now, however, we know that no “color revolution” emerged in Russia, and that Navalny has struggled with lawsuits against him for a considerable time. We can moreover observe that the present Russian debate on corruption still focuses mostly on high-level corruption among politicians, leaders, and businessmen. Before the 2014 Sochi Olympic games the anti-corruption debate in Russia intensified somewhat, with signs of a possible public movement growing stronger. But with new Russian laws limiting possibilities for political debate, along with the annexation of Crimea and the development in Eastern Ukraine, the political focus in Russia gradually changed from social issues to other topics. During the winter of 2014/2015, daily life in Russia focused generally on trade sanctions, military matters, food shortages, the falling ruble, rising food prices, and other economic problems that affected both the state economy and the everyday lives of ordinary Russians. To sum up, the Russian media debate on corruption – where permitted or possible – focuses mostly on high-level and political corruption. Despite some attempts, including the large-scale winter demonstrations, there is currently no solid civil society movement involved in anti-corruption work. This is presumable partly a consequence of new laws and continuing punishments of oppositional activists and journalists.

**Maidan, changing opinions, and new anti-corruption demands**

It is not hard to comprehend that the Maidan events and the war in Eastern Ukraine affected many Ukrainians dramatically. The discussions in Europe about how to label the development and occurrences in Ukraine continued. On August 24th 2014 – the 23rd anniversary of Ukraine’s independence – president Petro Poroshenko gave a speech, mentioning Ukraine’s “war against foreign aggression”.49 The speech was translated and published online. Shortly afterwards, the Ukrainian Ministry of Foreign Affairs labeled the conflict an “invasion” on an official Twitter account.50 The Ukrainian Minister of Internal Affairs, Arsen Ava-
During this time, the importance and impact of social media and the Internet in Ukraine increased. Ukraine’s contemporary fight against corruption, including attempts to raise awareness of the problem, is partly viral. The creativity and good knowledge of social media among activists and Ukrainian journalists contributed to the impact of the movement and the spread of updated information. For instance, in 2014, foreigners could constantly stream online videos from central Kyiv. Well-organized press centers were established, and Twitter, Instagram, and Facebook were widely used to gather people or quickly share information.

It is noticeable how the cases of Ukraine 2009, Kaliningrad 2011 and Ukraine 2014 display significant differences. In the latest Global Corruption Barometer on Ukraine—which was based on surveys conducted in 2012, before the Maidan protests started—as many as 72% of respondents did “strongly disagree” or “disagree” with the statement that “ordinary people can make a difference in the fight against corruption”. In 2009 my Ukrainian respondents described good common knowledge of how to behave in the informal sector, as well as a general lack of fear of getting caught for being corrupt. Corruption was often considered as common—and not rarely also acceptable—procedure. A young university student described in 2009 how acquaintances and classmates had paid approximately 400,000 dollars to be accepted into prominent Kyiv universities. She described that “a friend got help from a contact to get better result on a [university] test”, and others gave money for better grades. She stated that “it’s not strange, it’s normal”.

INCORPORATING THE IMPACT of informal institutions, attitudes and norms is helpful when looking at economic development (or the lack of it). A situation with widespread post-Soviet corruption can—from an outsider and economic point of view—appear as a sub-optimal state of equilibrium. We might wonder why those societies do not change, since in terms of economy and democracy they would most likely benefit greatly from leaving extensive corrupt practices behind. In institutional theory, institutions constitute the socially and humanly devised framework that defines, enables, simplifies and sometimes limits decision-making and interaction. Repeated interaction might form patterns and establish common expectations and mutual trust. Political scientist Paul Pierson highlights path dependence and the importance of seeing institutional development as a long-term process. Economist Douglass North has furthermore stated that informal institutions often remain stable even when formal institutions change, and that informal institutions are much more resilient to intentional political actions, since they are deeply embedded in traditions and patterns of behavior. Regarding the ability of actors to create change or affect institutional development, Pierson however points out, “institutions, once in place, may ‘select’ actors”. Actors might, over long periods of time, adapt to different institutional arrangements. Soviet blat, an informal economic distributing system almost sanctioned by the state, could constitute such an institutional arrangement. Individuals invested an increasing amount of time on adapting, making and maintaining good relations with “useful people,” and accumulating knowledge. This presumably generated increasing resistance to change, making the possibility of a new social order increasingly remote—even if changes would bring greater future benefits. This feature is well captured in North’s idea of “pirates” who will go on investing in becoming better pirates—in this case more corrupt or street-smart—in a society that lacks incentives for them to abandon their behavior. Even if several reasons for the necessity of Soviet blat have disappeared, and the blat system has changed, contemporary ways of thinking, acting and calculating among citizens I have interviewed fairly often show great similarities with the Soviet era networks.

It is generally problematic to compare different post-Soviet “color revolutions”, or to see them in isolation. The Maidan movement generated exceptional international publicity, but is also different from Kaliningrad’s (and Moscow’s) protests in other aspects. One important aspect regarding Ukraine is the remaining disappointment after the 2004 “orange revolution”. Ukraine’s state bureaucracy did not become significantly more transparent, few anti-corruption mechanisms were fully implemented, and politicians and corruption remained dangerously intertwined. In Orange Revolution and Aftermath: Mobilization, Apathy, and the State in Ukraine (2010), the size and impact of the protests is described as surprising to both observers and participants. Back then, Ukrainian civil society was expected to exert active and significant influence on Ukraine and its democracy. Yet that influence weakened quickly, and corruption remained a major problem.

In Ukraine 2014 one group of important actors—ordinary citizens—started talking about and describing informal economic practices in new ways. As a result of knowing that other citizens also talked about corruption, my respondents described feelings of increased optimism about future changes. People started to elaborate thoughts on how to “leave” current informal behavioral patterns of the corrupt system—instead of primarily describing either how they feel trapped in the informal system, or how one needs to act to survive in everyday life, which respondents often expressed during interviews in 2009. In 2014, Ukrainians seemed more open toward the idea of a new system, even if their “collected contacts” thereby would become less useful in the near future, or if things would get more costly; the “pirates” were discussing how to leave the system. Respondents described that both they, and their children, would benefit from changed informal economic behavior. One respondent in 2014 stated she wanted something different for her grandchildren as a reason for starting to act differently today.

THE SURVEYS CONDUCTED by the Kyiv International Institute of Sociology in 2007, 2008, 2009 and 2011 indicate increased and intensified corruption over these years, primarily due to an increased number of government bodies where ordinary citizens are confronted with not very secret extortion as part of the common bureaucratic routines. In Ukraine, the common perception is that corruption is everywhere. In Kyiv, one
respondent, born during the time of Ukraine’s independence, described: “People blame authorities [for corruption], of course! Maidan was a big demonstration of this. /…/ Business and the government can’t draw a line between them. It’s a mix.” Ukrainian respondents, not only in Kyiv but also in Western Ukraine, described in 2014 how the Maidan events made them wake up, rethink, and realize they might have to start with themselves in the fight against corruption. However, this does not mean that levels of corruption have started to decrease. A middle-aged businesswoman in Kyiv explained that average citizens have also started to rethink and develop better knowledge about economic aspects of society. A female economist currently unemployed in central Ukraine described how in 2014, she began to engage in society and economy whereas previously she was never really interested.

Many young Kyiv citizens have started to describe corruption as morally wrong. In line with this, a Kyiv citizen in his mid-20s, with a degree in law, born in rural western Ukraine and active in the Maidan movement, declared:

“I think that the word corruption derives from everything that is morally repugnant or wrong. /…/ Asking for a benefit when you are not entitled to it is wrong.”

“I hope that corruption is not increasing. There are hopes for future leaders, but in order for corruption to decrease, peoples’ values have to change. I mean all people, not only those who run the country. Because otherwise, if it is fuelled from down, there will be no real result. /…/ Of course, some people are immune to any changes. A person has to want to change.”

One Kyiv NGO coordinator stopped working as successful lawyer after two years because he felt the system was too corrupt:

“I came to such decision that I don’t like this; I don’t like working as a lawyer because in our country a lot of people in a lot of state and government institutions, they don’t follow the law; they don’t want to work legally. For me, my future depended on being a non-legal man. I would need to make non-legal things to be a good lawyer. /…/ I was very angry. I don’t want to ‘help’ the corruption in our country. I want to be out of this. /…/ It’s quite difficult to work in Ukraine in a legal way. It’s a pity. But if everybody don’t care about laws, I don’t want to work as a lawyer, so I quit my career.”

“We had a revolution of minds. People just want to live in a new society with new legal rules. For example, some of my friends who wanted to get driver’s licenses a year ago said: ‘Oh, I don’t need any exam, I’ll pay a few hundred dollars and I’ll get it in a few days’. After the revolution they say, ‘We don’t want to develop corruption, we don’t want to give money for this; we will get these driver’s licenses in legal ways’.”

In Ukraine 2009, in contrast, several respondents described citizens taking a pride in being corrupt and knowing the informal game. They also talked about corruption as a way of managing to get back at the immoral and rather hated state. As in Kalinin-grad 2011, the state was the main “enemy” in my interviews in Ukraine back in 2009. A Ukrainian dentist described in 2009 how people and the state always have been enemies, and that people never expect to get anything good from the state. He stated that it therefore also became a pleasure to fool the state. A Ukrainian accountant correspondingly stated in 2009: “People think all the time about how to cheat”. This is a contrast to 2014, when my respondents often described how Ukraine and Ukrainians are undergoing extensive changes, including changing opinions on how to curb corruption and the role individuals can play in this process.

The Maidan movement’s as well as the citizens’ stronger focus on new effective anti-corruption projects and improved legal frameworks was present to a considerable extent in everyday life and discussions among ordinary citizens in 2014. This marks a significant change compared to my previous interviews. Ukrainian respondents in 2014 also described and had good knowledge of minor initiatives for fighting corruption, such as guidelines online for how to make videos of traffic police workers demanding bribes and websites where these reports could be shared. There is, however, a fear that the ones who “should” monitor the “results” of Maidan, are now being sent to or volunteering as soldiers in Eastern Ukraine. Other activists are busy working extra to purchase equipment for the Ukrainian troops.

**UKRAINE’S FIGHT AGAINST** corruption is taking place in many arenas and levels of society. The different media landscapes in Ukraine and Russia however deeply affect the possibilities for citizens, politicians and civil servants to discuss corruption. In the article “Ukraine Fights Second Enemy: Corruption,” published in *Foreign Policy* in February 2015, Ukraine’s two wars are described. One is taking place in Eastern Ukraine; the other one is Kyiv’s intensified battle against corruption, also within the state’s own bureaucracy. A new electronic, streamlined and more transparent system aiming at combatting tax fraud is one example of new initiatives. Ukraine’s finance minister Natalie Jaresko is quoted in the article, saying: “War is not a reason or an excuse to not reform. It has spurred us toward reform”. The US-Ukraine Business Council’s president, Morgan Williams, said that “Ukraine [is] fighting against the last 80 years of corruption and illegality”. This illustrates how new anti-corruption demands are found not only among ordinary citizens or activists, but also within state authorities and among high-profiled politicians. The “80 years of corruption” most likely refers to the period from 1930s Soviet Union, when blat practices emerged.

**Conclusions – how to frame and whom to blame**

Based on my qualitative interview material, I cannot announce solid reasons for differences in citizens’ opinions on corruption between Russia and Ukraine, or within Ukraine over time. In this
article, I have presented common and recurring descriptions and personal stories about corruption in my respondents’ societies. When comparing the Ukrainian case of 2014 with interviews conducted in Ukraine 2009 and in the Kaliningrad oblast 2011, everyday discussions of corruption display distinct and interesting differences in these three contexts.

