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The mission of the journal is to create a modern platform of full value for discussion, exchange of international and national experience and specific knowledge among professionals in the field of Public Administration; for working out and further correcting the development strategy of public and municipal administration.

The editorial policy is to provide a very clear emphasis on the specific subject along with a focus on the interconnection of the proper public administration problems with the relative economic, legal, political science and managerial problems, including the interaction of the state and civil society.

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INTRODUCTION BY THE GUEST EDITOR

The Special Issue is prepared in accordance with the decision of the journal's Editorial Board to support research in the area of governance in BRICS, ASEAN, and Eurasia Union countries, and to provide the analytics related to projects such as Silky Way, the Bank of Development (BRICS), and energy generation and distribution (including electric and pipelines) projects.

The process of collecting the articles and communicating with the authors of this Special Issue was conducted in close collaboration with our counterparts, such as the Kennan Institute (Woodrow Wilson Center, USA) as our leading partner for the Special Issue, the Expert Group for Public Governance in BRICS countries (Fudan University, China), and the Network of Institutes and Schools of Public Administration of Central and Eastern Europe (NISPAcee). We appreciate the valuable organizational assistance and encouraging exchange of thoughts from our partners and their will to share with us their advice and contacts with potential authors, which demonstrates their interest in the subject of this Special Issue.

The Special Issue consists of ten items, including articles from Indonesia, Macao, Kazakhstan (two articles), and Bulgaria. Russia is represented by articles from Saint Petersburg State University (two articles), Ufa State University, the National Research University (MPEI), and the NRU HSE (two articles). The thematic of the Special Issue is distributed according to next directions:

- Governance in the area of international projects (Silky Way) - Svetlicinii, Alexandr. China's Belt And Road Initiative and The Eurasian Economic Union: "Integrating The Integrations";
- Governance of energy services in the European Union (Bulgaria) and the problems in the implementation of the energy project "East-West" due to the specific regulations of the energy markets in the European Union - Andreeva, Lyubimka. The Regulatory Model of Energy Services' Governance in the EU;
- Expert support of decision-making in ATR countries - Ruban, Larissa. Expert Assessment of the Situation in the Asia-Pacific Region by Scholars, Businessmen and Decision Makers;

- The sectoral inter-regional cooperation and integration of the countries of a region in the area of agriculture – Sayabek, Ziyadin & Kabysheva, Natalia. The Basis for Initiating the Eurasian Integration of the Agricultural Sector;
- Management in the area of trade agreements – Fedorov, Nikolai. A New Policy Towards Vietnam? The State Administration of the Russian Federation and a Realization of the Free Trade Agreement between the EAEU and Vietnam;
- Administrative reforms and the National systems of government in the countries of a region - Smorgunov, Leonid. Inclusive Growth and Administrative Reform in the BRICS Countries; Suleimenova, Gulimzhan & Karamalayeva, Zukhra. Assessing Civil Servants Training Needs: The Case of Kazakhstan; Zulkarnay, Ildar. Why Russia has been moving again from Federalism to Unitarianism?
- Some trends in regional New Public Governance (participation and mass media attribution - Sungurov, Alexander & Tiniiakov, Daniil. Russian Administrative Reform: Better Outcomes Through Broader Participation; Aqli, Zanai. Mass Media Attribution to Local Government Infrastructure Performance.

As Guest Editor, I would like to express my deep appreciation to the authors for their patience and readiness to take into account the editorial comments that reflect the intent of our Journal to shape the systemic vision of different governance processes in the huge spaces of the region, from Eastern Europe to the Pacific Ocean, which has become an arena for innovation and rapid progress, and the source of new practices of governance.

Alexey Barabashev

CHINA'S BELT AND ROAD INITIATIVE AND THE EURASIAN ECONOMIC UNION: “INTEGRATING THE INTEGRATIONS”

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Abstract

China's Belt and Road Initiative (BRI), officially unveiled in 2013, has been promptly placed among the top priorities of China's foreign policy. One of the BRI's cooperation priorities is unimpeded trade, which implies the improvement of the investment and trade facilitation and removal of the recurrent investment and trade barriers. Despite its apparent flexibility and openness to embracing existing regional and multilateral platforms, there has been little debate on the compatibility of the BRI objectives with the existing economic integration projects. The paper is aimed at enriching this debate by addressing the relationship of the BRI with the Eurasian Economic Union (EAEU), a regional economic grouping bringing together several of China's important BRI partners including Russia and Central Asian countries. The paper addresses the current progress in bridging the two grand economic projects and outlines the priority directions for further coordination between them.

Keywords: Belt and Road Initiative; China; Russia; Eurasian Economic Union; Central Asia; economic integration.

Citation: Svetlicinii, A. (2018). China's Belt and Road Initiative and the Eurasian Economic Union: “Integrating the Integrations”. *Public Administration Issues*, Special Issue (electronic edition), pp. 7–20 (in English); DOI: 10.17323/1999-5431-2018-0-5-7-20.

Introduction

The construction of the “One Belt and One Road” should implement an innovative cooperation model, which, at the current stage, is not a supranational mechanism, nor a model at the same level with the Customs Union or the Economic Union (Feng & Wang, 2015, p. 35).

The Chinese President, Xi Jinping, announced the launch of the Silk Road Economic Belt¹ at Nazarbayev University in Astana during his visit to Kazakh-

¹ The concept should not be confused with the US Silk Road narrative embraced by official Washington since 2011 when formulating its policy in Central Asia. (See e.g.: Laruelle, 2015a; 2015b; Peyrouse & Raballand, 2015).

stan in September 2013². The Maritime Silk Road was subsequently unveiled at the Indonesian Parliament in Jakarta during his visit to Indonesia in October 2013³. Jointly labelled as the “Belt and Road Initiative” (hereinafter: BRI), this cooperation initiative, if fully realized, would bring together over 70% of the world’s population, which accounts for about 55% of global GDP and has about 75% of discovered energy reserves⁴. The BRI has been promptly placed among the top priorities of China’s foreign policy, which were discussed at the Periphery Diplomacy Work Forum in October 2013, shortly after President Xi returned from his visit to Indonesia (see generally: Swaine, 2014; Swaine, 2015a). Chinese scholars analysing the media response to the BRI indicate a significant increase in BRI-related studies after the plans were crystallized in 2014 (Min Ye, 2015, p. 217; Swaine, 2015b).

On 28 March 2015, with the endorsement of the State Council⁵, the National Development and Reform Commission⁶, the Ministry of Foreign Affairs⁷, and the Ministry of Commerce (MOFCOM)⁸ jointly released the Action Plan on the Belt and Road Initiative⁹. The BRI Action Plan labels this initiative “a positive endeavour to seek new models of international cooperation and global governance”¹⁰. It specifies that the initiative “will abide by market rules and international norms” so that the market will play a decisive role in resource allocation¹¹. It calls for the development of the Eurasian Land Bridge via three economic corridors: China-Mongolia-Russia, China-Central Asia West Asia and the China-Indochina Peninsula¹². Some scholars have quickly labelled the BRI vision documents as Sino-centric “extension, consolidation and political elevation of pre-existing policy ideas and practice at the sub-national level in China” (Summers, 2016, p. 1634). After comparison with other initiatives such as the Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership, or the US-led New Silk Road, it was suggested that “China’s new Silk Road has long-built political and developmental aspirations in the region that could not be met with alternative frameworks” (Min Ye, 2015, p. 222).

² See Ministry of Foreign Affairs of the People’s Republic of China, *President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries* (7 September, 2013). Available at: http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1076334.shtml

³ See ASEAN-China Centre, *Speech by Chinese President Xi Jinping to Indonesian Parliament* (2 October, 2013). Available at: http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm. (See also: Yong Wang, 2016).

⁴ World Economic Forum, *What can the New Silk Road do for global trade?* (22 September, 2015). Available at: <https://www.weforum.org/agenda/2015/09/what-can-the-new-silk-road-do-for-global-trade/>. It is commonly regarded that in addition to China the BRI covers 64 countries in South-East Asia, South Asia, Central and Western Asia, Middle East and Africa, and Central and Eastern Europe. (See: Wolff, 2016).

⁵ The State Council of the People’s Republic of China. Available at: <http://english.gov.cn/>

⁶ The National Development and Reform Commission. Available at: <http://en.ndrc.gov.cn/>

⁷ The Ministry of Foreign Affairs of the People’s Republic of China. Available at: http://www.fmprc.gov.cn/mfa_eng/

⁸ The Ministry of Commerce of the People’s Republic of China. Available at: <http://english.mofcom.gov.cn/>

⁹ State Council, *Full text: Action plan on the Belt and Road Initiative* (30 March, 2015). Available at: http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm

¹⁰ BRI Action Plan, Section I Background.

¹¹ BRI Action Plan, Section II Principles.

¹² BRI Action Plan, Section III Framework.

One of the BRI's cooperation priorities is unimpeded trade, which implies the improvement of the investment and trade facilitation and removal of the recurrent investment and trade barriers. The BRI Action plan also provides for the opening of free trade areas (Lin, 2015). The countries along the BRI are encouraged to enhance customs cooperation and to ratify and implement the WTO Trade Facilitation Agreement¹³. The initiative calls for the lowering of non-tariff barriers, improving the transparency of technical trade measures, enhancing trade liberalization and facilitation¹⁴.

What are the cooperation mechanisms envisaged by the BRI in order to achieve the aforementioned objectives? What sort of regulatory framework should be established for the legal support of the BRI connectivity projects? The BRI Action plan provides for engagement in the bilateral and multilateral cooperation mechanisms.

This echoes the approach adopted at the 18th National Congress of the Communist Party of China: "Multilateral, bilateral, and regional opening ups and cooperation are the three important pillars of the Chinese foreign economy, trade, and cooperation" (Feng & Wang, 2015, p. 57). For some scholars this means a platform for further dialogue and cooperation on many levels, engaging, if necessary, the existing governance structures, which is not a union or new organization with supra-national structures¹⁵. As noted by President Xi in his keynote speech "Towards a Community of Common Destiny and A New Future for Asia" delivered at the 2015 Boao Forum for Asia¹⁶ in Hainan, "To develop the Belt and Road is not to replace existing mechanisms or initiatives for regional cooperation. Much to the contrary, we will build on the existing basis to help countries align their development strategies and form complementarity"¹⁷.

While the buildup of the BRI cooperation platform and mechanisms is still an ongoing process, the contributions from various stakeholders (governmental and non-governmental, national and multinational, public and private) in various disciplines can contribute to their development. While the implementation of the BRI has been addressed in academic circles of political science (Blanchard & Flint, 2017), international relations (Yong Wang, 2016), economics and business (Haiyue Liu, Yingkai Tang, Xiaolan Chen & Poznanska, 2017), relatively little attention has been accorded to the legal foundations for the envisaged cooperation mechanisms (Wolff & Chao Xi (eds), 2016; Wang, 2017). While the bilateral interaction of individual countries with China within the framework of BRI cooperation have been discussed in comparative

¹³ Trade Facilitation Agreement, Protocol amending Annex 1A of the Marrakesh Agreement to add the Trade Facilitation Agreement, 27 November 2014 (negotiations concluded December 2013). Available at: https://www.wto.org/english/tratop_e/tradfa_e/tradfa_agreeacc_e.htm. See e.g.: Eliason, 2015; Heng Wang, 2014.

¹⁴ BRI Action Plan, Section IV Unimpeded Trade.

¹⁵ This language of the "platform development" has been echoed in the Macao SAR Five Year Development Plan (2016–2020), which expressly mentions the influence by the BRI and the China's Five Year Plan. Available at: http://www.cccmtl.gov.mo/files/plano_quinquenal_pt.pdf

¹⁶ Boao Forum for Asia. Available at: <http://english.boaoforum.org/>

¹⁷ The full text of the keynote speech given by Chinese President Xi Jinping at the Boao Forum for Asia Annual Conference 2015 is available at: http://news.xinhuanet.com/english/2015-03/29/c_134106145.htm

length¹⁸, the discussion on its interaction with the existing economic integration projects¹⁹ has not yet been sufficiently developed. The present paper is aimed at enriching the debate by addressing the relationship of the BRI project with the Eurasian Economic Union (EAEU), a regional economic grouping bringing together several of China's important BRI partners.

The Eurasian Economic Union: the Grand Narrative of Eurasian Integration

It is this narrative of a functional, rules-based integration that explains the EAEU's appeal to various European politicians, officials and experts. In looking for pragmatic solutions to tensions between Russia and the EU, some believe that the EAEU may contribute to the creation of the much coveted ideal of a 'free trade area from Lisbon to Vladivostok' that could act as a ready-made 'tool for peace and prosperity' (Dragneva & Wolczuk, 2017).

The origins of the EAEU should be traced back to 1999 when the Russian Federation and the Republic of Belarus entered into an agreement to establish a union between the two countries.²⁰ By 2000, the project had been joined by the Republic of Kazakhstan, the Kyrgyz Republic and the Republic of Tajikistan transforming it into the Eurasian Economic Community (EurAsEC)²¹. This economic integration had been prompted by, among other things, the disastrous impact of the market-oriented economic policies on the post-Soviet economies (Dzarasov, 2016). The next step envisaged by the members of the EurAsEC was the creation of the Common Economic Space, which was supposed to include Russia, Belarus, Kazakhstan and Ukraine. This initiative, however, was short-lived due to the "orange revolution" in Ukraine in 2004 (Katchanovski, 2008). As a result, the 2007 Agreement establishing a Customs Union was concluded by Russia, Belarus and Kazakhstan²². The Agreement established the Customs Union Commission in order to monitor and foster the processes of economic integration. In January 2010 the common customs tariff

¹⁸ See e.g.: Ghouri, A. (2016). Towards Greater Integration? Legal and Policy Directions of Chinese Investments in Pakistan on the Advent of the Silk Road Economic Belt. *Chinese Journal of Comparative Law*, vol. 4, no 1, pp. 36–68; Embong, R.H., Evers, H.-D. & Ramli, R. (2017). One Belt, One Road (OBOR) and Malaysia: A Long-Term Geopolitical Perspective. *Institute of Malaysian & International Studies Universiti Kebangsaan Malaysia, Working paper No. 5/2017*. Available at: <https://ssrn.com/abstract=3004655>; Gorski, J. (2016). PRC's Co-Operation with Central and Eastern European Countries in the Context of the One Belt One Road Initiative. The Case of 2016 Comprehensive Strategic Partnership between the PRC and Poland. *Chinese University of Hong Kong, Centre for Financial Regulation and Economic Development, Working Paper No. 19/2016*. Available at: <https://ssrn.com/abstract=2837546>

¹⁹ See e.g.: Haitao Huang, (2017). The Role of Trust in China-ASEAN Relations – Towards a Multi-Level Trust Building for China and ASEAN. *International Journal of China Studies*, vol. 8, no 1, pp. 45–59.

²⁰ Treaty on the Establishment of a Union State between the Russian Federation and the Republic of Belarus of 8 December, 1999.

²¹ Treaty on the Establishment of the Eurasian Economic Community of 10 October 2000.

²² Agreement concerning the creation of the united customs territory and the creation of the customs union of 6 October, 2007.

was implemented at the external borders of the Customs Union. The Eurasian Economic Commission, the first supra-national organization established in this region after the disintegration of the USSR, was headquartered in Moscow. The year 2015 saw the establishment and the enlargement of the EAEU to also include the Republic of Armenia and the Kyrgyz Republic. On 29 May 2015 the EAEU concluded its first free trade agreement – with the Socialist Republic of Vietnam²³. Today the Eurasian Economic Union (EAEU) brings together 182 million people; it occupies first place in crude oil (14.6%), second place in natural gas (18.4%), sixth place in coal (5.8%), fourth place in electricity generation (5.1%), and fifth place in steel (4.5%); it has 1,605,000 km of roads (fifth place or 2.5%), and 107,000 km of railroads (first place or 7.8%)²⁴.

Decision-making in the EAEU Commission is largely consensus-based with the limited use of qualified majority voting for low level decisions, which on one hand slows down the efficiency of decision-making but on the other relieves the dominance of the bigger players such as Russia (Roberts & Moshes, 2016). For example, while the EAEU framework contains common competition rules, their enforcement is heavily reliant on the cooperation of the national competition authorities of the member states, which can obstruct the prevention and prohibition of anti-competitive business practices that may have cross-border effects on EAEU trade (Rudomino & Zakharov, 2014). As a result, the supra-national structures of the EAEU are heavily reliant on the commitment of the national governments while the ideas for supra-national parliamentary integration within the EAEU²⁵ have not yet found any significant support from the political leadership of its members.

Since its establishment, the EAEU has been followed by the discussion as to the profitability of this economic integration for each of its members, which are different in size, population and the specifics of their national economies. Generally, it can be argued that Russia's EAEU partners have benefited from the customs union, economically at least, in the following ways: the redistribution of customs tariffs (See calculations: Andronova, 2016, p. 9) and the increasing use of their transport infrastructure for the transit of Chinese exports towards the EU. The EU/US-Russia confrontation over Ukraine (Neuwirth & Svetlicinii, 2016) and Russia's ban on food imports from the EU/US and Ukraine benefited EAEU members such as Belarus, which significantly increased its food exports into Russian markets. There is also evidence of the relocation of Russian companies to Kazakhstan and Belarus due to lower taxes and lower administrative burdens in these jurisdictions (Andronova, 2016, p. 11).

At the same time, the volumes of intra-EAEU trade are currently decreasing. For example, when compared to the period 2000–2014, the share of EAEU trade in the trade volumes of its members has been falling: Russia (7.7% to 7.1%),

²³ Free Trade Agreement between Eurasian Economic Union and Its Member States and the Socialist Republic of Vietnam of 29 May 2016. Available at: https://docs.eaeunion.org/docs/ru-ru/0147849/itot_02062015

²⁴ See: Eurasian Economic Commission. Available at: <http://www.eurasiancommission.org/ru/Pages/ses.aspx>

²⁵ See e.g.: Naryshkin, S. (2012). *Eurasian integration: parliamentary direction*, 4 October. Available at: <http://izvestia.ru/news/536755>

Kazakhstan (20.8% to 18.4%), Belarus (58.6% to 23.8%) (Ibid., p. 14). In 2013, the transit volumes in Russia and Belarus fell, while in Kazakhstan they were on the rise. It was suggested that the transport sector of the EAEU needs a new impulse, which should be realized through the development of the transit corridors (Panteleev, Pochtarev & Chalaja, 2015). EAEU trade can be also characterized as Russia-centered since the trade amongst other EAEU members remains marginal. For other EAEU members Russia is the largest trading partner while China is ranked second (Ustyuzhanina, 2016). Interestingly enough, the EAEU did not undertake any significant steps towards the development of the internal transport infrastructure, which would facilitate trade flows within the EAEU. While the establishment of the customs union had a positive effect on the volumes of mutual trade (between 2000 and 2013 it grew by 37%), lately it has been on the decrease due to the devaluation of the Russian currency and falling prices of the energy carriers (Ibid., p. 39). Among other problems of EAEU integration are the absence of diversified exports, the undeveloped transport infrastructure and low volumes of intra-EAEU trade (Kukushkina & Ostrovskaya, 2013).

Initially, the EAEU was regarded as a costly choice for Central Asian countries as their tariff rates in the customs union had been “russianized” i.e. increased up to levels of Russian tariffs. As a result, these countries lost a certain volume of imports from third countries to the benefit of Russian companies. However, after Russia’s accession to the WTO, the level of the tariffs fell by 40–50%. Additionally, the EAEU offered further economic benefits to its members in the form of free movement of labour and services, efforts to reduce non-tariff barriers and improve trade facilitation, etc. (Tarr, 2016, pp. 18–19). At the same time, it should be noted that beyond trade liberalization (reduction and unification of tariffs) there has been little coordination in other policy areas and the top-down approach adopted by the EAEU members for their economic integration has been at least partly responsible for stifling the innovation and competitiveness vis-a-vis other economic integration blocks such as the EU (Hartwell, 2016). The economic integration scholars have continuously voiced calls for further coordination of industrial policy by establishing an EAEU ministry of economy, creation of EAEU multinationals, and fostering coordination of heavy industries and agriculture (Andronova, 2016, pp. 18–19).

The situation in Ukraine has definitely affected both the prospects of further EAEU integration and the tensions amongst its members. For other members the accession of Ukraine could imply the dilution of Russia’s decisive influence. It was argued that for EAEU members, Russia is seen both as an unavoidable partner but also a threat (Roberts & Moshes, 2015, p. 13.). Russia’s ban on food imports from the EU/US and other countries (Neuwirth & Svetlicinii, 2015) was not supported by Belarus and Kazakhstan, with imports flowing through these two EAEU member states (Roberts & Moshes, 2015, pp. 14–15; Sakwa, 2016, p. 13). It was argued that for Armenia, Belarus, and Kazakhstan the value of the EAEU is significantly reduced if it undermines their relations with third countries (Roberts & Moshes, 2015, p. 18). After the Ukraine crisis and the deterioration in EU/US-Russia relations, the Asian vector received more importance as Russia turned to the East in an attempt to engage more with Greater Asia. As the EAEU was intended to grow from an economic to a geopolitical project, the events in Ukraine are an example

of how geopolitics have slowed down the economic development of this ambitious integrationist project (Wilson, 2016, p. 127).

There has also been a drastic change in the rhetoric and narrative of EAEU integration discourse: while prior to the Ukraine crisis it was an all-encompassing cooperation project “from Lisbon to Vladivostok” or even “from Vancouver to Vladivostok”²⁶, the confrontation with the West over Ukraine changed the dimension to “from Murmansk to Hong Kong” with Russia’s focus on its bilateral relations with China and the Shanghai Cooperation Organization (SCO) (Vysotskaya & Vieira, 2016, p. 570). Russia’s actions in relation to Ukraine prompted concerns over sovereignty and territorial integrity in other EAEU members. Nevertheless, despite these tensions, “this organizational format is probably the only way for the smaller states to restrain Russia’s actions as the regional hegemon” (Ibid., p. 577). The 2015 public opinion polls conducted in the EAEU member states indicated that citizens of Kyrgyzstan (86%), Kazakhstan (80%) and Russia (78%) overwhelmingly support the Eurasian integration processes. The population of Armenia (56%) and Belarus (60%) demonstrated more skepticism towards EAEU development, while Tajikistan demonstrated the highest support for this regional integrationist project among the non-EAEU countries (Kudaibergenova, 2016, p. 105). In analyzing the diverging positions of the Eurasian optimists and Eurasian skeptics, it can be argued that the EAEU project is still justified by the current trends of shifting from a state-centered system to a global system with regional associations of states (Vasilieva & Lagutina, 2013).

The BRI and the EAEU: Aligning the Expectations

The dynamics of the world economy, which has entered the fourth industrial revolution, have raised the issue of “integrating the integrations”; the formation of common points of economic growth between the Eurasian Economic Union and the “Economic belt of the Great Silk Road” has huge prospects²⁷.

China’s experience in interacting with the EAEU countries as a group can be traced to the Shanghai Cooperation Organisation (SCO). All EAEU members are involved in the works of the SCO (Belarus is an observer state and Armenia is a dialogue partner). It was established in 2001 by Kazakhstan, China, the Kyrgyz Republic, Russia, Tajikistan and Uzbekistan²⁸. At the 2016 SCO Summit in Tashkent, India and Pakistan initiated their process of accession to the SCO, which

²⁶ As suggested by the Russian Minister of Foreign Affairs, Sergey Lavrov, “The new union will be open for interested countries to join. We expect it to become a hub effectively connecting Europe and the Asia-Pacific”. Lavrov, S. (2013). State of the Union Russia-EU: Prospects for Partnership in the Changing World. *Journal of Common Market Studies*, no 51, pp. 6–12, at p. 10.

²⁷ Nursultan Nazarbayev, the President of Kazakhstan at St Petersburg International Economic Forum (17 June 2016). Available at: <http://kremlin.ru/events/president/news/52178>

²⁸ See Brief Introduction to the Shanghai Cooperation Organisation. Available at: http://en.scorussia.ru/about_sco/20140905/1013180761.html

has been completed at the 2017 SCO Summit in Astana (Kazakhstan)²⁹. Relations between the SCO and the forerunner to the EAEU, the EurAsEC, began in 2006 with the signing of a memorandum of understanding between the executive secretariat of EurAsEC and the permanent secretariat of the SCO³⁰. As discussed above, the EAEU was initially envisaged as an economic union, leading to further political alignment of its member states. The SCO, on the other hand, first emerged as a peace-building and border disputes resolution mechanism. The institutional structures of the two organizations are also quite different as EAEU encompasses two supra-national institutions (the Eurasian Economic Commission and the Court) while the SCO functions on an intra-state level through periodic meetings.