However, I want to stress that we need to comprehend that corruption cannot be treated first and foremost as a result of citizens’ lack of morality. Important reasons for high levels of corruption are, in most cases, economic inequality, widespread bureaucracy, a history of informal arrangements, and restricted possibilities of acting as whistleblowers or of criticizing the state and corrupt practices freely and without fear.63

First, there are distinct similarities in the studied settings. The distrust, toward both the state, civil servants and fellow citizens, is obvious throughout my interviews in the different contexts. This is correspondingly clear in reliable Russian and Ukrainian surveys described in this article. According to Bo Rothstein, cooperation is based on trust, i.e. social capital, defined as “access to beneficial social networks and having generalized trust in other people”.64 The link between formal institutions, trust, and informal practices is understandable. A social trap is a situation where individuals or groups are unable to cooperate because of mutual distrust and lack of social capital – even if cooperation would benefit all parties and, from the outside, appear as a realistic solution. Individuals then act in order to obtain short-term personal gain, rather than promoting the best long-term public good. Pervasive corruption is an example of short-term individual benefit, existing at the expense of long-term development of the economy and formal institutions. One can see a negative spiral, where corruption leads to less trust, and less trust fosters corruption. When social trust instead is widespread, economic transactions are made much easier.65

The roots of the post-Soviet corruption, in the eyes of ordinary citizens and as incentives for citizens to interact in the informal economy, are described in similar ways throughout my interviews in Kaliningrad and Ukraine. The recurring descriptions are also reminiscent of Soviet era narratives on everyday corruption as well as the historical importance of useful personal networks. As in the Soviet Union, both Russia and Ukraine have many professions, such as doctors, teachers, police workers and other civil servants, where salaries are very low, thus leading to informal payments and gifts as a “convention” or stable informal institution when in contact with those offices, sometimes with almost “official approval”.66 The common argument that corruption is best curbed by increased economic equality seems applicable to both Kaliningrad and Ukraine, and is articulated by my respondents. However the incentives for civil servants with low salaries to stop demanding bribes cannot be changed only by ordinary citizens displaying repulsion toward such acts or everyday “traditions”.

THE COMMON KNOWLEDGE of contemporary corrupt practices in both Russia and Ukraine is rather good, as illustrated by my interviews and quantitative surveys. Corruption and informal practices as topics of discussion in everyday life, as well as within civil society and the media, appear to have become more common in both Russia and Ukraine over recent years. There has indeed been a rise in anti-corruption demands, although with certain differences in characteristics, dimensions and outcomes in Russia and Ukraine. While this development in Russia seems to have slowed down or ceased, Ukraine has displayed a growing focus on corruption.
There is a probable change now in Ukraine, based on the Maidan movement’s focus on corruption, justice and transparency, along with the media debate and my respondents’ descriptions of contemporary changes within Ukraine, both among ordinary citizens, civil servants, and politicians. The differences between the three contexts cannot be explained easily.

Firstly, we have the different demands for, and attitudes toward, anti-corruption projects and mechanisms. In Kaliningrad in 2011, the resignation  towards possible changes was obvious during my interviews, even if the socio-economic protests shortly before gathered many citizens. Even if formal and intentional attempts to change the informal rules might take time to have real effect, Kaliningrad inhabitants did anyway not see such initiatives from above – or below. The anti-corruption demands in Ukraine of 2014, on the other hand, were raised and discussed both by citizens, civil society, politicians and eventually ministers. To some extent, the anti-corruption demands have become a natural part of Ukrainian political life and everyday discussions. This development did not start in Ukraine in 2014, but it became stronger.

Secondly, corruption as a phenomenon described by my Ukrainian respondents is today more commonly interconnected with politicians, members of parliament, political parties and certain high-slate professions – and not only “the state” in a wider sense, which was more common in Kaliningrad, and also in Ukraine in 2009. Whether this difference is a result of the oligarchs in Ukraine (and their political positions, power and wealth), of the Maidan movement’s effects on society, or Ukrainian civil society traditions, cannot be answered with my interview material, but it is a research question for future examination.

Thirdly, an increased sense of both “shared responsibility” and “personal/individual responsibility” in Ukraine in 2014 can be observed through my interview material. In contrast to Kaliningrad, individuals in Ukraine are starting to accept some of their share of the responsibility for widespread and pervasive corruption. My interview material is however coherent in the aspect that opinions and knowledge about corruption are not dependent on level of education or profession; the respondents arguing for “personal responsibility” do not represent particular categories in society. In Kaliningrad, in citizens’ minds, the state was the main enemy and guilty party when it came to corruption. My Ukrainian respondents described Maidan as a crucial breaking point in terms of responsibility and blame. We thereby acquire new knowledge about the effects the Maidan events and dramatic Ukrainian era have had on Ukraine and its citizens – in terms of personal perceptions of corruption, new roles individuals picture themselves in, and opinions on power over change when it comes to informal economic institutions. Those tentative findings would benefit from future similar interview studies.

The stories presented by my respondents in Ukraine 2014 also show a possibility for abrupt changes in attitudes toward corruption, compared to what is often seen as a normally slow process. Even if Kaliningrad citizens told me in 2011 that the inequality in society was enough for a revolution, the situation regarding corruption seems rather constant. The sense of resignation in Ukraine during my fieldwork in the winter and spring of 2009, parallel to the ongoing financial crises, was widespread. In Ukraine 2014, respondents instead often told me stories of how they already saw or envisaged changes within the near future, and explained how they could contribute and take active part. It remains to be seen if this positive mindset and these perceptions will endure over time.

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references
1 I have conducted fieldwork and interviews in Russia, Ukraine, Belarus, Lithuania and Poland (2009–2013).
2 According to the “Freedom of the Press 2014” both Russia and Ukraine were classified as “not free”. Russia was ranked as number 176 and Ukraine as 139, out of 197 listed countries. https://freedomhouse.org/report/freedom-press/freedom-press-2014.
12 Ibid., 128.
13 Ibid., 45.
18 Literally translated blat means “useful connections” or “to pull”. The term also stands for bad language in a wider sense. The Russian word for “a bribe,” взятка, focuses on receiving – взять (verb “to take”) (Compare Humphrey, The Unmaking of Soviet Life, 128).
19 I choose the term former Soviet style economies to avoid labelling, grouping and seeing
countries based on ideologies that actually never were the ruling ones. This term also places the focus on economy, rather than on ideologies that non-democratically “chosen” leaders stated they were implementing in those, to different extent, authoritarian or totalitarian states and unions. This region in no way was, or is, homogeneous.

21 This consists of 15 interviews from Ukraine in 2009, 15 interviews from Russia in 2011, and 14 interviews from Ukraine in 2014.

22 Ukraine was however already before 2014 a post-Soviet state with quite lively public and everyday discussions on corruption, similar to e.g. Georgia. Georgia’s ex-president Saakashvili declared in February 2015 interest in becoming chief of Ukraine’s anti-corruption bureau, with the background of Georgia’s experiences of radical reforms aiming at curbing corruption.

23 Respondents chose interview language, and whether to conduct the interview in a café or bar, at home, outdoors, at work, or elsewhere. Interviews were never conducted where I sensed a risk that inappropriate parties could overhear the conversation. The hired local interpreters frequently increased the sense of trust before and during interviews. I contacted respondents through internet forums, personal networks, foreign aid institutions and embassies, universities, social arenas such as cafés and sports clubs, etc. My interpreters were correspondingly helpful in finding additional respondents.

24 In line with the Swedish Research Council’s guidelines, I was, when meeting respondents, explicit about my academic affiliation, the aim of my study and interview topics, and that interviews were voluntary. The respondents were thereby ethically informed. Each respondent was aware of being interviewed and recorded, and gave informed consent.


27 Darden, “The Integrity of Corrupt States,” 38.


30 E.g. Holmes, Rotten states?, 184.

31 Karklins, The System Made Me Do It, 35.


33 The System Made Me Do It,


36 Holmes, Rotten states?, 184.

37 Karklins, The System Made Me Do It, 35.


43 Ibid., 12.


47 Bratersky and Krainova, “Rally Suggests Protest Mood Is Growing.”


57 Provided mostly by Hromadske TV.


62 Pierson, Politics in Time, 152.


68 See e.g. Johnston, Syndromes of Corruption; Rose-Ackerman, Corruption and Government.

69 Bo Rothstein, The quality of government – Corruption, Social Trust and Inequality in International Perspectives (USA: University of Chicago Press, 2011), 7; Bo Rothstein, Social Traps and the Problem of Trust (Cambridge: Cambridge University Press, 2005), 4.

70 Staffan Andersson et al., “Corruption, malminnsbruk och legitimitet i magna demokratier” [Corruption, abuse of power and legitimacy in mature democracies], in Korruption, malminnsbruk och legitimitet [Corruption, abuse of power and legitimacy], eds. Staffan Andersson et al. (Stockholm: Norstedts Förlag, 2010), 19.

71 Compare Darden, “The Integrity of Corrupt States.”
Models, evolution & efficiency

Regulation of financial markets in Russia

by Alexander Abramov, Maria Chernova, Alexander Radygin

Financial markets play an important role in economies by connecting the demand for capital with its supply and channeling savings in the process of accumulation. The development of financial markets affects the choice of technology, the amount of labor and resources needed to carry out brokerage transactions, the intensity of research and development, and the extent of innovative entrepreneurial activity. All of these factors have impacts on the rate of economic growth. Additional opportunities for investment projects and more effective control provided by financial markets allow for more efficient use of available resources and increase total factor productivity.

Currently, there is a wide set of regulation models for financial markets. Previous research on the development of financial markets confirms the interdependence between the type of regulation model chosen and the historically achieved depth of financial structure as well as national institutional characteristics. An effective regulation model takes these factors into account and under favorable conditions can contribute to economic growth. The consistency between the regulation model and the depth of financial structure is important. The key issue of national financial market regulation is the choice between integrated and multi-sector models of supervisory and regulatory authority.

The World Bank describes the main challenges and differences between prudential supervision and regulation as follows: “A key challenge of regulation is to better align private incentives with public interest, without taxing or subsidizing private risk taking. Supervision is meant to ensure the implementation of rules and regulations. It needs to harness the power of market discipline and address its limitations.”

In the context of financial recession, the issues of improving prudential supervision and regulation become particularly relevant. These two functions can be separated into two agencies or to be integrated into one, which may be subject to a variety of regulation models and institutional solutions. Some countries chose to create integrated control models, while others established decentralized models. For example, in Australia, the government introduced a so-called Twin Peaks model. According to this approach, two main institutions have power and authority in different spheres. The Australian Prudential Regulation Authority (APRA) is in charge of prudential supervision while the Australian Securities and Investments Commission (ASIC) acts as a corporate regulator. The Netherlands adopted the same approach and separated regulation and prudential supervision. In Canada, there are a number of departments, and each one of them supervises only one type of financial institution. In Denmark, the United Kingdom, Japan, Norway, etc., there is only one mega-regulator, which has all the prudential and regulation power. Countries like Greece, the Czech Republic, Portugal, and Singapore are moving towards creating similar systems.

Abstract

The paper examines the relationship between the degree of the integration of financial regulation and the level of economic development. The paper is based on a self-constructed dataset, including a Twin Peaks model, and ordered probit models estimations. The main finding is that factors such as population and economy size have negative effects on financial regulation integration, while quality of governance, the size of the non-banking financial market sector and regulatory quality have a positive impact. Post-estimation analysis shows that the new model of supervision and regulation adopted in Russia in 2013 does not take into account the level of institutional investors’ development. This increases the risks of excessive administrative pressure on the non-banking financial sector and weakens its competitive environment.

Key Words: regulation, prudential supervision, financial market, institutional investors.
This article analyzes the development patterns of regulatory and supervisory systems in financial markets based on a sample of 50 countries, with an emphasis on trends towards consolidation of regulation and supervision. The econometric analysis of the data presented in the paper evaluates how Russia fits the main models of prudential supervision developed in different countries.

After the fall of the Soviet system, the development of financial markets and institutions in Russia coincided with a long decline in economic activity in the 1990s. Since then, the Russian credit system underwent a transition from a centralized to a multi-tiered system while radically changing its structure and strategies of bank monitoring and control. Nevertheless, the problem of treating banking institutions primarily as instruments of resource allocation, which was evident during the 1998 and 2008 crises, has not lost its relevance today.