China has already attempted to promote greater economic integration through the SCO but with limited success as the organization continued to focus primarily on security issues. Since China will continue promoting economic integration in Eurasia, which will involve the EAEU states, it was argued that further coordination between the EAEU and the SCO is inevitable and should be encouraged (Yu Bin, 2015). For example, in 2015 the EAEU and the SCO held a joint business forum in St Petersburg where they launched a proposal concerning the development of a common digital space between the members of the two organizations³¹. At their 2016 summit the SCO leaders reaffirmed their support for the BRI and expressed their interest in developing further cooperation along the Great Silk Road in various areas: public health, science and technology, education, environment protection, sports, tourism, and the study and preservation of cultural and natural heritage³². Some scholars believe that the significant attempts to establish a meaningful cooperation between the SCO (a primarily security-oriented organization) and the EAEU (economic integration) could eventually lead to the establishment of a comprehensive Silk Road Union (Kembayev, 2016).

The economic cooperation dialogue between China and the EAEU commenced prior to the announcement of the BRI. On 6 December 2012 the EAEU Commission and the MOFCOM concluded a Memorandum of Understanding concerning cooperation in trade matters³³. A decision to start formal negotiations between the EAEU and China on the conclusion of a comprehensive product and transport vehicle in-

²⁹ See Decision of the Council of Heads of Member States of the Shanghai Cooperation Organization on Signing the Memorandum of Obligations of the Republic of India with the Aim of Obtaining the Status of the Member State of the Shanghai Cooperation Organization; Decision of the Council of Heads of Member States of the Shanghai Cooperation Organization on Signing the Memorandum of Obligations of the Islamic Republic of Pakistan with the Aim of Obtaining the Status of the Member State of the Shanghai Cooperation Organization.

³⁰ Eurasian Economic Community, Memorandum of understanding between the executive secretariat of EurAsEC and the secretariat of the Shanghai Cooperation Organisation (8 May 2006). Available at: <http://www.evrases.com/docs/view/299>

³¹ Eurasian Economic Commission, Development of common digital space opens a new dimension of cooperation between Eurasian Economic Union and Shanghai Cooperation Organisation (18 June 2015). Available at: <http://www.eurasiancommission.org/ru/nae/news/Pages/18-06-2015-1.aspx>

³² Information Report on the Outcomes of the Meeting of the Council of Heads of Member States of the Shanghai Cooperation Organization (23–24 June 2016, Tashkent, Uzbekistan). Available at: <http://www.mfa.uz/en/press/scouzbekistan/sconews/7738/>

³³ Memorandum of Cooperation in Trade Matters between the Eurasian Economic Commission and the Ministry of Commerce of the People's Republic of China (6 December, 2012). Available at: <http://www.eurasiancommission.org/ru/act/trade/dotp/memorandymi/Documents/Mem4.pdf>

formation exchange agreement was taken at the end of 2014³⁴. In a joint statement released on 8 May 2015, the EAEU Commission and the MOFCOM announced the launch of negotiations for the conclusion of the trade and economic cooperation agreement between China and the EAEU³⁵. It should be noted, however, that the free trade arrangement between China and the EAEU can currently only be achieved in relation to trade in goods, as the trade in services and the coordination of such with third countries is left by the EAEU Treaty to its member states³⁶.

On 8 May 2015 Russia and China issued a joint statement concerning cooperation for conjunction of the EAEU and BRI, where Russia expressed its support for BRI while China agreed with Russian efforts in developing EAEU economic integration³⁷. The parties agreed to cooperate on a bilateral level as well as through the SCO platform. The following directions for cooperation were mapped in the Joint Statement: (1) trade and investment facilitation; (2) joint investment projects; (3) enhancing infrastructure connectivity; (4) free trade agreement between the EAEU and China in a long-term perspective³⁸; (5) promotion of SMEs; (6) facilitation of payments in national currencies; (7) cooperation within the Asian Infrastructure Investment Bank, Silk Road Fund, SCO Interbank Consortium; (8) global trade and investment governance. The commitment to docking the BRI with the EAEU was reaffirmed by both parties during President Putin's visit to Beijing in June 2016³⁹.

Despite the rapid developments in BRI-EAEU dialogue, the scholars have noted the differences in approaches towards the BRI by the two leading counterparts: Russia and China. In Russia, the Silk Road has traditionally been regarded as a transport infrastructure connecting East and West where Russia would play a key role as the

³⁴ Eurasian Economic Commission, Decision on initiation of negotiations with the People's Republic of China regarding conclusion of an agreement on exchange of information regarding goods and vehicles of international carriage carried across customs borders between the customs union and the People's Republic of China. (7 October, 2014). Available at: https://docs.eaeunion.org/docs/en-us/0143556/clcd_07102014_186

³⁵ Joint Statement of the Eurasian Economic Commission and the Ministry of Commerce of the People's Republic of China (8 May 2015). Available at: http://www.eurasiancommission.org/ru/act/trade/dotp/SiteAssets/dostup/6.1.%20%D0%A1%D0%BE%D%B2%D0%BC.%D0%B7%D0%B0%D1%8F%D0%B2%D0%BB%D0%B5%D0%BD%D0%B8%D0%B5_%D0%A0%D0%A3%D0%A1.pdf

³⁶ EAEU Treaty, Article 38. See also Gonzalo Villalta Puig, "Unimpeded Trade? The Significance of Free Trade Areas to the Belt and Road Initiative of the People's Republic of China" in Christian Wolff and Chao Xi (eds.) *Legal Dimensions of China's Belt and Road Initiative* (Kluwer, 2016), pp. 103–138.

³⁷ Joint Statement of the Russian Federation and the People's Republic of China on Cooperation in Conjugation of Construction of the Eurasian Economic Union and the Silk Road Economic Belt (8 May 2015). Available at: <http://kremlin.ru/supplement/4971>. This statement was issued during Chinese President's visit to Moscow to attend Russia's Victory Day parade. However, it was noted that this declaration was signed by Russia unilaterally even though the presidents of Kazakhstan and Belarus were also present in Moscow at that time. See: (Wilson, 2016), p. 116.

³⁸ It has been argued that the formulation of the free trade area should be regarded as at most medium-term or even a long-term goal of the BRI. See: (Zeng, 2016).

³⁹ Ministry of Foreign Affairs of the People's Republic of China, *Xi Jinping Holds Talks with President Vladimir Putin of Russia Both Heads of State Stress Unswerving Commitment to Deepening China-Russia Comprehensive Strategic Partnership of Coordination* (25 June 2016). Available at: http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1375791.shtml. On 16 June 2016 the EAEU Commission and the NDRC have concluded the Memorandum of Understanding on cooperation in the field of competition policy and anti-monopoly regulation. See Eurasian Economic Commission, *EEC Minister Nurlan Aldabergenov signed a Memorandum of Mutual Understanding on antitrust policy and antitrust regulation with the National Development and Reform Commission of China in Beijing* (16 June 2016). Available at: <http://www.eurasiancommission.org/en/nae/news/Pages/16-06-2016-3.aspx>

bridge connecting these two parts of the world. The EAEU from the outset had a dualist nature: on one hand it was seen as an extension of “greater Europe” from “Lisbon to Vladivostok”⁴⁰, but with the rise of China it also received a strong Asian vector (Sakwa, 2016, p. 5). For China, however, the BRI is primarily a “belt” rather than a “road”, meaning a space of economic development and prosperity where highly developed states are engaged in an intensive trade exchange (Makarov & Sokolova, 2016 pp. 48–50). What makes the 21st century Silk Road different from the ancient one is that today this road passes through sovereign states with different political and economic objectives. As a result, one of the few issues that all of these Central Eurasian states have unanimously supported was the improvement of border management (Diener, 2015). Since the BRI is essentially based on the increase of various flows (goods, services, and people) across those borders, this will present a tremendous challenge for those states inclined to protect their territorial sovereignty. In this sense, the builders of the BRI will have much to learn from the positive experience of the EAEU, which at least shares a common history of such flows in the modern era and has to a certain degree progressed in this direction (free flow of goods, no visa regimes, abolition of border controls, etc.).

It should be also noted that the establishment of the EAEU was based on WTO standards and used the EU model of institutional integration (EAEU Commission and EAEU Court) to indicate the potential of establishing a free trade zone with the EU (Kukushkina & Ostrovskaya, 2013). A hastening in recognition of the EAEU by the EU would be achieved by the accession of Kazakhstan⁴¹ and Belarus to the WTO. With the expansion of EU-China trade exchanges, the EAEU may lose sense as a common economic space. But, the success of the BRI will also rest on a good Russia-China relationship. If these are to deteriorate, “Russia will employ conflictual policies towards the countries of the Eurasian periphery to increase the costs of their rapprochement with China” (Samokhvalov, 2016). It should be noted that despite the current cordial relations between Russia and China, China’s rising power and its overwhelming economic capabilities in comparison with Russia create a growing power disparity and the maintenance of some sort of equilibrium in Russian-Chinese interactions is a challenge (Wilson, 2016, p. 114. See also: Grigorenko, Klyuchnikov, Gridchina, Litvinenko & Kolpak, 2016). This serves as another argument in favour of engagement with Russia through the EAEU.

When discussing the rationale of other post-Soviet states that have not joined the EAEU project (Georgia, Moldova, Ukraine, Azerbaijan, Uzbekistan, Turkmenistan) one should note their attempt to avoid Russian influence. But for most of these states the Russian vector is unavoidable so they will inevitably be involved in some sort of economic integration with Russia or its regional initiatives (see e.g.: Korosteleva, 2015). At the same time, all of the above countries have expressed their interest in taking part in BRI projects. It was argued that in this context the institutionalization of this process will provide for more stability in the regional policies of the post-Soviet states but does

⁴⁰ On 14 August 2012 Russian President Vladimir Putin at the meeting with the Russian diplomats has called for the establishment of the common market from Atlantic to the Pacific. The transcript of the speech is available at: <http://kremlin.ru/events/president/news/15902>

⁴¹ Kazakhstan becomes the WTO’s 162nd member on 30 November 2015. Available at: https://www.wto.org/english/thewto_e/acc_e/a1_kazakhstan_e.htm

not create conditions for long-term, sustainable development of these projects (Skriba, 2014, p. 95). The BRI should be able to provide such long-term perspective.

Conclusion

For physical infrastructure to be successful, there is a parallel system of soft infrastructure – laws, policies, practices, and standards – that are less easily installed and monitored than physical structures but every bit as important if the physical infrastructures of transportation, communication, and energy are going to be successful (Gleason, Hanks & Bosin, 2009, p. 276).

The EAEU, the SCO and the BRICS group (Brazil, Russia, India, China, and South Africa) (see generally: Neuwirth, Svetlicinii & De Castro Halis (eds), (2017)) have been regarded as “the embryo of post-Western order” (Sakwa, 2016, p. 18) and the BRI led by China engages numerous members of these economic and political groupings. Up until now, BRI development has been pursued primarily on a bilateral level between China and the interested countries along the envisaged BRI routes. It was argued that the BRI should be viewed primarily as a cooperation platform rather than a formal economic integration model like the EU or the EAEU (see: Yang Cheng, 2015, p. 285). Nevertheless, despite its apparent flexibility and openness to embrace the existing regional and multilateral platforms, there has been little debate on the compatibility of the BRI objectives with the existing economic integration projects. The present paper has been an attempt to address the possibility of integration of the BRI projects with the existing economic governance framework of the EAEU.

Both the EAEU and the BRI projects have been criticized for the stark inequality of the participating members. The discrepancies in size among member states culminated in palpable state-centric concerns that the EAEU would facilitate Russian hegemony in Central Asia while the BRI and SCO could lay the foundation for Chinese dominance (Gatev & Diesen, 2016, p. 146). For the same reasons it could be beneficial for the EAEU members to act together as a stronger negotiating partner with China, and for China it could be a faster step towards a single tariff and single customs zone of the EAEU (Ibid., p. 139).

When discussing Eurasian economic integration, Russian scholars noted that one of the intellectual problems of the EAEU is that Russia was always clear about *what* it builds but not *why* it builds these structures, and the EAEU project has never been properly addressed by Russian high-ranking officials (Bratersky, 2016, p. 67). As was suggested above, the true intentions and possible implications of the BRI project go far beyond economic rationale. In this sense, the promoters of the BRI could learn from the EAEU experience and make sure that non-economic objectives are clearly presented, widely publicized and accepted by the countries that join the initiative.

As demonstrated above, the envisaged BRI encompasses all EAEU members, which make the interaction of these two economic cooperation and integration platforms inevitable. The scholars have outlined various directions for EAEU develop-

ment along the BRI such as: integration in the transport and logistics infrastructure of Eurasia, the strengthening of trans-border industrial cooperation, and the enhancement of economic integration up to the establishment of the comprehensive Eurasian union (Makarov & Sokolova, 2016, p. 52). Regardless of its actual path, the “integration of integrations” in the case of the BRI and the EAEU is a reality and further academic debate on their conjugation should be encouraged.

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THE REGULATORY MODEL OF ENERGY SERVICES' GOVERNANCE IN THE EU

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Abstract

Over the past few decades there has been a significant change in the way we view the development processes of energy services governance in the European Union (EU) and on a national level. The latest analysis has shown that, after the processes of liberalization and deregulation, the former exceptions to the rules of competition in Europe begin to assume different corporate forms, instead of the purely public enterprise, making a shift in the direction of the regulated mixed-economy. From this point of view, the aim of the article is to present an overview of the new public governance approach to delivering electricity services in the EU (the regulatory state) and the effect of it, particularly in the Bulgarian energy sector – the electricity market. The European regulatory model of energy services is a relatively new approach which appeared in the last two decades of the 20th century and it is part of the wider debate about the liberalization of electricity services in the EU. It is going to be used alongside a combination of approaches including institutional, normative and expert analysis in order to better understand the model of regulations in the EU. The results of the paper could help both theoreticians and practitioners to note the fact that the paradigm of supplying energy services nowadays has changed. This leads to different challenges in contemporary public governance as well as on a national level, in which the main goals are to protect the public interest on the one hand, and to facilitate competition on the other.

Keywords: European Union; Regulations; Governance; Energy Services; Services of General Interest.

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Introduction

The governance of public services in Europe underwent significant changes during the last two decades of the twentieth century. Public services, such as energy services, and the relative processes of privatization, liberalization, deregulation or nationalization have been a subject of intense debate among po-

litical leaders from the public governance area, economists and practitioners in Europe for many years. Therefore, ideas on how to manage public utilities have often changed and practical solutions chosen for it have also undergone significant changes over time. Nowadays, we are witnessing a renewed debate on the appropriate option for governance of the provision of public services in Europe. Privatization and liberalization processes have begun to dominate. Furthermore, in the European Union we see “the creation of internal market facing a new paradigm change that will lead to a future power system that is very different from the present one. Intense political oversight and intervention are already taking place in the form of all sorts of new energy policies, and much more is anticipated. In the future, the criteria of security and sustainability will have at least the same priority as efficiency in the regulatory design” (Pérez-Arriaga, 2013). This makes “European integration an ideal issue to study the framing strategies of political actors and to the sphere of economic affairs” (Hoeglinger, 2016). In this regard, the purpose of the article is to clarify the newest aspect of energy services governance and its challenges in the European Union in the 21st century, the emergence of the so-called Regulatory state, and how much can be discussed about the effective regulation of these services at national level, as a consequence of this change. The reason for pointing out these questions is not accidental. From a historical point of view, managing public utilities has only ever been subjected to one of the two power regulators – the State or the Market. This model is characterized by the fact that it gives priority either to State or Market regulation, often relying only on one of them to produce an overall effect of governance. In Europe, the provision of public goods and services has been predominantly the traditional mode of economic regulation over time. However, subsequent experience has demonstrated that the public provision doesn't provide the overall effect for its implementation. The reasons for this are obvious – “the nationalized enterprises combine the worst of two worlds – the lack of a long-term strategy on the provision of public goods and services and constant government intervention in their activities. In this regard, the idea of imposing effective governance control over nationalized enterprises proved so intractable that the main objective for which they had been allegedly created – the regulation of the economy in the public interest – was almost forgotten” (Majone, 2010). Indeed, it should be noted that at European level, the nationalization failed not only as a mode of economic regulation, but also with respect to the socio-political objectives of consumer protection. The same can be said about the functioning of the market. According to liberal ideas, the market is usually considered as the perfect regulator of the exchange of goods and services. This is also the policy of neoliberalism of the 1980s, which suggests that the market itself can meet the needs of society even when its weaknesses need to be “repaired”. However, some public services, such as energy services (or services of general interest – SGI, as they are known in Europe) cannot be subject only to market allocation mechanisms because the market price is too high for consumers with low purchasing power or because the cost of providing these services could not be covered by the market price. A majority of economists in this period “recognized that the sector of public utilities presented some sort of market

failure (even though this precise term was not used for a long time) and therefore had to be somehow supervised by public hand. This did not imply that public enterprise should be chosen over private enterprise. Two main arguments, typical of the then liberal position, were raised against public enterprise: on the one hand, there were doubts on the opportunity to expand the role of the state, seen as limiting the space of individual autonomy: on the other hand, there was some sort of scepticism on the ability of a public enterprise to be efficient, being too prone to bureaucratic behaviour” (Bognetti, 2008). This total reformulation of priorities has led to a change in thinking and understanding of policies and governance of services of general interest nowadays. The traditional approach based on the State supply of services has been replaced by the new one – the Regulatory State. This happened during the latter two decades of the last century, when the traditional “natural” State monopolies, such as the energy sector, began to assume different corporate forms, instead of the purely public enterprise. It should be noted, however, that the change in the concept of governance in the delivery of public services does not imply that the State disappears completely and is replaced by the rules of the Market, but only that it changes its role. Today, public authorities are beginning to delegate their responsibility to the private sector. Governmental authorities limit their own roles regarding regulation, including defining public goals, monitoring, and when it is necessary financing services. The State has become one of the many political partners, its place and role depending solely on the power resources inherent within it. The political power itself from a vertical relationship becomes a horizontal, depending on different partner's' interest. So, what has changed now is the way in which public authorities fulfill their responsibility to society. As Majone said, what preceded the contemporary EU state is not some pure laissez faire regime but another regulatory state. Regulations are an instrument of European policy which aim to control the release of goods and services on the market with an emphasis on consumer rights. Even more, “now it is the new dimension to regulation—both in the content and role of the regulatory institutions—that must accompany the revolutionary challenge expected of power systems around the world in the next few decades to contribute to the transition to a sustainable energy model” (Pérez-Arriaga, 2013). This new dimension leads to different challenges in contemporary public governance in order to better understand the content and the role of the Regulatory state in the future. What is new now “is not only a question of markets versus governments. It is also not only the still open issues in the usual topics. Now it is the new dimension to regulation – both in the content and role of the regulatory institutions – that must accompany the revolutionary challenge expected of power systems around the world in the next few decades to contribute to the transition to a sustainable energy model. Power systems will have to be decarbonised, neighbouring electricity markets will merge or coordinate to cover larger geographical areas, large amounts of intermittent renewable generation will be deployed everywhere, information and communication technologies will be integrated at all levels in power systems facilitating demand response and advanced control schemes, new business models will appear and universal access to electricity supply will be (hopefully)

finally achieved” (Pérez-Arriaga, 2013). So current energy policy issues appear – are the electricity market and the existent regulatory model in Europe ready to meet the challenges of a sustainable energy model in the future, what kind of measures are appropriate for the functioning of electricity markets and what actually is the role of regulation and regulatory institutions during this process? From this perspective, the research is focused on two parts: 1) clarification of the regulatory model of governance for electricity services and its challenges in the EU in the 21st century, including the concept of services of general interest, as a core of the regulatory model in the EU, and 2) the effect of its approach, particularly in the energy services at the national level. The paper relates to the EU regulation of the electricity industry and discusses the most prominent opinions regarding regulatory design. It contains a regional aspect of this approach, based on the Bulgarian experience. The best way to introduce regulatory mechanisms and their design nowadays is to briefly review the theory of regulation and some basic terms that can be found in the literature. These are “regulation”, “regulatory state” and “regulatory authorities”.

Theories of Regulation. The Terms “Regulation”, “Regulatory State” and “Regulatory Authorities”

According to the most prominent findings, the development of regulatory governance in the EU went through several theoretical explanations, known in the literature as normative and positive regulation theory. The distinction between these is crucially important for understanding the present and future role of the EU as a regulatory regime. *Normative regulation theory* appeared in the middle of the last century, when most of the scientists from different areas considered market failures as a basis for the emergence of so-called normative or legal regulation. This theory refers to different types of market failures – failure of competition; negative externalities; information failures; insufficient provision of public goods and services, such as national defense; and the existence of “incomplete markets”, that need to be repaired. From the thirties, under the influence of the great depression, more and more economists were in favour of public enterprises. They considered that public intervention was the most appropriate way to meet the challenges of the power sector in this period. This sector exhibited the characteristics of natural monopolies hence public ownership was justified by the need to protect consumers from exploitation by private monopolies by imposing political power – some sort of legislation in order to meet the needs of society. However, the continuing experience demonstrated that public provision does not provide the overall effect for its implementation, mainly because of higher political influence over public enterprise. Therefore, as a counterpoint to normative theory a *positive theory of regulation*, which emerged in the 1970s, considers that regulation should not be based on increasing economic efficiency by correcting market failures, but by effectively redistributing wealth in society. According to Stigler, private markets are incomplete whenever they fail to provide goods or services even though the cost of providing them is less than what individuals are willing to pay. Thus, private markets have often failed to provide

public interest, and governments have undertaken a number of programs motivated by this particular market failure.

Gary Becker (1983) developed the theory of economic (positive) regulation by presenting the concept of “inert loss” – a measure of the inefficiency of redistribution relating to the difference between the winners' profits and the loss of those who were defeated by the regulation. Becker establishes an interesting link between economic and regulatory theory of regulation, arguing that regulation is necessary in terms of efficiency, since neither the winners nor the losers, according to the concept of inert loss, are irrational. That is why both positive and regulatory theories of regulation should be regarded as complementary rather than mutually exclusive theories. At the same time, while presenting certain critical insights, neither positive nor normative theories can explain the complex dynamics of the regulatory process – the reason why regulatory bodies are developing and working. This explanation is suggested by the institutional regulation theory.

Institutional regulation theory addresses the issue of the role of institutions in the process of controlling private operators in the production and provision of services to society. The majority of the work of the institutional theory of regulation is devoted to exploring “the political and bureaucratic networks through which public policy goals are translated”. The main component of the theory concerns the study of the delegation of power to “regulators”. Analysts of institutional theory support the assumption that regulators could only be monitored through a combination of effective control tools such as “full executive power; stringent procedural requirements; professional standards; public participation and judicial control. When such a complex system functions properly, no authority will be able to control the regulatory agencies independently and so surely the agencies will be placed under public control” (Moe, 1987). Some of the theoreticians working in the field of regulation in Europe have criticized the “institutional asymmetry” between positive and negative rules—an asymmetry which they believe a supranational social policy should correct. Their contention is that while the rules of negative integration, being primary (i.e., treaty-based) European law, are directly enforceable by the European Commission and Courts, policies promoting social protection and cohesion – positive integration – usually require intergovernmental agreement (in some cases unanimous agreement) and are therefore designed and implemented with much greater difficulty. There is indeed an asymmetry between primary and secondary rules but it is far from clear how or even whether, it should be corrected. The basic reason for this asymmetry is that heavily regulated national markets could not have been integrated without primary rules restricting the interventionist tendencies of national governments, and the protectionist temptations of both publicly-owned and private firms. Since the method adopted by the founding treaty makes the integration of national markets the starting point of a long march toward “ever closer union”, it follows that negative integration is a constituent, rather than a contingent, element of the grand strategy of the fathers of communitarian Europe. That is why in our opinion positive and normative theories should be viewed as complementary rather than mutually exclusive. For this reason it is necessary to underline the main characteristics of regulatory theory and its basic terms.