The Russian stock market still has some institutional problems and is characterized by a lack of independent monitoring of the financial sphere. In 2010–2012, the government undertook some steps towards more rigid market regulation. The Federal Financial Markets Service (the FFMS) raised requirements for professional market participants in terms of the sufficiency of their financial assets to counter manipulation and introduce prudential supervision. Since September 1, 2013, the Central Bank of Russia (the CBR) took over authority from the FFMS to become a mega-regulator of the Russian financial markets. The definition of mega-regulator refers to the integration of the financial system regulation in the hands of one state agency and includes control over both commercial banks and the non-banking financial sector.

**TO EVALUATE THE CONSISTENCY** of government decisions with the current economic situation, we investigated first patterns of the development of regulation and supervision systems in the financial markets by using a data sample of 50 countries. Our primary attention was focused on trends in integration of regulation and supervision. Based on the analysis of regulatory structures in our sample of countries, we composed a data set that included 18 macroeconomic and financial indicators. In this paper, we used ordered probit regression to estimate and explain the main relationships and hypotheses from previous studies. This analysis allowed us to determine the impact of the main factors on the degree of integration of financial market regulation. The results obtained showed a strong link between almost all selected factors and revealed their degree of impact. This made it possible to construct an estimated formula to define a suitable degree of integration of financial market regulation.

The next step of our analysis included an assessment of the comparability of the chosen regulative regime in Russia with six degrees of supervision integration. Based on post-estimation procedures after the regression estimation, we constructed a series in accordance with the proposed World Bank classifications of financial market regulation, which represented the predicted probability of each category. The calculations show that the new model of rigid integration of the system of prudential supervision and regulation controlled by the CBR does not fully take into account the level of development of institutional investors.

It also increases the risks of excessive administrative pressure on non-banking financial institutions and weakens competition in the financial sector. Solving these problems requires an active effort on the part of government agencies and financial market participants.

The paper is structured as follows. Section 2 provides a further description of the role of financial market regulation along with institutional challenges relating to financial markets and current trends in their regulation. Section 3 describes data and methodology. Section 4 presents the main empirical results, and section 5 provides the main conclusions of the study.

**The role of financial market regulation**

**Institutional challenges relating to financial markets**

The existence of a correlation between economic growth and financial market development was first observed by studies in long-term economic historical trends. Since the 1980s, a number of theoretical models were developed which combined endogenous factors of economic growth with endogenous development of financial markets. Later, some representatives of mainstream financial economics concluded that financial development was the cause for improved business conduct and accelerated economic growth.

Analysis of the relationship between financial system complexity and implementation of the competitive market principle indicates a strong positive correlation between these factors and the development of the commodity markets. Additionally, financial intermediaries play an important role in monitoring and overcoming information asymmetries. The links between cross-country differences in financial market risks and economic growth have also been studied in works of R. La Porta, F. Lopez-de-Silanes, R. Vishny, and A. Shleifer. More recent studies investigated the relationship between company financing and levels of investor protection, and the interdependence between national stock market volatility, the level of investor protection and securities market development.

**SOME AUTHORS WHO** studied developing and transition economies concluded that the theoretical model of financial economics, in which financial markets facilitate the transition to a more efficient allocation of resources, is not always consistent with the evidence presented on misbehavior, asset stripping, violation of minority shareholders rights and corruption. If the financial system simply attracts resources and transfers them to financially and politically connected individuals, it creates barriers to economic growth and affects the implementation of business initiatives. Thus, the impact of the financial system on economic growth is not always positive. The financial market also requires appropriate micro-economic conditions, such as a "contract culture", enforcement of property and contract rights, the development of financial institutions with long-term goals, and transparency.

The assessment of the financial depth of the Russian economy by a set of key indicators (representing the international standard for national financial systems) shows that the financial...
The chronic imbalances are currently characteristic for the Russian financial market as well. The main imbalance in its development lies between the impact of global investment booms, when the market has an optimistic view concerning the prospects of the Russian economy, and underlying fundamentals that provide rather negative estimates. Despite these contradictions, the transition to a state-capitalist economic model in the 2000s contributed to market growth and attracted investments. Capital repatriation into Russia became an essential component of the investment boom, though such factors as underdevelopment of the institutional environment, high risks, and weak property rights protection impeded an effective reallocation of resources. Investments in state-owned companies became a source of virtually guaranteed returns to investors since the state provided these companies with financial, regulatory and political support. This model of the financial market growth is speculative; it is not associated with significant capital investments in production and is only possible under the condition of capital inflows into emerging markets. It brings about revenues for large companies due to increasing prices and redistribution of available assets.

Most of the Russian stock market’s institutional problems have not yet been solved. The basis for the growth of the financial market including sources of liquidity is very fragile. The largest public corporations increase capitalization by acquisitions of new assets; therefore the process is not accompanied by increasing efficiency. Large corporations have been rendered into elements of public policy, their decisions have been less predictable and depend on inner conflicts of interest. There is a lack of independent monitoring of the financial system’s efficiency by investors and civil society. All this increases the risk of systemic crises in the financial market.

The accumulated experience in the development of financial markets and special aspects of the market economy in a number of developed and emerging economies suggest that the national model of financial market regulation begins to correspond to the economic growth goal after the introduction of new institutional rules. The consistency between the regulation model and the depth of financial structure is important. In particular, this applies to the key issue of national financial market regulation, which focuses on the choice between integrated and multi-sector models of supervisory and regulatory authority.

**Current trends in prudential supervision and regulation**

The major components of regulation, supervision and monitoring of modern financial markets traditionally include:

- judicial and legal authorities that ensure enforcement of property rights, contractual rights, and obligations;
- supervisors and a Commission for the Securities Market;
- systems of independent and effective auditor control;
- private analytical firms and rating agencies;
- independent professional organizations that set standards and norms of behavior in their respective fields.

**Table 1: Classification by the degree of integration of prudential and conduct-of-business supervision**

<table>
<thead>
<tr>
<th>Prudential supervision structure</th>
<th>Supervision index</th>
<th>Conduct-of-business supervisory structure</th>
<th>Regulation index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectoral supervision with banking and non-banking supervision in an agency other than the central bank</td>
<td>1</td>
<td>No business conduct supervision</td>
<td>1</td>
</tr>
<tr>
<td>Sectoral supervision with banking supervision in the central bank and non-banking supervision in an agency other than the central bank</td>
<td>2</td>
<td>Separate institution(s) for business conduct supervision other than the prudential supervision agency</td>
<td>2</td>
</tr>
<tr>
<td>Partial integration, where financial sectors are supervised by the agencies outside of the central bank</td>
<td>3</td>
<td>Sectoral supervision</td>
<td>3</td>
</tr>
<tr>
<td>Partial integration, where financial sectors are supervised by the central bank</td>
<td>4</td>
<td>Business conduct supervision is held by the agency, which acts as an integrated supervisor</td>
<td>4</td>
</tr>
<tr>
<td>Financial Supervisory Authority – integration of prudential supervision into an agency outside the central bank</td>
<td>5</td>
<td>Twin Peaks model – one integrated agency for regulation along with a separate integrated agency for prudential supervision</td>
<td>5</td>
</tr>
<tr>
<td>Integration of prudential supervision into the central bank</td>
<td>6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: This classification excludes prudential supervision and conduct-of-business regulation of pension funds. Assumes the absence of an agency with regulation authority including competition maintenance and consumer rights protection, in particular for the banking sector. Some stock and insurance market authorities may still exercise certain regulatory functions. Partial market regulation, when there is an organization with financial consumers protection authority, including customers of banks. A separate prudential supervision agency exists for each financial sector and is also authorized to perform a regulatory function. Source: World Bank, 2013.

Financial regulation includes prudential supervision and conduct of business regulation. The former provides reliability and stability for financial institutions and reduces systemic risks, while the latter ensures an appropriate level of performance in competitive markets and protects financial consumers’ rights. Prudential supervision monitors the behavior of individual firms and enforces legislation. Prudential supervision has four main components and includes licensing of new financial institutions,
on-going monitoring of the sound conduct of business by financial institutions (asset quality, capital adequacy, liquidity, management, internal control, etc.); sanctioning or imposing penalties in case of non-compliance with the law, fraud or other types of wrongdoing; performing the role of the lender of last resort such as provision of deposit insurance guarantees, and insolvency proceedings.

The conduct of business regulation concerns the process of rule-making and the legislation underlying the supervisory framework. The main focus of the conduct of business regulation lies on the activities of financial institutions, their market behavior and how they conduct business with their customers. This type of regulation deals with rule setting on appropriate behavior and monitoring its implementation.

Financial regulation should be used to maintain a balance between prudential supervision and conduct of business supervision. Excessive prudential requirements usually lead to the shift of institutional investors’ focus towards short-term strategies. This can take effect in reduction of the asset holding period, increase in the turnover of investment portfolios, reduction of investment in less liquid and riskier assets, such as venture capital and infrastructure, and can lead to herd behavior among investors. In 2013, the EU Green Paper for Long-term financing of the European economy observed the importance of monitoring prudential reforms to minimize the negative consequences for long-term investment. In particular, the system of regulation and supervision should maintain competition between banks and institutional investors.

The World Bank divides the systems of prudential supervision into six categories and regulation systems into five based on their level of integration. For further calculations, we arranged these categories according to increasing degrees of integration. Each category was assigned a corresponding number that increases along with the degree of integration. This mapping process is illustrated in Table 1.

**Figure 1:** Countries with six regimes for prudential supervision in 1999–2013 (in %)

![Figure 1](image)

**WE CONSTRUCTED A DATASET** for 50 countries. The relatively small sample size is explained by missing data for some countries. Previously, the World Bank had conducted a survey on prudential supervision and conduct of business integration up to 2010. We complemented the World Bank dataset with our own statistical calculations for the period between 2011 and 2013. The sample was maximally diversified to include both developing and developed countries.

Figure 1 illustrates the data on prudential supervision classification for 50 countries between 1999 and 2013. Before the 2008 crisis, the number of countries with more integrated models of prudential supervision was increasing. The proportion of countries with fully integrated prudential supervision under the control of respective central banks (group no. 6 in the classification) increased from 4.4% in 1999 to 10.7% in 2008. The proportion with integration outside the central bank control (group no. 5) increased from 25.9% to 47.6% respectively. After the crisis, the group no. 6 continued to grow, reaching 33.5% in 2013, and the group no. 5 decreased to 38.1%. Therefore, the crisis has not resulted in a rejection of integrated prudential supervision. Nevertheless, in many countries, the opinion that central banks are, in general, better prepared for integration than other agencies became prevalent.

**FIGURE 2 ILLUSTRATES** that before the crisis, the number of countries with integrated prudential supervision regimes (group 4) grew more quickly. The group 4 countries increased from 10.7% in 1999 to 32.7% in 2008. Countries with integrated business conduct and supervision formed the largest group in the sample of 50 countries. During the same period, the proportion of countries applying the Twin Peaks approach (group 5) grew at a moderate pace, from 6.7% in 1999 to 9.1% in 2008. In 2008, Australia and the Netherlands were the only countries applying the Twin Peaks model.

After the 2008 crisis, significant changes took place regarding regulation. The proportion of countries using the Twin Peaks approach grew to 22.9% by 2013. Growth of group 4 slowed
sharp, increasing to only 33.6% in 2013. Along with integrating prudential supervision into central banks, more countries made steps toward adoption of the Twin Peaks approach and transferred control functions to agencies independent from central banks. The aim was to create integrated supervision, which would not impede competition, financial institution development, or comprehensive protection of financial customers’ rights. By 2013, countries such as Finland, Belgium, New Zealand and the United Kingdom fully or partially completed the transition to the Twin Peaks approach.