The Terms “Regulation”, “Regulatory State” and “Regulatory Authorities”

A) *The term “Regulation”*

The term regulation appeared in literature and in practice during the 1990s, when “the European Union and the Member States decided to gradually open the energy markets to competition” (Tsangaris, 2017). In the context of government and public services, regulation means establishing rules to control, but not to prohibit, an activity. Regulation can therefore be viewed as a compromise between prohibition (or more precisely command and control) and no control at all. Consequently, it is an expression of the exercise of authority through which the regulator (such as a government or the management of any given organisation) attempts to impose guidelines under the conviction that they will lead to a better result. In other words, it is a series of principles or rules (with or without the authority of law) used to control, direct or manage an activity, organisation or system. From a legal perspective, regulation can be defined as the rules based on and written in order to implement a specific piece of legislation. It is a form of secondary legislation issued by a government minister or a regulatory body under the authority of primary legislation, whose effective application it is meant to secure (Pérez-Arriaga, 2013). Moreover, regulation should aim to steer an industry’s performance towards improving “general welfare”, i.e. the collective benefit gained by consumers and operators. An industry’s performance can be measured in terms of consumer surplus, service availability, profitability and affordability, range of services offered, quality and degree of innovation. This means that the “instruments of quality regulation require reliable measures of the corresponding dimensions of service quality. What is being measured is obviously a quality indicator. The measured quality indicators describe the actual performance of the regulated company. This information is in itself sufficient to make the simplest instrument – data publication – effective” (Fumagali, 2017). Monopoly regulation “is justified by the need to prevent a monopolistic provider from overcharging consumers or delivering a service of unacceptable quality, given the loss of economic efficiency this would entail for society as a whole. So, regulation seeks to protect consumers from the market power that may enable monopolies and oligopolies to set unjustifiably high prices or lower the quality of their goods or services. Regulations limit the prices that companies can establish and set quality and service continuity standards as well as rules about service coverage. Regulators also participate in investment planning in a number of ways: the State may plan investment directly, for instance, or subject companies’ plans to administrative authorization” (Pérez-Arriaga, 2013).

Indeed, according to the literature, there are three basic meanings of the regulation.

- First, in the narrowest sense, the regulation means formulating a system of autonomous public bodies or other mechanisms for monitoring, investigation and enforcement of these rules. According to Selznick (1985) regulation is a constant and focused control of a public entity on activities that are considered important for the community. Creation of au-

- tonomous regulatory bodies came as a result of reform. This is the closest meaning of the concept.
- Second, the term regulation can be defined more broadly – as any type of state intervention in the economy or the private sector to lead them to achieve certain public purposes. This understanding goes beyond the development of rules and includes issues such as taxes, subsidies and public ownership. In this sense, regulation is one of the most comprehensive concepts in public governance.
 - Third, at the most aggregate level, regulation means any social control, including control mechanisms or actions of any kind. In contemporary research approaches regulation is associated with an understanding of the development of rules and standards – monitoring and evaluating, as well as the possibility of imposing sanctions and incentives. From this perspective, the regulation as a governance approach uses independent bodies to implement the above three. They are considered as an instrument of regulatory policy and the reason for their occurrence is the need to protect the public interest.

A definition of the regulation covering all the essential features of it was proposed in 1985 by Philippe Selznik. For the regulation, the American sociologist writes “a sustained and focused control exercised by a public agency, based on a legislative act, on activities that are generally considered desirable by the society” (Selznik, 1985). However, we need to keep in mind that the regulatory model of governance is not static. It evolves and changes according to the world dynamics and the changing needs of society.

B) The term “Regulatory State”

The term Regulatory State is much more narrowly defined than the regulation – contribute to the efficiency of the economy, to protect competition, consumers and citizens. The Regulatory state puts particular emphasis on its regulation at the expense of other instruments in the policy process. It is a State which sets rules rather than a state that collects taxes and spending budgets. Regulation is an instrument of the regulatory state whose aim is to control the release of goods and services on the market with an emphasis on consumer rights. This means that the regulation consists of at least three basic elements. These are – “the design of rules for steering agents’ behaviour towards the objectives defined by the regulator, the structure of the power industry, when market mechanisms are adopted, an appropriate business structure is generally needed and the supervision of agents’ behavior” (Pérez-Arriaga, 2013). The last one is the main job of the regulatory authorities.

C) The term regulators or regulatory authorities

The terms regulators or regulatory authorities are a product of the emergence of the model of the regulatory state. Regulators are specific bodies whose main tasks are: “to control the power and the influence of market players, to ensure fair competition, to protect consumers and citizens and to guide and implement regulation policy” (Andreeva, 2016). Usually regulatory authorities appear as a result of EU legislation. Mainly, there are three types of regulatory authorities – independent ministries agencies, independent regulatory commissions and independent advisory agencies.

- **Ministries and Ministerial Agencies**
The ministry “concerned is the part of the executive branch of government specifically responsible for the considered industry. Some countries have created agencies (under different denominations) associated with the respective ministry. These institutions operate with an independent budget, are independently managed and may be subject to separate legislation (because they are not subject to the rules governing civil service, for instance), although they are in one way or another ultimately subordinate to the ministry. Even so, ministerial agencies operate with relative independence in many countries.
- **Independent Regulatory Commissions**
Independent regulatory commissions (often called independent regulatory agencies, authorities, bodies, commissions or committees) are public bodies entrusted with regulating specific aspects of a given industry, a characteristic that distinguishes them from mere advisory bodies. Regulatory commissions share regulatory powers with other public institutions, the ministry concerned in particular, and are fairly free of short – term political influence. Their duties often include regulating grid access and determining grid and end-user tariffs. Regulatory commissions may have judicial or quasi-judicial powers, such as establishing fines and penalties for non-compliance or acting as arbiters in disputes between industry players. Some commissions are also explicitly mandated to protect end users and regulate entry and exit through licences, where the rights and obligations of the licensees are specified. Some commissions also intervene in the processes of authorization of mergers and acquisitions of companies in the particular sector. Independent commissions may be characterised by the degree of political independence and the extent of their authority. In addition to being vested with independence and specific powers, independent regulatory commissions share regulatory responsibilities with the competent ministry. Theoretically at least, decision making (the establishment of a general framework and rules) is generally left to the ministry, while the regulatory commission’s responsibility is to enforce the ministry’s rules and sometimes to develop them in detail. The boundary line between policy and regulation is blurred, however, and some overlapping is inevitable.
- **Independent advisory agencies**
Some countries have created independent advisory agencies. These institutions do not answer to the ministry, which cannot even revoke the appointment of agency members. While the terms of reference of their advisory mandate are broad, they are vested with no decision-making power in regulatory matters. They are often responsible for monitoring areas such as grid access and dispute settlement” (Pérez-Arriaga, 2013).

These three types of institution each have different powers. The most powerful are the independent regulatory commissions and the ministerial agencies; other institutions such as independent advisory agencies may also play a potentially significant role, albeit without legally regulatory powers. Furthermore, at European level the type of institution varied across Member States. For exam-

ple, in the Bulgarian energy sector the regulatory authority is the State Energy and Water Regulatory Commission (SEWRC).

At the same time, the implementation of the regulatory model varies in the different countries because of their specifics. However, at the current stage, at European level, the regulatory model refers to set a general rules and its implementation in order to protect consumer rights in the context of liberalization. From this point of view, the concept of services of general interest – access to goods and services under certain quantity, quality and price, plays significant role in understanding the contemporary European model of supplying energy services.

The Concept of Services of General Interest (SGI) as a Core of the Regulatory State in the Europe

Definition of the concept – general overview

It is often argued that the establishment of a *concept of services of general interest* in the European Union is difficult because the concepts vary in the different Member States. The problem of its definition and institutionalization is even more acute, since the efforts to establishment the internal market and the enlargement of Europe, involves the integration of new countries, which also have their own definitions of public services. Among the differences in approaches, however, there are common trends that help to build the concept of services of general interest at Community level.

From a historical point of view the development of the concept of services of general interest can be divided into two phases. The first phase covers the period from the Treaty of Rome (1957) to the early 1980s. During this period services of general interest were not defined (historically, the term “services of general interest” could not be found even in the Treaty of Rome) and remain outside the scope of the EU institutions. The reason for this is that European Community is characterized by no competence, resulting from European legislation, and no common term. In practice, the regulation of services of general interest in this first phase remains the responsibility of the Member States, whose main task is to establish progressive regulation and intervention policies for the sake of competitive markets on a supranational level.

The second phase appeared in the early 1980s, when the processes of privatization and deregulation had begun to dominate. If there is no suitable legislation or the existing one is not being properly applied, this would limit open access to goods and services for European citizens. Furthermore, the lack of rules leads to collusion among market participants, which again has a negative impact on prices, quality and availability of services. This requires the European Commission to take measures to define the term and the concept of services of general interest, putting emphasis on the importance of consumer rights in the context of liberalization – access to goods and services under certain quantity, quality and price on the one hand and, on the other hand, the smooth functioning of the market.

Generally the concept of “services of general interest” in the EU is associated with two main theoretical concepts – the organizational concept and the

functional concept. The first one presents services of general interest “as services delivered by public or by private enterprises, and the second one focuses on ensuring minimum human needs rather than focusing on the type of enterprise – public or private” (Boben, 2014). This is why in the 90s the European Commission decided to clarify the concept of services of general interest. The Commission accepted that “SGI are services that the public authorities classify as such by general interest and are subject to specific public obligation” (European Commission, 2003). Thus the focus is not on ownership, but on the rights of consumers in term of liberalization.

Indeed, at European level the term ‘services of general interest’ is derived from the more narrow term – *services of general economic interest*. The latter is used in Articles 16 and 86(2) of the Treaty. The services of general economic interest in particular cover certain services provided by the big network industries such as transport, postal services, energy and communications. The term also extends to any other economic activity subject to public service obligations. Put another way – services of general economic interest are “economic activities that public authorities identify as being of particular importance to citizens and that would not be supplied (or would be supplied under different conditions) if there was no public intervention” (European Commission). Examples are: the energy sector, transport networks, and postal services. Unlike them, the term “services of general interest” is a general category. According to European documents SGI includes all services, such as education or health related, regardless of whether they are economic or non-economic. That is why we should assume that SGI cover both: the private and the non-private sectors with a greater focus on consumer rights. Furthermore, the terms “service of general interest” and “service of general economic interest” must not be confused with the term “public service”. The term “public services” is less precise. It can have different meanings and can therefore lead to confusion. This term sometimes refers to the fact that a service is offered to the general public. It is sometimes highlighted that a service has been assigned to a specific role in the public interest and it sometimes refers to the ownership or status of the entity providing the service. However, among the differences in the approaches, there are some common elements that help to establish the concept of services of general interest in the European Union. These elements identify the Community values and goals and have been transposed into obligations in the respective legislations of the Member States. They include an understanding of *universal service and its features* – continuity, quality of service, affordability and consumer protection, as well as some additional specifics, such as – protection and security, security of supply, open access and interconnectivity, as a basis for supplying services of general economic interest in the EU.

Understanding the Concept of Universal Services as a Basis for Supplying Services of General Interest in the EU

The Community understanding of the concept of universal services “refers to a set of general interest requirements ensuring that certain services are made available at a specified quality to all consumers and users throughout the territory of a Member State, independently of geographical location, and, in the

light of specific national conditions, at an affordable price” (Green paper, 2003). It has been developed specifically for these sectors of the economy, including the traditional state “natural” monopolies, such as postal services, railroads and the energy sector. In these sectors, especially the energy sector, the various enterprises carry out certain activities in competition and certain public service missions. “They are obliged by law, by their statutes, or by some other institutional specifically of their carrier to provide such general-interest functions as private-economy enterprises in competition would tend to shrink away from them because of their low return on investment or unprofitable character. Enterprise structures, organizational forms and regulations for the provision of public missions nowadays appear to be changing in the classical public enterprise sectors” (Cox, 1999). This is valid for many sectors and services and therefore leads to some specific obligation via different Member States. At the same time, the concept of universal service is a dynamic. It ensures that general interest requirements can take account of political, social, economic and technological developments and it allows these requirements, where necessary, to be regularly adjusted to the citizens’ evolving needs. According to the European Commission it is also a flexible concept that is fully compatible with the principle of subsidiarity. Where the basic principles of universal service are defined at Community level, the implementation of these principles can be left to the Member States, thus allowing different traditions and specific national or regional circumstances to be taken into account. Furthermore, the concept of universal service can apply to different market structures and can therefore be used to regulate services in different stages of liberalization and market opening.