THE CHOICE OF A PARTICULAR regulation model and degree of integration is based on several factors of economic development and policy priorities. Melecky and Podpiera[18] investigated the relationship between prudential supervision and regulation models, on the one hand, and on the other, a number of indicators reflecting the development level of economic, political and financial systems in 98 countries from 1999—2010. They attempted to explain the choice of a particular prudential supervision and regulation model using 19 variables for prudential supervision structures and 21 for models of regulation. Their main conclusions were that countries with higher levels of economic development preferred more integrated systems of prudential supervision; improvement of the regulative efficiency usually led to a more integrated model. Melecky and Podpiera also found that the presence of a more sophisticated non-banking financial sector including capital markets and insurance companies resulted in a less integration while a high concentration of the banking system prevented the creation of an effective system of financial market regulation.

Based on the analysis of supervision structures in 102 countries in 2008–2009, another study shows that the unification and centralization of supervision negatively affect economic growth. Integration of macro- and micro-prudential supervision into two independent departments makes it more transparent and balanced.[19] A sample of 140 countries from 1998–2006 showed that the establishment of independent prudential supervision outside the central bank control reduced the share of nonperforming loans in relation to GDP, and such countries are less prone to systemic risk.[20]

The choice of a particular regulatory model can affect economic performance in several aspects, including GDP, exports share of GDP, stock market capitalization, etc. The main rationale for choosing a regulation model and degree of regulative integration is to find a model that would correspond to the level of economic and institutional development. In the next section, we will demonstrate that our primary raw data analysis led to the hypothesis that the Russian economy was not ready to adopt a centralized integration model represented by the Central Bank as a financial market mega-regulator.

**Data and methodology**

In order to determine the effects of selected factors on the probability of choosing a certain degree of prudential supervision and conduct-of-business integration, the authors used an ordinal probit pool model. The model has the following general form:

$$y^*_t = X_t^T \beta + \varepsilon_t$$

where: $t \in [1999, 2013]$ is the time period (year); $i \in [1, 42] \cup [43, 50]$ – a code for each country except Russia (code 43), which is excluded from regression estimations and used later in analysis; $\varepsilon_t$ – unobserved error, which reflects the impact of unaccounted additional factors, $\beta - K \times 1$ coefficient vector and $X_i = (X_{1i}, \ldots, X_{ki})$ – row-vector of a matrix of $K$ explanatory variables.

We used the ordered choice model as a key commonly used instrument for data analysis, in which the main (dependent) variable is discrete, i.e. takes the only limited set of values. In our case $y_t$ has 6 or 5 categories (depending on classification in Table 1). The estimation method for all regressions is maximum likelihood.

The estimates of the coefficients $\beta_{i,1, \ldots, 18}$ are interpreted as follows: a positive value indicates an increase in the probability of transitioning (or fitting) into the category with a higher number with an increase in the corresponding explanatory variable, and vice versa. The positive coefficient for any factor means that if in country 1 the value of this factor is higher than in country 2, country 1 fits into a group with a higher degree of integration than country 2. The opposite connection applies to negative betas.

For a set of explanatory variables, the authors followed the Melecky & Podpiera (2013) approach with some modifications.
We chose to include the following in the full regression model: population as a proportion of 50 countries (in %), GDP per capita fixed at constant 2005 US dollars ($), the exports of goods and services to GDP ratio (% of GDP), the number of listed companies per 10,000 people, and the savings ratio as a percentage of disposable income. The purpose was to reflect the level of economic development of a specific country. The studies discussed above showed that correspondence between the choice of an integration model and macroeconomic factors is crucial.

**IN ORDER TO INCLUDE** financial markets in the regression, we used a set of factors that describe its sectoral characteristics. These factors act as a proxy for estimating financial sector development. The banking sector is represented by a 5-bank asset concentration, which is defined by the Bankscope database as the assets of the five largest banks as a share of total commercial banking assets. Bank deposits to GDP ratio describes the total value of demand, time, and saving deposits at domestic deposit money banks as a share of GDP by International Monetary Fund, International Financial Statistics, and World Bank GDP estimates. The bank Z-score estimates the probability of default by the banking system and accounts for the volatility of returns. Deposit money bank assets to GDP ratio includes claims on the domestic real non-financial sector and comprises commercial banks and financial institutions that accept transferable deposits, such as demand deposits. Non-banking sectors are represented by the value of pension fund assets to GDP, the value of mutual fund assets to GDP, the life insurance premium volume to GDP, the total value of outstanding domestic private debt securities to GDP, stock market capitalization to GDP, and the stock market total value traded to GDP. Regulatory capital to risk-weighted assets measures the capital adequacy of deposit takers and is included in the regression as a proxy for regulatory government policy.

The last group of factors represents two government indexes: the government effectiveness index and regulatory quality index from The Worldwide Governance Indicators (WGI) project. The government effectiveness index captures quality of public services, quality of the civil service and its degree of independence from political pressures, quality of policy formulation and implementation, and credibility of the government’s commitment to such policies. The regulatory quality index captures the government’s ability to formulate and implement sound policies. All these factors can affect the transition to a more integrated model, since it demands high quality governance.

All explanatory variables, i.e. factors described above, are lagged by one period to avoid possible endogeneity. We do not account for autocorrelations, since this issue does not apply here. Countries make a decision on keeping or changing the model of regulation and supervision integration based on their macroeconomic and financial parameters in the previous year. Financial markets change rapidly, and governments need to react constantly by amending rules and by altering the regulative framework. Therefore, the problem of autocorrelation does not apply to this issue. In order to get robust results, we also created a set of partial order probit models constructed as a simple one-on-one regression for each pair of classification and factor. After that, we applied post-estimation methods of probability prediction to a full regression model in order to check if Russia fit in estimated linkages. Since Russia was excluded from all regression estimations, the final formula is able to provide an unbiased estimation of the probability of Russia fitting into each identified regulative group.

**Determinants of the degree of integration**

Our main analysis results concerning the determinants of the degree of prudential supervision integration are presented in table 2, which demonstrates the regression results for the full model.

<table>
<thead>
<tr>
<th>Dependent variable: Prudential supervision integration classification</th>
<th>Explanatory variables (L1: lagged by one year)</th>
<th>Estimated coefficient</th>
<th>Standard deviation</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1. Population as a proportion of 50 countries (%)</td>
<td>−0.0368</td>
<td>0.0265</td>
<td>0.1650</td>
<td></td>
</tr>
<tr>
<td>L1. GDP per capita ($ at constant 2005 prices)</td>
<td>0.0140***</td>
<td>0.0031</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>L1. Exports of goods and services (% of GDP)</td>
<td>0.0230***</td>
<td>0.0025</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>L1. Government Effectiveness Index</td>
<td>−0.1800</td>
<td>0.2303</td>
<td>0.4340</td>
<td></td>
</tr>
<tr>
<td>L1. Number of listed companies per 10,000 people</td>
<td>−0.5637**</td>
<td>0.2730</td>
<td>0.0390</td>
<td></td>
</tr>
<tr>
<td>L1. Stock market total value traded to GDP (%)</td>
<td>−0.0079***</td>
<td>0.0017</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>L1. Bank deposits to GDP (%)</td>
<td>0.0043</td>
<td>0.0053</td>
<td>0.4160</td>
<td></td>
</tr>
<tr>
<td>L1. Deposit money bank assets to GDP (%)</td>
<td>−0.0013</td>
<td>0.0023</td>
<td>0.5550</td>
<td></td>
</tr>
<tr>
<td>L1. Z-score</td>
<td>−0.0093</td>
<td>0.0081</td>
<td>0.2480</td>
<td></td>
</tr>
<tr>
<td>L1. Pension fund assets to GDP (%)</td>
<td>0.0082***</td>
<td>0.0024</td>
<td>0.0010</td>
<td></td>
</tr>
<tr>
<td>L1. Mutual fund assets to GDP (%)</td>
<td>−0.0034***</td>
<td>0.0012</td>
<td>0.0040</td>
<td></td>
</tr>
<tr>
<td>L1. Life insurance premium volume to GDP (%)</td>
<td>−0.0469</td>
<td>0.0408</td>
<td>0.2500</td>
<td></td>
</tr>
<tr>
<td>L1. Outstanding domestic private debt securities to GDP (%)</td>
<td>−0.0028</td>
<td>0.0032</td>
<td>0.3910</td>
<td></td>
</tr>
<tr>
<td>L1. Regulatory capital to risk-weighted assets (%)</td>
<td>−0.0108</td>
<td>0.0226</td>
<td>0.6320</td>
<td></td>
</tr>
<tr>
<td>L1. Stock market capitalization to GDP (%)</td>
<td>−0.0079***</td>
<td>0.0017</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>L1. Stock market total value traded to GDP (%)</td>
<td>−0.0027***</td>
<td>0.0011</td>
<td>0.0140</td>
<td></td>
</tr>
<tr>
<td>L1. Regulatory Quality Index</td>
<td>0.7843***</td>
<td>0.21278</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>L1. Savings Ratio - % of disposable income</td>
<td>0.0016</td>
<td>0.0123</td>
<td>0.9250</td>
<td></td>
</tr>
</tbody>
</table>

Notes: *** - 1% significance; ** - 5% significance; * - 10% significance. Source: Authors’ calculation.
We did not take into account data for Russia in order to analyze the compatibility of the Russian data and the chosen regime for each group after receiving a formula with estimated coefficients. All of the factors included in the model were lagged by one period in order to avoid possible endogeneity problems. The regular estimations of measures of the quality of models, such as coefficient of determination, do not apply to maximum likelihood methods.

Population has a negative influence on supervision integration in each estimated specification. An economy with a smaller population is more likely to have a smaller financial market, which makes the greater integration process easier and more affordable. The sizes of financial sectors are more likely to be small, so the integration of supervision into a single agency will provide savings on staff costs and several individual supervisors.

Greater development and openness of a country allows mobilization of the resources and enables a higher degree of supervisory authorities’ integration. This is consistent with Melecky’s and Podpiera’s conclusions. Banks and other financial institutions in developed countries have more complex structures or may form financial conglomerates. Therefore, there is a need to organize integrated supervision over the organizations that are carrying out activities in several areas. Signs of the coefficients of GDP per capita and export of goods and services are predictably significant and positive in all estimated specifications.

Improvement in the quality of a country’s governance leads to greater integration of supervision. As a proxy for this factor, we selected an index of government effectiveness. An increase in the number of listed companies leads to complications for prudential supervision being performed by a sole integrated agency. In this regard, a large number of companies increases the probability of choosing a less integrated model of supervision. This is also consistent with Melecky’s and Podpiera’s conclusions; the more developed a stock market compared to a banking sector, the less integrated supervision would be. The z-score compares the capitalization and profitability of banks to the volatility of their income. The estimated coefficient is not significant, but it is negative in all estimated specifications, which suggests the division of supervision in case of a banking system’s default risk.

Stock market capitalization (the ratio of the value of all securities in the market to GDP) and the ratio of stock market total value traded to GDP both have significant negative coefficients in all specifications, reflecting the negative effect of the size of the securities market on the probability of prudential supervision integration. This is also consistent with Melecky and Podpiera’s conclusions.

The regulatory quality index reflects the ability of the government to formulate and implement effective regulatory policy that promotes development. Significant positive estimated coefficients in all specifications for this factor means that the transition to a more integrated prudential supervision can be effective only if it is supported by high quality control and standards of governance.

The following factors characterize the size of non-banking financial market sectors: the ratio of pension fund assets to GDP, the ratio of mutual fund assets to GDP, the ratio of life insurance premium volume to GDP, and ratio of outstanding domestic private debt securities to GDP. Only the size of the pension sector is positive and significant in a full regression. Higher amounts of pension fund assets are usually more characteristic for more developed economies. Therefore, the higher this amount is, the more integrated supervision is.

In the same way, we constructed and evaluated a set of ordinal probit pool models in order to determine the effects of selected factors on the probability of choosing certain degrees of business conduct integration. Table 3 presents the regression results for full model.

Population has a negative impact in each estimated specification, as well as for supervision models. For a smaller economy,
it may be reasonable to integrate regulation into a single body to simplify the control system and to save time and personnel costs. Income level in all regressions has a positive influence on integration. When the level of development increases, countries need to introduce enhanced regulation and strengthen integration to improve the efficiency of financial sector monitoring.

An improvement in governance quality has a positive effect on the integration of regulation and supervision. The coefficient of the government effectiveness index in full regression is positive and not significant, but the coefficient becomes significantly positive in the partial specification, with this index and the number of listed companies. The number of listed companies significantly and negatively affects the integration of regulation in all specifications. When the number of market participants increases, the market structure becomes more complex, and a move to a more integrated regulative model becomes more difficult.

The stock market’s size has a negative effect on the integration of regulation. The estimated coefficients of stock market capitalization and the ratio of stock market total value traded to GDP have a significant and negative impacts in all specifications. The sizes of non-banking financial market sectors, such as pension funds, mutual funds, and life insurance, have positive effects on the integration of regulation. The evaluation results show that the development of financial sectors needs a sophisticated and effective regulative model, integrated and unified monitoring processes, and common business standards rules.

The regulatory quality index has a significant positive effect in all specifications. Therefore, transition to a more integrated regulation model is possible only if there is a high quality of regulation.

**Prudential supervision and regulation in Russia**

In the final stage of our analysis, we assessed comparability of the regulative regime in Russia with six degrees of supervision integration. Based on post-estimation procedures after the regression estimation, we constructed six series in accordance with the proposed classification of supervision during the 1999–2012 period. Each series contains data for the predicted probability of each category of dependent variable. This reflects the likelihood of adoption of each supervisory model in Russia in each year. The results are illustrated in figure 3.

The predicted probability of how Russian data corresponds to each group of countries revealed that Russia most likely fell within the second group. Indeed, the Russian regulative framework before September 2013 coincided with this probability. The probability for fitting in the 6th group, with maximum integration of supervision within a central bank, is the lowest, close to zero. However, after September 2013, Russia opted for a transition towards a centralized mega-regulator model under the CBR control.

Using the same approach, we obtained estimates for the integration of conduct-of-business supervision in Russia during the 1999–2012 period. We constructed five series for each group according to the suggested classification of regulatory models.

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**Figure 3:** Predicted probability of Russia’s compliance with six groups of prudential supervision

![Figure 3](image1)

Source: Authors’ calculations. Numbers in the legend indicate the model of prudential supervision according to the classification in Table 1.

**Figure 4:** Predicted probability of Russia’s compliance with five groups of conduct-of-business supervision

![Figure 4](image2)

Sources: Authors’ calculations. Numbers in the legend indicate the model of conduct-of-business supervision according to the classification in Table 1.

Each series reflects the likelihood of Russia falling within a corresponding group of conduct-of-business supervision for each year. Figure 6 shows the results of estimations.

**THE PREDICTED PROBABILITY** of the Russian data’s compliance with each group of countries revealed that Russia most likely would fall within group no. 1. This corresponds to the time series data before September 2013. The probability for falling within group no. 4 with maximum integration of conduct-of-business supervision within a central bank as the only controlling authority rose slightly and remained close to zero throughout the period. However, in 2013, Russia moved into group 4, which implied a concentration of regulatory functions in one authority, the CBR, responsible for consolidated prudential supervision.
The quantitative analysis suggests that Russia is closer to the sectoral prudential supervision model. Additionally, Russia is fairly close to a relatively simple regulation model. The latter presupposes that separate agencies regulate non-banking financial institutions and that there is no special regulator of competition in the banking sector. This means that special attention should be paid to the effectiveness of the regulatory function, involving creation of conditions for fair competition between financial market participants and protection of financial consumers’ rights. The excessive consolidation of regulation and supervision within one authority in combination with the weakness of non-banking conservative institutional investors impede development of the latter. This in turn contributes to a deficit of long money within the Russian financial system.

Conclusions

A sophisticated and effective financial system is characterized by increasing integration of regulation and prudential supervision. It relies on an optimal balance between financial stability and increasing integration of regulation and prudential supervision. A sophisticated and effective financial system is characterized by absence of conduct-of-business regulation. Russia would still benefit from a relatively simple regulation model with sectoral regulation and prudential supervision model. Additionally, Russia is closer to the sectoral prudential supervision model. Russia would still benefit from a relatively simple regulation model with sectoral regulation and prudential supervision model. This increases the risks regulator involves a transition to a higher level of concentration of regulation and prudential supervision. This increases the risks regulator involves a transition to a higher level of concentration of regulation and prudential supervision. The results of the regression analysis presented here suggest that Russia is closer to the sectoral prudential supervision model. Russia would still benefit from a relatively simple regulation model with sectoral regulation and absence of conduct-of-business regulation.

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Russia turns to East Asia. Geopolitical strategies and projection

Russia and East Asia is a long-awaited work on Russia’s place in East Asia. Russia’s role in the region and its participation in regional integration are among the less explored yet important themes that can explain certain relational issues between countries in this dynamic region. The editors, Tsuneo Akaha and Anna Vassilieva, should be praised for a good timing since the book came out shortly after Russia had officially announced its turn to Asia.

After having abandoning any serious efforts to engage in Asian politics during its transition from socialist to capitalist system in the 1990’s, throughout first decade of the twenty-first century, Russia slowly increased its presence in East Asia. But Russian leadership did not officially recognize until summit in Vladivostok in 2012. The Asian vector of Russia’s foreign strategy, as it is often called, can be seen in a new light now that the geopolitical situation around Russia has become increasingly complex. After Western sanctions limited Russia’s ability to reach it development goals, cooperation with Asian states became even more important.

The book Russia and East Asia consists of five chapters written and edited by an international group of authors and editors, who are experts in their field of Russian studies. Regrettably Chinese experts did not participate, which would have contributed to a fuller perspective on how Russia is viewed by different East Asian states. Still, the paper by Natasha Kuhrt on Russia-China relations clarifies many issues in how the two countries see each other.

The book deals with various aspects of Russia’s presence in East Asia including strategic and geopolitical competition as well as energy cooperation. However, on close examination one finds that the volume is heavily skewed toward geopolitical and security issues while giving economic problems much less attention. It discusses them only marginally. Such a focus seems to contradict the title of the book, which suggests it contains discussions about integration. It is well known, and occasionally mentioned in the book, that economic cooperation in East Asia has always developed ahead of political dialogue. Therefore, a discussion on economic issues is essential to understanding integration in East Asia.

In Part III, the analysis on the possibilities of energy cooperation partially covers some economic issues. However, given the geopolitical and strategic importance of the energy sector for any country and the generally high politicization of energy deals, Part III provides a perspective only on few aspects of economic cooperation. It leaves some essential questions unanswered, such as structure of bilateral trade flows, Russia’s participation in regional value chains, Russia’s position with respect to multiple free trade agreements in Asia and some others.

As some authors correctly observe, currently, Russian economic cooperation with East Asia significantly lags behind the high intensity of trade and investment links that have developed within the region over recent decades. But, even so, economic issues deserve more attention in order to provide an understanding of fundamental reasons of Russia’s turn to Asia. Considering that Russia’s economic links with the region fail to receive due attention, it is difficult to regard the book as fully realizing its goal, which is formulated as locating Russia into the context of “emerging economic and political realities.” Similarly, the clear lack of discussion about economic aspects of Russia’s turn to Asia makes it hard to agree that integration represents the right theoretical concept for this book.

Russia and East Asia also set itself another ambitious goal – to discuss Russia’s involvement in the region of East Asia. Yet in reality the authors rarely go beyond North-East Asia in their analysis. Therefore, upon reading the book, readers might feel that their expectations were not met. At the same time, given the lack of reliable data on Russia’s economic cooperation with countries of East Asia and the time and amount of work needed to accomplish such a goal there are obvious constraints for a full discussion on cooperation between Russia and all of the East Asia.

Three papers make up the central axis of the book: a discussion on Russia’s global vision by Vitaly Kozyrev, one on Russia-China partnership by Natasha Kuhrt, and one on Russia energy cooperation with East Asia by Kenji Horiuchi. The authors of these papers give excellent analysis of existing intricacies of Russia’s ambivalent strategy in North-East Asia. They show the complicated state of affairs in the region and clearly present the limitations of Russia’s full participation in the region, which is often conditioned by the strategies of other Asian states competing for regional leadership. The last point particularly refers to Japan and China. As the book clearly shows, North-East Asian countries in general do not want Russia’s wider involvement in the region and, for example, regard its role only marginally in the context of the six-party talks on North Korean question.

Two other papers that deserve attention are devoted to the Russian Far East. One written by Russian scholar Pavel Minakir analyzes the state of the industrial development in the remote
How to do business with Russia. Guidelines for businesspeople

Katerina Smetanina, Når Ivar møter Ivan. Å gjøre forretninger i Russland


The primary target group for Når Ivar møter Ivan. Å gjøre forretninger i Russland [When Ivar meets Ivan. How to do business in Russia] is Norwegian businesspeople considering doing business in Russia. The author stresses that this is not a comprehensive guide on how to act when entering the Russian market. However, by presenting a well-rounded background, Katerina Smetanina has written a book that complements the dryer wording ordinarily seen in conventional guide books on economic decisions and calculations.

Smetanina bases her description and conclusions on interviews with more than 70 business people and other market actors, foremost Norwegian. She also draws on her own experience, having worked for more than 15 years with Norwegian-Russian relations in the Norwegian Export Council and the Norwegian-Russian Chamber of Commerce in Oslo, as well as in the Norwegian consulate in Murmansk.

The author discusses not only which specifics of the Russian business world a Norwegian businessperson needs to take into consideration, she also reflects on particular Norwegian characteristics. She notes, for example, that habitual Norwegian behavior might create obstacles to overcome and that sometimes having a more flexible attitude is needed in order to have a business run smoothly.

THE AUTHOR STARTS with a summary of Russia’s history, followed by a few smaller sections aimed at reflecting what is different and elusive about Russian culture. Cultural encounters are a difficult field because analysis often leads into dead ends of fixed attitudes and fragmentary pieces of history used to support the writing, a problem with this introduction. Its title is symptomatic of this approach: “The enigmatic Russia”. The chapter starts with a stanza of poem by Fyodor Tyuchev, a Russian poet of the romantic early nineteenth century urging us to understand Russia, not with our sense but with our heart: “Either you believe in Russia or you don’t believe”. The author contrasts the mystified Russia with something undefined and generalized called “the West” or “Europe”.

However, the rest of the book contains much more concrete descriptions of Russian life and society focused on market and business, and with this the problem of stereotyped cultural

OVERALL, THIS BOOK, which is in Routledge’s Contemporary Russia and Eastern Europe Series, provides excellent insight on some aspects of Russia’s role in Northeast Asia, on how the country sees itself and on how other Northeast Asian states perceive it. There is no doubt that the book can be considered a meaningful addition to the coverage of issues concerning Russia’s strategies in the North-East Asia and can a useful tool for making projections into the future.


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reviews

Continued.
Russia turns to East Asia

Asian region of Russia. Minakir extensively explains the reasons for Russia’s limited participation in regional economic networks, which originate in the underdeveloped and deteriorating state of industry in the Russian Far East. The other paper, which is by Hiroshi Takahashi, gives a very detailed account of Japan’s involvement in the Russian Far East. It analyzes early attempts on part of Japan to get involved in the Russian Far East to take advantage of the region’s resources. Thus, Takahashi fills some of the gaps in the analysis of the Russian Far East and the importance of international cooperation for its development.

Despite some very interesting individual papers, the overall structure of the book seems somewhat unbalanced. The scope of discussion on different themes as well as the sophistication of analysis in different papers varies significantly. The chapter on migration seems slightly out of the context considering the general theme. Certainly, it was good that such a serious issue as migration had been included as it contributed to broadening the analysis, which otherwise would have been too dominated by strategic and political issues. But the chapter clearly lacks links with the other papers and the general theme of Russia’s integration into East Asia. As a result, a reader will have questions about how the demographic situation in the Russian Far East fits into overall dynamics in East Asia and what role it plays in promoting Russia’s integration into the region unanswered.