The main principles of this concept are – continuity of supply, quality of service, affordability and consumer protection.

A) *Continuity of supply* is a fundamental principle of the European understanding of the universality of services of general economic interest. Continuity means that some services that are delivered to society are of such importance that their continuous delivery is an objectively necessary condition for the citizens and therefore becomes an obligation of the respective provider. This principle is valid especially to services of general economic interest, such as energy services, and therefore it is necessary to impose a legal continuity requirement on the operator provider.

The concept of continuity of supply is an important element of the overall European policy on services of general interest. The reason for this is that continuity of supply guarantees a reduction in disparities, ultimately resulting in economic and social cohesion – an essential element of the European integration policy of the EU. Moreover, continuity is one of the main arguments against the market principle for the provision of services of general interest. It is also a basis of the new model of governance service in the 21st century in the EU.

B) *Quality of service* is another fundamental principle in the delivery services of general interest in the EU and at a national level, and therefore it is important to understand the new model of their governance.

The transfer provision of general-interest services from the State supplying the private economy in the 1980s determines the need to take measures to

protect the quality of the services. The main argument at European level is that the Community did not rely on market forces alone to maintain and develop the quality of services, especially for those classified as network industries. In order to maintain the quality of the electricity network, for example, the respective private operator has to set a percentage of investment costs for its maintenance. However, this cannot be achieved in some cases, for various reasons. That is why the definition, monitoring and implementation of quality requirements by public authorities have become key elements in the regulation of services of general interest nowadays.

- C) *Affordability* is a principle developed within the framework of EU regulatory policy of telecommunications, subsequently applied to other public utilities. It requires a service of general economic interest to be offered at an affordable price in order to be accessible for everybody. The European Community considers that the application of the principle of affordability helps to achieve economic and social cohesion within the Member States. Furthermore, this principle is one of the common values enshrined in Protocol No. 26 on services of general economic interest (annexed to the Treaty) in which the Union and the Member States, in accordance with their powers, must take full account of when implementing all related policies.
- D) *Consumer protection* is a principle also developed especially for the services of general economic interest such as energy services (electricity and gas), water services, postal services, telecommunications and other, because of the particular economic and social importance. In this regard, according to the European documents consumer protection includes good quality of service, high levels of health protection and physical safety of services, transparency (e.g. on tariffs, contracts, choice and financing of providers), choice of service, choice of supplier, effective competition between suppliers, existence of regulatory bodies, availability of redress mechanisms, representation and active participation of consumers and users in the definition and evaluation of services, and choice of forms of payment. This means that in terms of a liberalized market, public services have been identified as one of the policy areas where action is needed to ensure a common high level of consumer protection.

Additional Elements in Understanding the Concept of Services of General Economic Interest in the EU

During the last two decades of the 20th century, the European understanding of universal service developed into a major and indispensable pillar of the Community's policy on services of general economic interest. This has allowed public interest requirements to be addressed in various areas such as economic efficiency, technological progress, environmental protection, transparency and accountability, consumer rights and others (Green paper, 2003). The concept has also contributed to reducing the levels of disparity in living conditions and opportunities in the Member States.

The European understanding of the universality of services of general interest allows the essential elements of the concept to be complemented by other specific obligations depending on the characteristics of the sector concerned –

by the type and specificity of the service. They have been transposed into obligations in the respective legislations and aim to ensure different objectives of public interest. Such obligations include: *ensuring safety and security, security of supply, and access to networks*.

A) *Safety and Security requirement* relates to “a common set of objectives, concerning almost all Member States” (Green paper, 2003). Normally, national security and state border protection have traditionally been carried out with the help of the State, but in a world that is rapidly and dramatically changing, European citizens need to be protected. That is why the Commission is increasing the level of security as well as adopting a more European approach in certain fields such as transport and energy. The reasons for this new approach are widespread and various. For example, problems usually exceed national frontiers, international conventions and rules do not usually have binding force, and Member States are sometimes confronted with the limitations imposed by Community rule.

B) *Security of supply* is one of the most important elements of the European concept of supplying public services.

The development of the internal market has generated a considerable increase in the level of security of supply of products and services, to the extent that the markets concerned are functioning competitively. However, in some cases concerning services of general interest, such as energy services, public intervention may be necessary to improve the security of supply, in particular in order to address the risk of long-term underinvestment in infrastructure and to guarantee the availability of sufficient capacity. It should be noted, however, “this is not a public supply of services but State regulation of certain areas for security of supply” (Andreeva, 2016). In the energy sector, for example, the issue of supply security has been the subject of broad public debate at Community level in order to ensure the uninterrupted physical availability of energy products on the market, at a price which is affordable for consumers and users, while taking into account both environmental concerns and sustainable development.

C) *Access to networks* – Where there is effective competition, market mechanisms may ensure the provision of affordable services of an adequate quality, thus greatly reducing the need for regulatory intervention. Where services of general economic interest are provided on the basis of networks with universal coverage, the incumbent undertaking enjoys a substantial competitive advantage, mainly due to substantial sunk costs involved in establishing and maintaining alternative networks. In cases where competitors can only operate as service providers, access to the incumbent network is indispensable for market entry. However, even in sectors where competitors do have the right to deploy their own network infrastructure network access may be necessary for competitors to be able to compete with the incumbent on downstream markets. If third party access to existing networks at fair and non-discriminatory conditions was not possible, de facto monopolies or at least the incentive for the incumbent to discriminate in the access terms, thus distorting competition downstream, would be maintained. Therefore, in order to meet competition policy and internal market objectives, thereby offering customers more

choice, higher quality and lower prices, sector-specific Community legislation for the sectors liberalized at Community level harmonizes and regulates the access to network infrastructures (Green paper, 2003).

The European model for governance services of general interest in this case refers to the development of different regulatory strategies depending on the type of network industry and the different stages of the liberalization process. At the same time the implementation of this model varies amongst different Member States. It depends on the stage of liberalization, the political power influenced and the region. In other words, “models can be classified on the grounds of which activities have been “unbundled” and which deregulated. For example, there is the vertically integrated monopoly, in which none of the activities are separated or deregulated. This is what is known as the traditional model. The other extreme is the full retail competition model. In this model, activities are vertically disaggregated and generation, supply and trading or transacting are performed competitively” (Pérez-Arriaga, 2013). The early power sector developments at the end of the nineteenth century and beginning of the twentieth century were mostly driven by private initiative and competition. However, in most countries this was replaced by strong governmental intervention in the form of public ownership or treatment of the electricity companies as regulated monopolies. During most of the past century and until the 1990s, the electricity industry regulation worldwide was based on a quasi-standard regulatory approach involving heavy State planning and intervention, with the State being the sole regulator. Under this traditional model, prices are fixed to cover the costs incurred by electric utilities, while investments either require regulator authorisation or are State planned. This approach precludes any electricity market per se and transactions are conducted via the rules laid down by the regulator. Consequently, the vertical and horizontal structure prevailing in the industry is of scant importance, which often has led to the existence of a single utility, a vertically integrated monopoly with a territorial franchise. Today, this traditional regulatory paradigm has changed in many countries. The main component of this change is the creation of electricity markets that provide the platform for trading and establishing prices. The first step in creating such markets is the elimination of the limitations to competition that characterises the traditional scenario. While calling for broad knowledge and technical analysis, all it involves is drafting and approving suitable legislation for the industry (Pérez-Arriaga, 2013). We are going to discuss this issue in the next part of the paper, based on the Bulgarian experience.

The Influence of the European Regulatory State particularly in the Bulgarian Electricity Market

Electricity is an example of “a commodity with spatially separated but connected markets. A producer at one location can sell to local customers, or can pay the transmission grid to have the power transmitted to customers at another location. Like other commodities with spatially distributed markets and transpor-

tation costs, the result is different prices in different locations” (Gabriel, 2013). This is the reason why European energy policy is based on the principle that an independent regulated and competitive energy market is the most effective and efficient way to achieve a common energy market and long-term competitiveness of the economy.

The construction of the Bulgarian electricity market in accordance with competition rules and protecting consumer rights (as required by the EU) began in the 90s starting with three main packages of EU legislation as part of the European regulatory model. These are: 1. First liberalization package of the EU since 1996; 2. Second liberalization package of the EU since 2003 and 3. Third liberalization package of the EU since 2009. All of the packages required common rules for all member states in order to achieve the European goal – a common electricity market. They prescribed the electricity market to be fully open to competition by 2007 by creation of effective rules, equal treatment and transparency of all participants in the energy markets, open access to energy infrastructure and the existence of independent regulatory authorities. The main reason for this was the ineffective operation of the electricity markets, mainly the fact that many European countries kept following the model of *vertically integrated undertaking*. The vertically integrated energy companies refer to companies which perform at least two of the following: *production, transmission, distribution and/or storage* in electricity, when one entity can control the other. From this point of view it is appropriate to answer the question as to what has happened in Bulgaria in the Electricity market field, according to the European legislation.

In Bulgaria the original form of operation of the electricity market was established based precisely on the “vertically integrated undertaking” model. In this case the Bulgarian company – National Electricity Company – was the only public provider of electricity and the owner of the transmission energy network up until 2014. This meant that there was no free access to the transmission network for third parties and the company could continue cross-subsidization by purchasing cheap and expensive electricity, and finally selling it at union price. This model of the Bulgarian market was valid until 2014 when the transmission network was transferred to the state-owned company – Bulgarian Energy Holding.

In the present case, the electricity market is defined as a set of legal, technical and economic norms for the relationships between the parties involved and the means to support their activities in the purchase and sale of electricity and its derivatives. In a broader sense, the electricity market also includes the stage of development of the main tools (trade in design, construction, and operation of energy facilities), as well as trade of assets of energy companies. These are markets for long-term goals, unlike markets with short-term goals where the main production assets are such as the trading of electricity and its derivatives in invariable terms of the means of production, transmission and distribution.

The energy system today is highly dependent on the chain of systems or activities required to ensure the supply of energy known as the energy supply system. The supply system “is made up of the supply sector, the energy transforming sector and the energy consuming sector. The supply involves indigenous production, imports or exports of fuel and changes in stock levels (either stock

pileup or stock draw down). Transformation converts different forms of primary energies to secondary energies for ease of use by consumers. Transformation processes normally involve a significant amount of losses. Transportation and transmission of energy also involve losses. The final users utilise various forms of energies to meet the needs of cooling, heating, lighting, motive power, etc. The relative importance of the above segments varies from one country to another and even from one fuel to another depending, to a large extent, on the availability of resources in a particular country. For a resource-rich country, the supply segment is evidently well developed while for a resource-poor country the transformation and final use segments tend to be more developed” (Bhattacharyya, 2011). Moreover, “many Electric systems (EES) have been practically deployed for various applications in the power grid. They can be used as commodity storage for storing energy during off-peak periods for the use during peak periods for arbitraging electricity price. Such applications may decrease peak load demand (i.e., peak shaving), or make the load demand uniform over time (i.e., load leveling). The purpose of such applications is mainly to reduce the maximum capacity requirement in generation, transmission, and distribution systems, and hence reduce the cost of power generation” (Younghyun, 2014). Current energy systems are the result of complex country dependent, multisector developments. By considering energy supply and demand across all sectors simultaneously, systems analysis applies systems principles to aid decision-makers in problems of identifying, quantifying, and controlling a system. Many people “discuss solutions to the energy problem, but often they completely underestimate the order of magnitude of the problem and solutions are offered that nicely work at small scale but not at global scale” (Durem, 2017). The relationship “between the structure and the behaviour of the interacting units forming a network, namely, a complex system, is one of the most studied topics in recent years” (Rubido, 2016). Building an energy systems model requires a number of key components, namely a model generator, a solver, interfaces for handling data and results and a detailed database. Energy system models also require key exogenous inputs, comprising the demand component (energy service demands), the supply component (resource potential and costs) and the policy component (scenarios) (Giannakidis, 2015).

At the current stage, the electricity market in Bulgaria is based on two parallel operating segments. These are: *the market of regulated prices* and *the market of freely negotiated prices*.