OVERALL, THIS BOOK, which is in Routledge’s Contemporary Russia and Eastern Europe Series, provides excellent insight on some aspects of Russia’s role in Northeast Asia, on how the country sees itself and on how other Northeast Asian states perceive it. There is no doubt that the book can be considered a meaningful addition to the coverage of issues concerning Russia’s strategies in the North-East Asia and can a useful tool for making projections into the future.
definitions resolve. These chapters are about business in Russia, which has recently become a capitalistic market inhabited with actors learning step by step about what business is in a globalized world. Russia has weighty traditions of being a top down society where personal relations replace trust in the state (the government), something that complicates its transition to a modern market economy. Here and there the author compares Russia not only to the “West” but also to Brazil and other BRICS, and sometimes to Southern Europe. Corrupt economic systems, autocratic and unpredictable bureaucracies, and the importance of personal relations unite the latter as markets, which can create serious obstacles for someone with, for example, a Norwegian background, who is trying to establish a well-functioning business.

Among the problematic issues that the author describes at length are the advantages and disadvantages of having a joint venture with a Russian partner or having one’s own agency. Regardless of what model business people choose, they will have to be in Russia, in place, and should treat the Russian market seriously. They must “believe in it”. When the author talks about being “in place”, she emphasizes the need to have at least one Norwegian representative among the directors. Since Russians have an experience of top down management, it would be risky to outsource activities without providing detailed instructions and being in place to keep things under control. The author poses the critical question: “Can you trust your Russian partner?”

In the book, Smetanina illustrates the differences between Russian and Norwegian ways of doing business using binary opposites: big-small, fast-slow; short-term-long-term thinking; hunger for prestigious achievements–endeavor to find compromises; hierarchical decision making–egalitarian workplace culture.

The multifaceted problem of corruption is brought up in different chapters. However, I doubt that the reader really gets sound advice on how to navigate in this truly complicated and sensitive field. As a reader I wanted to be a fly on the wall in the closed room of negotiations and just listen to the inside talk about the remuneration outside of those in the official agreement—the bribes! Will a Norwegian company be able to follow the author’s advice to conduct a clean business? Perhaps it is impossible to provide truly honest information about such things based on interviews with entrepreneurs, even if promising anonymity.

Lengthy quotations from the interviews make the book vivid and easy to read and create a sense of authenticity. However, this use of quotations creates a methodological problem, since different interviewees quite often contradict each other, making it difficult for the reader to know which of the informants is the most representative for a recommended line of action. The preservation of the interviewees’ anonymity also leads to a lack of clarity about whether various trades and companies differed from each other when it comes to different problems. The author decided to give every company the fictional name “Viking” and refrains from describing the company’s business profile. Again, this is probably the condition under which Smetanina was able to persuade her informants to share information, and she does have a skilled way of creating a coherent narrative from the statements of the interviewees.

NOW, WHAT LESSONS about Russia as a market will stay in the memory of someone like me, who is not in the target audience of this book? I would mention the fact that Russia has been a player in the global market economy for a very short time, only twenty-five years, as something worth keeping in mind. This is a serious factor in seeking to explain the differences between Russian and Norwegian/Scandinavian and perhaps “Western” business cultures. Another thing that caught my attention is what the author had to say about the rapid changes in Russian economic life since the breakdown of the Soviet Union: To do business today is not what it was like in the 1990s! In spite of the corruption and unpredictability in Russia, there is constant work going on to change the legal infrastructure and the way the state bureaucracy exerts its influence over the market. And mafia structures have to a large extent withdrawn from business life. Thus the book ends with a chapter called “Business is developing in a healthy way”.

This book was finished shortly before the Russian-Ukrainian conflict started, with Russia bluntly interfering in the affairs of an independent state. At this moment the economic growth of Russia has turned downward and foreign companies are hesitant to start new businesses and tend to close down those they already have in Russia. Only the future can tell when relations will return to normal and a book like When Ivar meets Ivan can be of help to a fuller extent to those who seek to open a business in Russia. This is a well-written book, a worthy supplement to the existing literature about how to do business with Russia.+

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Female shuttle trade between Belarus and Lithuania. Dissertation review


The dissertation analyzes everyday life on the borderland – a space that is getting more and more attention from researchers from different parts of the world. Recent scholarship has shown that proximity to the border not only shapes the political and economic development of the territories on both sides but also greatly influences the life of individuals and families living in proximity to the border. Furthermore, the presence of the border not infrequently impacts on the power structures and creates new formal and informal hierarchies.

The dissertation is concerned with a particular group of border crossers – the small-scale commuter traders involved in the cross-border trade between Belarus and Lithuania. This small-scale trade, usually addressed as a shuttle trade (čelnočnaja torgovlja), is not, however, a unique practice specific to this particular region; rather, it is widely spread through the post-socialist space and is very frequent in countries like Russia or Ukraine. In spite of this, the shuttle trade has not received significant attention from scholars up to now.

The dissertation closely examines the shuttle trade using the example of the Belorussian city Ašmjany, situated in proximity to the border with Lithuania. The author of the dissertation explores whether the political borders contribute to creation of the social ones, and how the borders influence trade and identities. Therefore Sasunkevich sees her aim in reconstructing two histories: the history of the political border between Belarus and Lithuania after the breakdown of the Soviet Union and the history of the shuttle trade.

The attention to the role of the border defines the periodization of the study: the changes in the border regimes are seen as important turning points, and the years between these changes are analyzed in the separate parts. Sasunkevich starts from the late Soviet period when the border was rather symbolic. She continues her analysis with the period after the breakdown of the Soviet Union and creation of the independent Lithuanian and Belorussian states, separated by the border that could no longer be approached as symbolic. Further transformations of the borderland are connected to introduction of the visa regime (1994), Lithuania’s entrance into the European Union (2004), and the Lithuanian state’s entrance into the Schengen agreement (2007). The final period studied in the dissertation corresponds to the post-2007 situation.

Inspired by de Certeau’s approach to practice of everyday life, Sasunkevich departs from the perspective of the Belarus border crossers and problematizes the view of the shuttle trade as a low-status enterprise. The author approaches cross-border trade not only as an economic activity, but also as a culturally embedded practice. At the same time, this practice does not exist by itself; it is a result of women’s entrepreneurial efforts – the shuttle trade reveals their agency.

The strength of the dissertation is the use of oral history sources: the author collected 14 interviews with women involved in the shuttle trade during the period under research.

The study by Sasunkevich challenges many established views on the historical period that used to be called the “period of transition”. Among them are those about the lesser importance of borders after the end of the Cold War as well as those interpreting the shuttle trade in terms of insignificant activity of the poor.

Using interviews with traders belonging to different generations, Sasunkevich shows how the “invisible” border of the Soviet period not only “becomes visible” through checkpoints and visa regulations but also hinders the established patterns of communication. Later changes in the border regime influence the cultural and personal connections, including trade: from a mass occupation of the early 1990s it became diversified and professionalized in the late 2000s. The Schengen regime, according to the author, should be approached as a complex construction bringing free mobility inside of the Schengen Area and restrictions of mobility outside. This allows her to emphasize the continuing importance of borders in the contemporary world and growing inequalities on a global level.

The study also challenges a view of the shuttle trade as a small business of the “unimportant people”: the story of Marina, for example, indicates that in some cases the shuttle trade was the beginning of well-established businesses. On the other hand, the shuttle trade is shown as having different meanings and different places in the lives of representatives of different social and age groups. Contrary to the assumption about the “insignificance” of the shuttle trade, Sasunkevich shows that it seems to substantially affect the city’s everyday life and the prosperity of its inhabitants. Indeed, the author writes about her surprise on discovering that many families in Ašmjany have more than one car. As a result of the long-time presence of the border, cross-border trade activities became normalized. Therefore, the shuttle trade became a part of the social reality of the city and of that borderland. The last is particularly true for the young people.

The final chapter of the dissertation is dedicated to the analysis of the shuttle trade from the gender perspective. Listening to the stories of the local women about their experience of taking part
in the shuttle trade, Sasunkevich noticed the absence of men in this practice and their insignificance for the life stories she heard, as such. It caused her to explore the gender regime in the borderland, paying attention to both its changes and continuities. Following Kristen Ghodsee, Sasunkevich defined Soviet-era gender equality as lopsided, and indicated that the Soviet legacy with respect to gender roles and expectations influenced the business of shuttle trade and the stories about it. Indeed, women’s greater involvement in everyday practices and networking was an important precondition of their involvement in the shuttle trade and a resource for their success. At the same time Sasunkevich refuses to see the women of Ašmjany as victims on the basis of their involvement in the shuttle trade and instead emphasizes their agency, enthusiasm, and creativity.

The goods are transported in big bags.

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**reference**

1 In June 2014 the first World Conference of the Association for Borderlands Studies took place in Joensuu, Finland. A short report is to be found on the Baltic Worlds website.
The authors’ attempts to put into words something very difficult, or even impossible, to convey. These attempts demonstrate how a subject who is positioned in the epicenter of history, the subject who is making the history, becomes speechless under the burden of the historic events. But the authors were not only trying to cope with a “great” historical reality, but also very personal experiences of loss and death, of responsibility before the dead. They were dealing with the guilt they felt about people who they perceived as more active, more devoted, less disillusioned (especially Serhiy Zhadan, Katja Petrowskaja, Yevgenia Belorusets, and Tania Malyarchuk in their essays).

The authors used different devices to deal with the problem of conveying the unfathomable, inarticulable, and unspoken. Ukrainian writer Yuri Andrukhovych, who edited the volume, cast the story of his Euromaidan into the genre of a “road movie” when he describes how he travelled across the country with his band tour during the period of protests. The tour goes through many cities of Ukraine from west to the east and south (Ivano-Frankivsk-Ternopil-Kyiv-Zaporizhzhia-Odesa), showing in this way the plurality of Maidans, that what was happening in Kyiv was also happening in other cities.

The plurality of the Maidan in all possible forms is underlined in other chapters. The authors emphasize that the Maidan attracted people of different nationalities, languages, professional backgrounds, and religious beliefs. In this regard, Ukrainian poet and writer Zhadan mentioned the attitudes and the general atmosphere that ruled in Donbas. During the protests, he was in the city for a few days and so could watch the developments firsthand. As in other cities of Ukraine, the Euromaidan meant a “civilizational choice” for the civic activists who were numerous but remained largely invisible and unheard.

The writers also tried to deal with the question of the role of art and artists in the revolution. Both Andrukhovych and Zhadan touch upon this in their essays. For Andrukhovych the connection between art and revolution is irrevocable because art always stands closest to understanding and predicting the future. For Zhadan the answer to this question is not that clear, as he doubts the ability of art to communicate and express the meaning of the events as there is a huge difference in the perspectives of someone who watches the events from outside and the perspective of a person who is in the middle of the events, especially if violence and force are used to suppress the dissenting voices.

Perhaps the only essays that stand out from the series of personal reflections are those by political scientist Anton Shekhovtsov and historian Wolfgang Jilge. Shekhovtsov presents a political analysis of the current history of Ukraine where he discusses the role of far-right groups in both the Orange Revolution and the Euromaidan. He draws readers’ attention to the fact that most of the far-right parties in Ukraine were “scarecrow parties,” following Andrew Wilson’s definition of virtual parties created to split voters’ so the parties and individuals in power could be re-elected. Many of the far-right groups that pretended to support Viktor Yushchenko in 2004, united in 2014 under the umbrella of “Right Sector,” the party formed from those groups during the Euromaidan. Jilge also presents an analytical essay in which he scrutinizes the implications of Vladimir Putin’s “Crimean” speech and the main features of the “Russian World” ideology. He highlights the fallacies of this ideology, which go against reality. He examines, for example, the striving of the Russian or Russian-speaking population in Ukraine to unite with the Russian Federation, an attempt that has been repudiated in many surveys done throughout Ukraine during the years of its independence.

The book includes a rich photo collection by Yevgenia Belorusets, the artist and political activist. The photos draw attention to the individual dimensions of the protests, showing the faces of people who stood behind the Euromaidan, who made the historical shift possible.

TO SUM UP, the symphony of voices gathered in the book reveal the multi-voiced character of the protests and call the readers to have more nuanced understanding of the events which took place in Ukraine in 2013–2014, taking Ukraine as a subject not an object of history, as most of the authors of the essays straightforwardly stress.

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Beyond the Sea: Reviewing the Manifold Dimensions of Water as Barrier and Bridge

The sea as a space for circulation. Ideas, people, and goods beyond barriers


Beyond the Sea

Beyond the Sea tries to overcome the physical determinism that characterizes the work of Fernand Braudel, which emphasizes the influence of the physical environment on living conditions and economic development in the Mediterranean countries. Most of the papers focus on the Baltic Sea region, using it as a case study to corroborate the twofold nature of water. This collection builds on the research carried out on the Mediterranean by Peregrine Horden, Nicholas Purcell, and David Abulafia, and on the Baltic Sea region by David G. Kirby. The editors are Marta Grzechnik and Heta Hurskainen.

The papers in the book were presented at the conference “Beyond the Sea: Reviewing the Manifold Dimensions of Water as Barrier and Bridge” held at the University of Greifswald in 2012. The underlying question posed by all the authors in the book is this: Why do some rivers and seas act as barriers, while others act as bridges that foster social and cultural interaction?

The book opens with an interesting contribution entitled “Why Do We Violate Strange Seas and Sacred Waters? The Sea as Bridge and Boundary in Greek and Roman Poetry” by Boris Dunsch. An ambivalent vision of the sea emerges from his analysis of Latin texts and epitaphs: it is perceived as “sacred boundary”. At the same time as a source of opportunity: “The sea is often seen and described as a sacred domain not to be violated by mortal, an alien and inimical element, unfit for travelling, a wary desert inhabited by monsters.” The sea was used a symbol of moral corruption because in the Greek mentality the navigation associated with trade had a negative connotation. Positive characteristics were also attributed to the sea in relation to its importance for cultural development through the exchange of goods, skills, and knowledge. “If you wanted to have commerce with other nations, you had to set out onto the sea.” There is, therefore, a dual track consisting of “realm of (human) techne” versus that of “(divine) tyche”. Because the sea was viewed as a sacred domain alien to mortals, those who traversed it using their navigation techne when conditions did not permit it challenged the gods and committed the sin of hubris. The author concludes his paper by claiming that “the techne of navigation and seafaring came to symbolize the dangers an opportunities that human aspirations and enterprise may create when subjected to the forces of tyche” (p. 42).

Alexander Filiuschkin reflects in “Image of Seas and Rivers as a Frontier between the Different Worlds in Russian Medieval Narrative” on the role played by water (seas and rivers) in Russian medieval history by analyzing chronicles from that period. The perception of seas and rivers was conditioned by biblical images and everyday experience: rivers, and not villages, marked out roads, while the sea was associated with the idea of a peripheral element. Above all, Filiuschkin explains, it is essential to first consider that the desire to have access to the sea only became a key element of the Russian mentality in the second half of the seventeenth century. During the Middle Ages, the idea that the sea should be characterized by mobility and permeability was entirely absent. In the chronicles of the time, the sea was perceived as a border that “separates worlds, a border between the worlds: exactly a border, not a frontier” (p. 51).

Lethi Mairike Keelmann’s paper entitled “Amber Rosaries, Baltic Furs, and Persian Carpets. The Tallinn Mary Altarpiece as an Object of Hanseatic Conspicuous Consumption?” examines the Mary Altarpiece, which dates to the apogee of the Hanseatic League period (1493). The author shows how the twofold dimension – local and cosmopolitan – of the towns on the Baltic coast promoted the circulation of ideas and contributed to the creation of an artistic and cultural network in the Baltic Sea region. The art from this area reflects “a hybridity of local and cosmopolitan influences” (p.83).

The concept of utopia occupies a significant place in the papers by Magnus Ressel (“The First German Dream of the Ocean. The Project of the “Reichs-Admiralität 1570–1582”), Tilman Plath (“Naval Strength and Mercantile Weakness. Russia and the Struggle for Participation in the Baltic Navigation during the Eighteenth Century”), and Magdalena Schönweitz (The
The sea has powerful symbolic power as an element able to shape a radiant future. From this perspective, the sea becomes a symbolic space on which to project utopian images of grandeur, unity, and the construction of regional and national identities.

Plath reflects on the role performed by the Baltic Sea – the point of contact with the West – in the construction of the Russian identity in the eighteenth century. He focuses on the city of Saint Petersburg, “window on Europe” and “contact zone between Russia and West or between land and sea” (p. 120). He writes, “the sea fulfilled a rather ambitious function for Russia, as it was a means of commercial and later cultural contact with Western Europe” (p. 127).

Schönweitz examines the various strategies developed in the Öresund Region to create a regional area of cooperation, and illustrates how cross-border region-building projects frequently drew upon utopian ideas.

The main purpose of the sea was to constitute a space for the passage not only of goods and men, but also of ideas.

In her paper entitled “From Moat to Connecting Link. Sweden and the Baltic Sea in the Twentieth Century,” Grzechnik analyzes how Swedish historiography has depicted the Baltic Sea as a link – which refers to trade, migration, and dynastic alliances – and as a “moat” or “trench” with regard to cultural divisions among the countries on the Baltic coast. Following the Cold War, in addition to supporting plans for political cooperation and the German initiative for the creation of a New Hansa, historians and political scientists began to promote the idea of the Baltic Sea region. They used “the metaphor of the moat as an unnatural, temporal state in the history of the Baltic Sea” (p. 143) to build “narratives that would present the region as a whole, for which one history could be written” (p. 145). In Grzechnik’s opinion, “the existence of the division across the sea was not only the result of the political rivalries of the Cold War, but can also be traced back to earlier cultural constructions and divisions” (p. 148).

In his paper entitled “Mining for Manganese Nodules. The Deep Sea as a Contested Space (1960–1980),” Ole Sparenberg deals with sea as a space over which dominion must be exercised, and at the same time a free area, with no restrictions on any party, where cooperation strategies can be experimented with. Sparenberg examines the exploitation of manganese nodules, and reflects on how the evolution of maritime law was based on changes in perception of the “water body” as economic and political interests transformed this resource into the object of disputes among states. Sparenberg maintains that “the idea of an internationalized resource exploited for the benefit of all mankind as envisaged under the common-heritage principle might seem utopian nowadays. However, there was at least a window of opportunity as there had been no precedent use of the resources of the deep seabed and no specific legal regime governing it” (p. 164).

The concept of governance is at the core of the treatments by Stefan Ewert (“Governance – an Analytical Concept to Study the Baltic Sea Region”), and by Tim-Åke Pentz and Daria Gritsenko (“Maritime Governance in the Baltic Sea Region. The EU’s Success Story?”). Ewert investigates the political and social dynamics of the Baltic Sea region by using the concept of governance in the sense of an “analytic framework” within which we can “connect this discussion with empirical evidence from the field of higher education cooperation in the region” (p. 186). In Ewert’s opinion, this concept “with its emphasis on networks and multilevel constellations” makes it possible to reconstruct social, political, and cultural developments in the region over the past twenty-five years.

Pentz and Gritsenko analyze the evolution of maritime governance in the Baltic Sea region, and study the evolution of Maritime Spatial Planning (MSP) and the BaltSeaPlan, a European Union project. The authors say that these projects “represented the first attempt to plan sea space and maritime uses in a cross-border manner, including a wide array of governmental and non-governmental stakeholders” (p. 225).

IN THE FINAL PAPER, “Logistic Revolutions and Territorial Change. Implications for the Baltic Sea Region,” Jan Henrik Nilsson analyzes the relationship between technological and economic development and territorial changes in the Baltic Sea region, applying the concept of logistical revolutions relative to changes in transport, infrastructures, and mobility. He uses the metaphor of the “archipelagic system” in which cities resemble islands connected by the sea: “The Baltic Sea region could be viewed as an archipelagic system, where cities float like urban islands in a sea of peripheries” (p. 251).

The book’s main merit is that it adopts an analytical perspective that focuses on the maritime element – the sea – which may be perceived both as a barrier and as a bridge.

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The image of the foreigner in the GDR.

Dissertation review

The starting point of this study is the historically verified fact that the GDR/East German state and society was characterized by emigration rather than immigration. Nevertheless, the SED regime was forced to import foreign labor, especially after the Berlin Wall was built. Yet the ruling communist state party showed no interest in an active integration policy for the so-called “Vertragsarbeiter” (contract(ed)-workers), the majority of whom came from Eastern Europe, East Asia and southern Africa. As other contemporary research studies have shown, the SED regime was actually interested in keeping the foreign labor immigrants as separate as possible from the East German population, trying to strictly regulate and control any contact that occurred. In contrast to this practice (as well as to that of Germany in the past and of the capitalist FRG/West Germany), the communist state party’s propaganda represented the GDR as a society whose relationship with foreigners was mainly characterized by a paradigm of “friendship between nations.” Based on these facts, two main observations have been formulated for this thesis. First, even a dictatorship aiming for total control does not completely succeed in fully determining the everyday reality of a society. However, at the same time — and perhaps precisely because of this — individual human relationships are shaped by the requirements and demands of such a system of rule. This leads us to the question of how the idea of a “friendship between nations” was compatible with the everyday experiences and conflicts of intercultural encounters with foreign labor immigrants in the GDR.

Previous research has established a dualism between the state propaganda of “friendship between nations” on one hand, and the everyday practical experiences of intercultural relationships on the other. To overcome this dichotomy, this study applies the research method of discourse analysis together with James C. Scott’s model of “Public Transcript.” It analyses how the image of the foreigner in the GDR/East Germany was used and constructed on different levels and examines the normative connotations it carried in different contexts. The study uses the term “public transcript of friendship between nations” to show in what manner and to what extent the ideological guidelines of the SED communist state party shaped the discourse about and interaction with foreigners in the GDR/East Germany. In addition, this study examines how and in what form the “public transcript of friendship between nations” was undermined, questioned or even criticized. Thus it is a discourse-historical contribution to the ongoing debate about how far and how deep the totalitarian claim to power and its influence in East German society actually went. This study approaches the topic by analyzing texts in which intercultural encounters between East Germans and foreign labor immigrants are a theme on various levels. The first set of texts includes articles from daily newspapers and magazines of the SED state, as well as similar reports in the marginalized press of the Christian church. Secondly, National Archive files from the GDR government’s State Office for Work and Wages’ department of foreign workers are examined. Here, reports from and correspondence with state-run companies that employed foreign labor immigrants are of particular interest. Finally, the third type of document to be analyzed in this study are complaints or petitions (“Eingaben”) from GDR citizens from the records of the relevant state office in which the employment or residency of foreign workers in the GDR/East Germany are problematized. These three steps constitute the outline of the empirical part of the thesis; complementary sources from the records of the Commissioner for the Documents of the State Security Service and other already published sources and relevant research literature also feature in parts two and three.
Continued.
The image of the foreigner in the GDR

This study assumes that the manner in which the admission and residence of foreigners is talked or written about in a society, or how one communicates with and treats these people, says little about the migrants themselves. Rather, examining such discourses allows us to formulate clear statements about the willingness to admit migrants and the self-conception of the host society. According to the self-understanding of the SED, it was the leading force in the “socialistic” society in the GDR/East Germany; its monopoly of rule was constitutionally secured. Decisions about the hows and whys of GDR politics were (almost) exclusively made by the Politbüro, or the inner circle of the SED. Yet the selection of sources does not include any guidelines or documents from this entity. Nor are bilateral agreements regarding the employment of foreign workers explicitly analyzed. The author does not explain why she does not include these sources, but considering their importance, such a choice begs an explanation.