The market of regulatory prices is characterized by the prices, approved by the State Energy and Water Regulatory Commission (The Bulgarian regulator); the parties of the transactions are determined by legislation; relations are regulated on the basis of measured quantities of energy; participants do not balance; the price of access and transfer is paid to the existing supplier.

The market of freely negotiated prices is characterized by regulated part and unregulated part. The regulated part of the market is organized through contracts with the National Electricity Company (NEK EAD) at prices regulated by the SWERC. The unregulated part works through freely negotiated prices between participants.

The final prices of electricity for the regulated market are formed in the chain *production – transmission – distribution – supplying* and are determined by the Bulgarian Regulatory Commission. Generation/production, transmission, distribution and supplying are key elements of the power system in Bulgaria.

The generation of electricity in Bulgaria comes from four types of producers – from the Bulgarian nuclear power plant – NPP Kozloduy, from conventional power plants such as TPP Maritza East 2, from plants using renewable energy sources (RES) and from plants with a combined method of producing heat and electricity power.

Electricity transmission is performed by the power grid operator, licensed for transmission and certified. The Bulgarian *Electricity System Operator EAD* (“ESO”) was established on 4 April 2007 as a subsidiary of the National Electricity Company (“NEK”). On 4 February 2014, the unbundling of ESO from NEK went through its last stage in line with the Third Liberalization Package. This has been the final step needed to reach compliance with Directive 2009/72/EC and the national legislative provisions. ESO is responsible for the common operational planning, coordination and control of the Bulgarian power system and its parallel synchronous operation with neighbouring systems. Its purviews also include transmission grid operation, maintenance and reliable functioning, auxiliary network servicing, as well as maintenance and repair services in the energy sector. It also manages the power transit through the national grid and runs the electricity market. In performing a parallel synchronous operation with ENTSO-E, ESO, being a key partner in the Balkan region, it constantly strives to achieve higher transmission efficiency and asset management performance by introducing and using the newest methods of planning, maintenance and monitoring. The company has deployed an asset management system (SAP/R3), Supervisory Control and Data Acquisition System (SCADA), and Geographic Information System (GIS).

Electricity System Operator" EAD is certified as an Independent Transmission Operator (ITO).

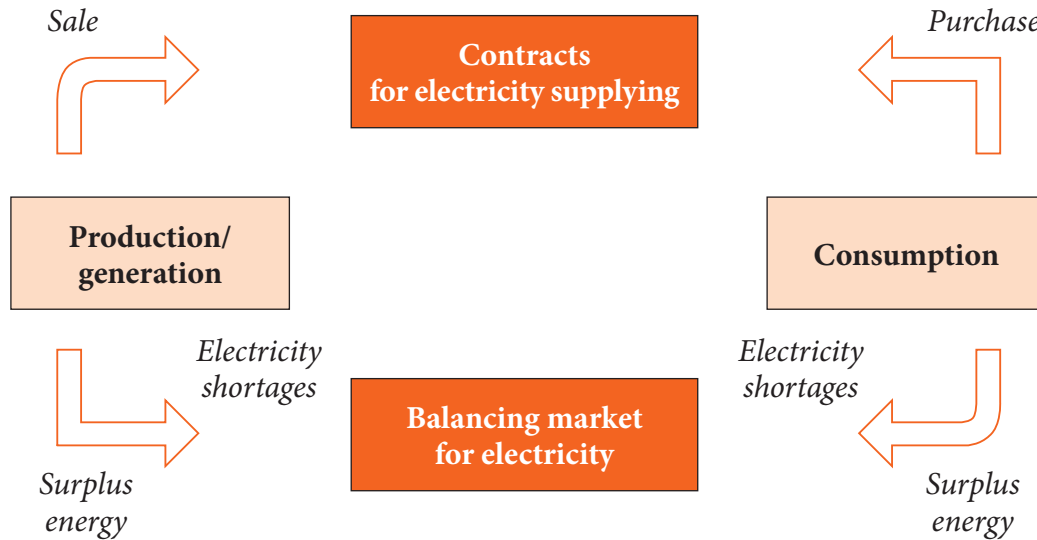
Electricity distribution and operation of distribution networks in Bulgaria are carried out by operators of electricity grids. These are four foreign companies – “Energo-Pro Network” AD (Northeastern Bulgaria), “CEZ Distribution Bulgaria”(Western Bulgaria) “EVN Bulgaria Electricity” AD (Southeast Bulgaria) and “Electricity Distribution Company Golden Sands” (Golden Sands). All have licenses for the distribution of electricity, granted by the national regulator.

The activities on the *public supply* of electricity in Bulgaria are performed by “CEZ Electro Bulgaria” for Western Bulgaria, “Energo-Pro Sales” for Northeastern Bulgaria, “EVN Bulgaria Electricity” for Southeast Bulgaria and “Golden Sands” – providing public electricity supply within the resort Golden Sands.

Besides transactions at regulated electricity prices, producers are able to sell their *production and through direct sales at freely negotiated prices*. Transactions in this market segment are performed in the presence of additional production facilities which fall outside the specified purchase quotas. This is the *so-called “Bilateral contracts with the balancing market”*.

Figure 1

Structure of the Bulgarian balancing market



The basic principle in this market model is dispatching producers in accordance with the quantities of electricity. This model allows new players – “*electricity traders*”. The aim has been for electricity traders to compete with electricity distribution companies, as they are given the right to supply electricity by free market prices. Those market players have been introduced by the new energy law since 2007. The idea has been for electricity trading to be separated from distribution. However, “the current distribution and use of electricity is largely an outdated legacy infrastructure which results in gigantic inefficiencies” (Brena, 2015). A recent trend to solve this situation “is the gradual incorporation of more flexible elements of the electricity market. Distributed generations contribute to the supply diversity as well as the competitiveness of the electric market. Electric power supplies and load users all seek to optimally allocate/utilize the energy to maximize their benefits” (Xu, 2017). In fact, this model marked the beginning of liberalization of the Bulgarian electricity market by starting the Energy Stock Exchange/ Power Exchange.

The establishment of the Bulgarian stock market of electricity is a basic prerequisite for the liberalization of the energy market. Its aim is to create conditions for operating the electricity market in a competitive, transparent and non-discriminatory environment; to determine reference electricity prices according to supply and demand needs and to ensure optimum use of the transmission capacity of interconnections with neighboring countries. The Bulgarian stock exchange market is organized on a *daily basis for a single hour*. Transactions concluded on the stock market represent a strong commitment for electricity traders to supply electricity. Each transaction is linked to one day, one interval and one market area of delivering electricity.

Overall, compared to other member states, Bulgarian efforts to reform their electricity market started late and seem largely incomplete. The Bulgarian electricity

market still presents a hybrid model. Part of the transactions for the sale of electricity is concluded at regulated prices approved by the Regulator, and the rest is traded on the liberalized market at freely negotiated prices. The share of the regulated segment of the electricity market is still in the range of 75% to 90%. The small share of the free market in Bulgaria means that the competition can not properly perform its function of ensuring efficiency in this segment of the market. The design of the electricity market in Bulgaria is suboptimal, with its flaws. Despite the partial privatization of assets for production and distribution, the vertically integrated, fully state-owned company – Bulgarian Energy Holding "BEH" – retains the central role, together with its subsidiary company – National Electricity Company.

Electricity has become the most popular exchange commodity nowadays. Bulgaria, however, is one of the few countries in Europe that have no effective exchange energy market, although since 2007 (due to EU requirement) the electricity market in the country had to be liberalized. Practically, the Bulgarian Power Exchange even appears in 2016 after the test performance of the "Independent Bulgarian Energy Exchange" in 2015 (a separate company again within the framework of the Bulgarian Energy Holding). Such a model leads to ineffective operation of the market and a lack of confidence from market participants.

In the world of perfect competitive markets, "little regulatory effort is perhaps required. But when such ideal markets do not or cannot exist, regulations then aim at controlling the behaviour of the market agents to control the market failures and to produce competitive market-like results through the use of coercive power of the government or its agencies that restrict or constrain the decisions of the economic agents" (Bhattacharyya, 2011). The dilated reform of the Bulgarian electricity market largely depends on the role of the Bulgarian regulator. When, the institutional characteristics of the regulator – its adequacy, independence, autonomy, and its relationship with political power and the companies it regulates are compromised, this slows down reform, as in it ultimately turns the opening of the energy market to competition and protection of the general interest in an impossible process. In Bulgaria the issue of the independence of the regulatory authority is emblematic. Among the main criticisms of the Bulgarian Energy and Water Regulatory Commission is the lack of independence and governance capacity. The effectiveness of regulation in Bulgaria often is limited by government influence. In addition, a central place in the direction of quality and effective regulation of the energy services is also the question of the capacity of the regulator.

In order to avoid these shortcomings in the opening of the electricity market and, at the same time, to protect consumers' rights within the EU liberalized market we offer the following measures:

- A) *The establishment of an independent regulatory design.* Removal from executive and corporate interests is a prerequisite for a more efficient regulatory process in Bulgaria. This would solve many problems related to the addiction of the regulator and the resulting ineffective regulatory decisions preventing the opening of competition into the Bulgarian electricity market. It is important for the regulator to conduct transparent procedures and to impose transparency on requirements in the decision-making process.

- B) *The establishment of close cooperation of the Bulgarian regulator with the regulatory authorities of the Member States.* The aim is to take and apply the best European practices. Such cooperation would allow the most efficient model to be chosen for the functioning of a future energy exchange in Bulgaria.
- C) *The establishment of a real Energy Stock Exchange.* The operation of the energy exchange is established at freely negotiated prices, which is among the most important prerequisites for opening up the electricity market to competition. With a functioning energy exchange, competition will not only be in the pricing, but also in terms of delivery, the way the bills are paid, and the development of the energy services offered in addition by the suppliers. The meaning of a freely functioning energy exchange is that participants will be phased out of the regulated market and will negotiate the supplied electricity, price and quantity only on a market principle.

Conclusion

Based on the presented research, the following main findings can be drawn:

- 1) The European regulatory model for energy services is a relatively new approach which appeared in the last two decades of the 20th century and it is part of the wider debate about the liberalization of services of general interest in the European Union (EU). At Community level, in a liberalized market, rights of access to services are defined in different legislation (directives). From a theoretical point of view, the regulatory model of energy services in the EU refers to legal regulation, imposing rules on the Member States (public service obligation) to ensure the rights of European citizens – access to goods and services under certain quantity, quality and price. Thus regulated private enterprises appear and the approach of combining regulation with competition rules applies. The classical hierarchical model of public governance in supplying electricity services, based on government control, is replaced by a new model of governance – the regulatory state. The main characteristics of this model are the existence of national regulators and the European legal framework in order to protect consumer rights in terms of competition, i.e. liberalization of services in combination with applying reasonable regulation. Current energy policy issues appear, related to assuring a secure supply of energy, keeping energy costs low, environmental protection, and ensuring the appropriate role of the energy regulation institutions.
- 2) The theoreticians and political leaders from the public governance sphere in Europe must note the fact that the paradigm of supplying public services has changed from the classical provision to regulation in the general interest. The principle underlying this is the pressure which came from the emergence of the processes of privatization, liberalization and deregulation at the end of last century. The regulatory model is a result of this because the functional capacity of competition on the one hand, and the implementation of the public contract on the other, must be guaranteed. Moreover, in the European Union, the creation of the internal market has accelerated this model.

- 3) Regarding the specifics of the European model we come to the conclusion that it is not generally valid. The regulatory model of governance services general interest depending on the type of service. At the moment, the new governance model has the strongest impact on public utilities, such as the energy sector. In those sectors, European legislation is the most developed, while having a serious impact at a national level. For other services, for example – social services such as health services, the Community influence is limited. Regulation is largely determined by the Member State concerned.
- 4) At a national level, the Regulatory model of supplying energy services leads to mixed results. The Bulgarian regulatory model does not fully correspond to the nature of the created European regulatory model. The Bulgarian energy market is still facing some problems relating to the transposition of European norms. At a national level the organization of the sector continues to keep the vertically integrated company model where the state-owned company Bulgarian Energy Holding retains the central role even in the operation of the electricity market. As a result, Bulgaria still does not have a real working liberalized market for energy services, which seriously hinders competition and the creation of a common internal European energy market, on one hand, but also undermines the interests of citizens, the main users of public services, on the other.