To some extent, this study is a critique of the method and content of previous research on migration and intercultural encounters in the GDR. Especially in the introduction, the author criticizes the fact that ideologically-critical approaches have settled for a mere comparison of propagated claims and verifiable reality. It is claimed that the discourse-historical method chosen for this study will allow us to go beyond this. Indeed, this study correctly points out that the imminent decline of the SED regime in 1989 was accompanied by a notable increase in overt xenophobia; however, it falls short of showing exactly how it better explains this development. The author could have strengthened her case by more explicitly linking this statement with her conclusion, integrating other studies into her work and comparing their results with her own, but this contextualization is missing.

The study rightly points out that the “public transcript of friendship among nations” legitimized the existence of the GDR as a socialist(ic) German state. This was done in a conscious effort to differentiate itself from the capitalist Federal Republic of Germany, which was seen as a direct rival and as the sole successor of the Third Reich. The study very convincingly shows on various levels how this ideological directive determined talk about and interaction with labor immigrants in the SED state. However, it also raises the question – but unfortunately does not further explore or attempt to answer it – whether and to what extent the SED communist state party was able to establish and/or put into practice a markedly different image of foreigners and treatment of labor immigrants compared to the Federal Republic. Differentiating itself from the omnipresent Federal Republic was just as important for the SED state as the break from the historical traditions of the German Empire (in particular those of the national-socialist dictatorship) proclaimed in the anti-fascist founding myth. In the GDR, the Federal Republic – and only the Federal Republic – was seen as the sole responsible successor of the Third Reich. This attempt by the SED state to distance itself from certain developments in German history has been questioned, and it is a question that is raised again by this work, albeit in a more specific, narrower context. Yet, here again, one cannot help but ask how these results fit into the big picture in terms of communist dictatorships and modern German history.

In conclusion, this work deserves much praise; it is supported by an excellent command of the current state of research, an ambitious thesis question, a convincing choice of research method, and a logical selection of sources. As previously mentioned, the conclusions are spot on; however, a few more examples would have helped to more explicitly demonstrate, show and link statements and conclusions. Likewise, the work’s overall significance would have been increased by situating the GDR in the broader historical context. More explicitly contextualizing this study among others with different approaches would have also better demonstrated the value of cultural-historical approaches in understanding historical developments. Nevertheless, this accurate and convincing research is a remarkable contribution to a better understanding of GDR history.

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Hypotheses in empirical research should be possible to falsify, according to conventional wisdom in social science. Yet, social scientists are usually concerned when empirical findings falsify hypotheses and assumptions in research ventures. Contrary to medicine and natural sciences, where falsified hypotheses seem to be part of the game, negative results in social science often have a connotation of failure.

Here, Crossings and Crosses offers a stimulating, honest, and impressive contrast. This new volume presents the basic results of the Södertörn university research project “Teaching Religion and Thinking Education on the Baltic-Barents Brim” (TRATEBEEB). The project is based on case studies of educational and religious contacts in four areas: northernmost Norway and its border with Russia, the border between Finland and Russia in Karelia, the border between Estonia and Latvia in Valga/Valka, and the German-Polish border on the island of Usedom on the Baltic coast. In her chapter on religious education on the borders, Jenny Berglund, co-leader of the project, is brave enough to give a clear and uncompromising no to her research question: “whether the place of a religious education classroom, close to the concrete border, affects education content in such a way that the teacher would include the spatially proximal Other in teaching about religions.”

Berglund and her co-editors Thomas Lundén and Peter Strandbrink were even braver – to the brink of self-flagellation – in inviting the Danish authority on religious education Tim Jensen to write the final chapter and afterword. Jensen devotes considerable time to discussing and asking why Berglund even formulated this hypothesis, when the contrary should be expected. He then quite convincingly, in a broader discussion about religious education in new increasingly multi-religious contexts, argues that even in a secular Scandinavian setting a Christian bias remains in education on religion. He finds this consistent with a more national narrative in civic education in, or perhaps because of, this new multi-ethnic and multi-religious social context.

The presentation and discussion of the four cases is still interesting and valuable, even with falsified hypotheses. A negative research result is, however, not enough to fill a full book. Thus, this volume encompasses a number of different contributions more or less related to the original research project. They deal with religious developments and conflicts, border issues, and religious education in Europe in general, and northern and eastern Europe in particular. Several are of great value and interest.

The editors have gathered an interesting mix of well-established names in the research field and some younger scholars from colleges and universities, which are often located in border areas in eastern Finland, Estonia and Poland, western Russia, and southern Denmark.

FOR ALL OF US CONCERNED with nationalistic trends in Russia, Per Arne Bodin, a veteran of Swedish scholarship on Russian thought and tradition, writes an introductory essay on the Russian Orthodox Church, its domains, and its borders. Bodin explains how the domain of Russian orthodoxy “All Rus” and “Holy Rus” now defines and delimits the Russian nation better than political slogans like “the near abroad” or political institutions like the Commonwealth of Independent States (CIS). The church’s domains often transcend the borders between the 15 independent post-Soviet states, which gives a worrisome legitimacy to what some fear are President Putin’s neo-national ambitions. And yet, the church’s ecumenical interests create strong limits to the president’s capacity and room to further achieve his ultimate nationalist aims, however frightening his efforts and results last few years are. There is conflict in some of these domains with other strong orthodox or catholic traditions (e.g., western Ukraine), which the Russian Orthodox hierarchy needs and wants to accommodate.

The concrete complications in the Estonian-Russian borderlands are introduced and analyzed by Laura Assmuth of Joensuu, Finland, in her paper on language and nationality in that area. Specifically, she examines what used to be and still is to a diminishing extent an Estonian-language enclave in Russia’s Pechory district. Even though most Estonians have moved west to independent Estonia, there is a growing interest in learning Estonian as a foreign language, which is seen as an asset in relations not only with Estonia but also with the EU as a whole. At the time of writing, Assmuth was quite optimistic about the future of the Estonian language in Russia. If she still is, is another question.

The chapter by Marianna Shakhnovich of St. Petersburg on
Continued.

A multi-focused read.

religion in Russian education reminds us of the controversy and tension regarding post-Soviet religious education in Russia. The Russian Orthodox Church is trying to shift religious education from teaching about religion, as it was formulated in the 1990s, to teaching religion in a normative sense. Still, agents of delivery in state schools legally must be schoolteachers. Receiving accreditation from the church is possible but voluntary. Whether the church will be more successful in pushing its case for confessional religious education, possibly linking it to general national ambitions by the political leadership, will be an important issue in the coming years.

With great insight, Malgorzata Flaga and Kamila Łucjan, two young geographers from Lublin, tell us a tragic story about historic and ongoing religious antagonisms in the eastern borderland of Poland, which encompasses Lithuania, Belarus, and Ukraine. Here national borders have been redrawn far too often and religious affiliations have been part of national and political ambitions. The millennium-old division between Western and Eastern Christianity is still visible and creates complications at blurred borders. Apart from national and political conflict, the question reappears here as to whether religions primarily promote and reinforce conflict, or, in particular in contemporary, more ecumenical and secular contexts, can help to solve them.

Another young Polish scholar, Agnieszka Pasieka from Vienna, gives a slightly more encouraging picture by telling the long history of the grammar school in Lesna in the Polish, Ukrainian, Slovak borderlands under different Polish regimes.

IN HIS CHAPTER ON post-normativity, Peter Strandbrink observes that theories of multi-religiosity and secularization play out quite differently in a post-Soviet, and thus post-atheist context, than in the Anglo-American or west European settings where they were conceived. In making this important point, his discussion also serves as a summary conclusion that can be drawn from most contributions to this multi-focused but in the end stimulating book.

This invites further study on whether the theories played out differently because atheist communism was followed by the reappearance and reassertion of Orthodox and Catholic Christianity or whether this could occur also where the Christian tradition is Protestant and Lutheran. It is interesting to note that pre-communist Protestant areas like today’s Czech Republic, eastern Germany, and much of Estonia are becoming increasingly secular. Here the number of open religious believers is falling as in the West and public education on religion is either non-confessional or non-existent.

Nationalism in Protestant areas today seems to have no real link to religion, which is interesting to note because of what we otherwise know about the strong link in Lutheran tradition and dogma between church and state.

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UNIFIED GERMANY. 25 YEARS ON

It is characteristic of the Germans, Friedrich Nietzsche once claimed, that the question “What is German?” never dies out among them. A quarter of a century after the fall of the Berlin Wall and the subsequent German reunification on October 3, 1990, the question about being “one people” still provokes debates. A recent study on attitudinal differences between West Germans and East Germans challenges the notion of a unified society, or if you will, a common German identity. The debate is not new. Throughout the 1990s, attitudinal differences between West Germans and inhabitants of the former German Democratic Republic (GDR) was a topical issue. According to some observers, the persistence of a distinct East German identity could be ascribed to radically different historical experiences. East Germans, socialized for decades in a state socialist society, were not likely to share the same values and political orientations as West Germans. Others argued that an East German group awareness had more to do with reunification-related hardships in the 1990s. Certainly, the East German transformation was not easy. Literally over a night, everything changed. The autocratic East German political system was abolished, and the West German political, economic and legal systems expanded to include the five new Bundesländer (federal states). In the former East Germany, widespread unemployment replaced the constitutionally guaranteed right to work. West German managers, teachers, and civil servants took positions formerly held by East Germans. Conflicts and feelings of resentment followed. East Germans went through what some have labeled a cultural shock or a serious identity crisis. As a response, many held on to the belief that “not everything was bad” under communism and that “West German democracy” was not for them.

THE STUDY Sind wir ein Volk? documents basically the same attitudes 25 years on. It demonstrates that, compared to West Germans, East Germans tend to be more distrustful of politics, less satisfied with the way democracy works, and less ready to acknowledge the Federal Republic of Germany (FRG) as their political system. Only about 50% of East Germans feel at home in the FRG. One aspect of this seemingly persistent east-west divide has to do with memories. It is important to distinguish between the GDR political system and the people within that system. Certainly, the GDR was a dictatorship. However, when East Germans today claim that not everything was bad in the GDR, it does not necessarily mean that they are lending support to the former communist regime. People have the right to remember and feel a sense of longing for their youth, their workplaces and their everyday life — even if they took place during a dictatorship.

At the same time, Ostalgie (nostalgia for the former East Germany) is not entirely unproblematic. In recent years, German political scientists have warned about a retrospective glorification of the GDR. The dark sides are downplayed — like the Stasi, the repression, and the unjust sentences. Other aspects are idealized. Life in the GDR was supposedly better than in post-Wall Germany. When polled in 2009, some 49% of East Germans ascribed to this view. The problem with such an apologetic orientation is that it mixes criticism of the GDR with criticism of individual life biographies. In order to preserve their self-respect, many East Germans rebuff the notion of the GDR as an “illegitimate state.” Thus, GDR nostalgia has to do with a perceived threat of a (West German) depreciation of their life experiences, not with support for state socialism.

ON AVERAGE, 82% of East Germans (and 90% of West Germans) are committed to democracy, regarding it as the best form of government. Thus, very few support autocratic regime alternatives. Rather, dissatisfaction is related to what the political system actually delivers in terms of jobs and social welfare. For a long time, wages, old-age pensions, and pensions for stay-at-home mothers have been different in the two parts of Germany. When asked about the way democracy actually works, only 32% of the East Germans are satisfied.

Herein lies perhaps the real problem. Concerned voices in Germany and elsewhere have stressed that political discontent often comes with a lack of trust, lack of tolerance, and lack of respect for human rights. In the summer and fall of 2015, the news media reported on repeated attacks on refugee shelters, particularly in the eastern parts of Germany. We should be careful to not underestimate such developments. When political dissatisfaction turns to hatred, democracy is at risk — in eastern Germany and elsewhere in Europe.

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