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EXPERT ASSESSMENT OF THE SITUATION IN THE ASIA-PACIFIC REGION BY SCHOLARS, BUSINESSMEN AND DECISION MAKERS (BASED ON RESULTS OF THE INTERNATIONAL EXPERT SURVEY IN THE APR FOR THE PERIOD 2005–2016)

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Abstract

The article reveals the role of the subjective factor in decision-making in the international sphere, based on analysis of the results of surveys the opinions of experts and decision makers from 16 countries of the Asia-Pacific region. The main objective of the study was to identify the views of the experts on the characteristics of the situation in the Asia Pacific region: economy, security, risks and threats and ways to overcome them, and most importantly – the main directions of the cooperation of the Asia-Pacific countries with Russia and methods of their implementation.

The results of international surveys formed the empirical dataset for determining the main objectives of the administrative decision-making process aimed at the development of partnership relations between Russia and APR countries and their implementation. The decision makers were provided with information about how our country and its actions are seen by our Eastern partners, what is approved of and what is apprehended. The Information can be used for building and adjusting the image of Russia abroad for promoting the effective cooperation and coordination of the interests of the countries in the region.

Keywords: process of the decision making, subjective factor, decision maker, Asia Pacific Region, international expert surveys.

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Effective information and analytical support for the strategic planning activities of government departments and business structures is a very important and delicate sphere. It sets stringent requirements for the information provided: efficiency, reliability, ethic, privacy.

When this concerns the optimization of international activities, it is mandatory to take into account the regional and national characteristics of the foreign partners, identifying their attitude to our country and its activities in these regions, – first and foremost, the opinions of decision makers. Particularly stringent requirements should be set for strategies as founding documents and forecasts, directing and correcting these strategies.

The APR is of great interest to researchers. However, in our view, the most fundamental and long-lasting are the studies of the Pacific Forum. Particularly promising are the analytical reports by Forum President Ralph A. Cossa and Director of Research Brad Glosserman.

Research from the Pacific Forum enables us to comprehend the main directions of development and regional problems: US-China relations (Carl Baker, Ralph A. Cossa, Gaoyue Fan, Vivian Brailey Fritschi, Brad Glosserman, Bonnie S. Glaser, Jane Skanderup, Snyder Scott), U.S.-Japan relations (Michael H. Armacost, Brad Glosserman, Mataka Kamiya, Jane Skanderup), China and the South Pacific (Eric Teo Chu Cheow, Fergus Hanson, Ronald Rodriguez,), U.S.-ROK relations (Ralph A. Cossa, Scott Snyder), North Korea (Aidan-Foster Carter, Ralph A. Cossa, Gordon Flake, Bonnie S. Glaser, Larry A. Niksch, Yuki Tatsumi, Scott Savitz), Taiwan problem (Yu Bin, Ralph A. Cossa, Andrew Yang, Chih-Cheng Lo, Derek Mitchell, Robert Sutter), Indonesia (Ralph A. Cossa, Bilveer Singh, Anthony Smith), Myanmar (Bradley O. Babson), Philippines (Mely Caballero-Anthony), Thailand (J.C. Lumbaca), China-Singapore relations (Eric Teo Chu Cheow), and Mongolia (Steve Noerper) etc.

However, even with the variety of research on the Asia-Pacific, the expert surveys conducted by our project – in non-stop mode using 70% of the longitudinal research data, – have no equivalents in Russia or the wider world.

The interest of the Russian Federation which is located on the European and Asian continents to the Eastern direction it is due to the fact that the Asia-Pacific region is presently the fastest growing region in the world. It is projected that in 2020 more than 50% of the world's GDP will be produced by the countries in the East and South-East of Asia. The countries of this region account for a significant share of global energy consumption. The other main consumers are such giants as the US, China and Russia.

During the implementation of the international project “Dialogue Partnership as a Factor of Stability and Integration”, we conducted an international expert survey to assess the situation in the Far East and in the Asia-Pacific region from 2005 up to the present time. The experts are highly qualified specialists and VIPs (decision makers) from 16 countries: Russia, China, USA, Japan, Brunei, Vietnam, India, Indonesia, Republic of Korea, Mongolia, Malaysia, Myanmar, Nepal, Singapore, Thailand and the Philippines (government officials, scholars, politicians, diplomats, economists, businessmen, military officers, journalists, representatives of non-governmental organizations, etc.).

The International project “Dialogue Partnership as the Factor of Stability and Integration” (“The Bridge between the East and the West”) was set up in late December 1988 – and ran until early 1989 and includes four programs: 1) Oil and Gas Resources in the Context of Energy Security, 2) Security and Counterterrorism, 3) Conflict Resolution and Inter-ethnic Relations, and 4) Cultural and Educational Programs. In 2000 the project received international status. Scholars from 20 countries participated in the project.

We began the Asia Pacific research direction in 2004, when Dr. Larissa S. Ruban, head of the project, participated in a course at the Asia Pacific Center for Security Studies. In 2005 Dr. Ruban, through a grant from the economic program POSCO of the East-West Center (Honolulu, USA), carried out the project “Russian Oil Exports to Northeast Asia as the Factor of Stability and Cooperation in the Region”. This project includes a “pilotage” survey of 24 experts from 7 countries of the APR: Russia, USA, China, Japan, Republic of Korea, India and Mongolia. Since 2008 the survey has included participating experts from Malaysia; since 2009 – from Vietnam and the Philippines; since 2010 – from Indonesia, Singapore and Thailand; since 2011 – from Brunei and Nepal; and since 2013 – from Myanmar. Since 2013 100 experts from 16 countries of the APR have participated every year.

It should be noted that the Eastern elite is a very closed structure which is difficult for external actors to penetrate and receive information from. However, in the framework of the international project «Dialogue partnership as factor of stability and integration» («a Bridge between the East and the West») long-term close contact was established with experts and the excellent reputation of the project allowed them to receive information whilst protecting respondents’ confidentiality.

Experts give a comprehensive description of the situation in the Asia Pacific region based on the development of their countries (their cumulative potential), determine the level of security in the Asia Pacific region, the risks and threats, the possibility of conflicts, characterize the hierarchy of countries (in respect to leadership) and the international organization of the region (in terms of efficiency), indicate the need for energy resources, and offer the best routes for the transportation of hydrocarbons, including the Eastern direction of hydrocarbon exports.

The surveys are primarily aimed at finding optimal ways for cooperation between the countries in the region and outside powers, identification of effective methods and mechanisms for developing cooperation and strengthening integration, as well as eliminating risks and threats that impede this integration. The surveys are carried out in the form of continuous monitoring and are complemented by statistical data and content analysis from publications in specialized media and research literature.

We present the results of the surveys. The current situation in the Asia-Pacific region is assessed by 59% of the experts as stable, by 19% as the relatively stable, and by 22% as unstable due to local conflict.

Table 1 below shows the dynamics of expert opinion since 2005, when the prevailing assessment of the situation was as unstable (54%). However, from

2008 the majority of experts began to assess the situation in the region as stable in varying degrees.

Table 1

Situation in APR, %

Answers \ Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1) Situation is stable	42	40	39	24	65	54	43	49	48	53	53	53
2) Situation is relatively stable						18	26	12	14	11	14	14
3) Situation is not stable	54	52	51	13	10	10	19	16	14	14	18	18

Source: Data base Ruban L.S. (Results of the expert survey).

Regarding the risks and threats that destabilize the situation in the Asia-Pacific region, the experts named the following:

Table 2

Risks and threats, %

N	Answers \ Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1	Nuclear weapon of North Korea	54	64	73	31	37	33	50	46	39	38	40	44
2	Competition for energy resources	13	40	51	62	29	33	46	54	60	62	64	64
3	Anthropogenic disasters							26	26	28	30	30	30
4	Natural disasters							26	26	27	27	27	27
5	Taiwan problem	30	40	54	18	17	10	18	12	6	3		
6	Climate change						6	5	5	6	6	5	5
7	Environmental pollution	13	13	15	20	4	6	5	8	9	9	14	14
8	International crime: narcotraffic, piracy, etc.	22	8	12	12	6	6	2	6	6	7	6	6

Source: Data base Ruban L.S. (Results of the expert survey).

One of the examples of an aggravation of the situation due to the increased competition for energy resources and the territory they possess, as stated by the experts, is the worsening situation in the South China Sea concerning ownership of the Paracel and Spratly Islands, where the dispute is between China, Vietnam, Malaysia, the Philippines, Brunei and Taiwan.

Based on these estimates, the experts made predictions about the possibility or impossibility of the onset of military conflict.

Table 3 shows a positive trend: a decrease in the number of assessments about the possibility of military conflict from 54% in 2005 to 13% in 2012 and to 10% in 2014–2016, and an increase in the estimates on the impossibility of a military conflict in the Asia Pacific from 42% in 2005 to 74% in 2012.

Table 3

Possibility of the military conflict in APR, %

Answers \ Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1 group: No, military conflict is unlikely in APR now	42	40	39	58	67	68	60	74	72	70	70	68
2 group: Yes, military conflict is likely in APR now	54	52	51	22	16	3	10	13	13	10	10	10
Middle opinion: military conflict is unlikely in APR now, but situation can change due to the existence of risks and threats	4	8	10	17	16	20	30	13	15	19	20	22

Source: Data base Ruban L.S. (Results of the expert survey).

These likelihood estimates decreased in connection with the nuclear testing in North Korea in 2013 to 72%, in 2014–2015 to 70% and in 2016 to 68%.

Answers to the expert’s question: “How did the situation in the far East and the Asia-Pacific region change?” are important in the sense that European and Asian mentalities differ. Very often we and our Asian partners perceive the same events in a different way, so the answers to this question not only state the changes occurring in the region, they also reveal how they are evaluated by the representatives of Asia-Pacific countries, indicating which events are assessed as positive. The knowledge of these assessments and the assessment criteria used by our partners, will allow us to effectively build a foreign policy in the Eastern direction and subsequently its energy component, in order that Russian energy policy is not perceived as a severe energy expansion, threatening its neighbors and forcing them to do certain things under pressure from the “energy switch”.

The departure from a clear USA – Soviet Union confrontation and the transition from a hostile relationship with China to a strategic partnership with that country was attributed by the experts to positive changes in the far East and Northeast Asia in comparison with the previous period. They noted the effectiveness of the prudent and pragmatic policies of China, which focused on economic interests, not ideological differences. The major conclusion made by the experts: “The main positive point is the relative stability in the region, as the parties understand the consequences of conflict and its aggravation”.

What advice is given by the experts to the Russian experts leading negotiations with Asian partners?

A Number of Russian experts (2005–2007) paid attention to the fact that controversial issues should be approached in a sober and non-ideologized way and not only in terms of concessions. The difficulty is that often the persons negotiating and making critical decisions confuse the assignment with a compromise, and after making a concession, wait in vain to get something in return (Kompleksnaya kharakteristika situatsii v ATR, p. 174).

In theory of effective negotiations it is clearly indicated that compromise involves getting one thing in return for another. The concession is giving something without compensation, without receiving anything in return. Concessions are made to demonstrate goodwill, to form positive public opinion. A concession can be made by a strong party to demonstrate good intentions, or a weak party, knowing that unless the concession is made, the object of controversy will be withdrawn. And it is very important not to be mistaken with assessments and to give an adequate assessment of the situation in order to defend one’s interests (Yuri, 1992, p. 5)

Moreover, a negotiator should always remember the national interests of their country and not be afraid to say “no” when the conditions are disadvantageous or even dangerous tonational interests. Never underestimate or overestimate the other side. Our Asian partners (this concerns Japan, China, and South Korea) always negotiate from a tough standpoint of their national interests, which they will never compromise. Russia has yet to learn from them such a persevering stance in defending their national interests (Kompleksnaya kharakteristika situatsii v ATR, p. 174).

Never forget about the specificity of the Asian partners and neither attributes your traits to them, nor expect from them actions and proposals falling into our logic.

They are different: they have different history, culture, traditions, and a different perception. And they have a different logic. For them it is logical and fair if that serves the realization of their interests. It is impossible to impose European perceptions and European standards. They recognize only strong partners without the slightest weakness, and will pull out one concession after another, coming back for concessions again and again. Only a strong partner will be considered as equal by them. The international legal instruments will not stop them when the situation changes. They are ready to interpret any document to their advantage, and will easily review and change partners and coalitions. Hard pragmatism lies at the core of all their actions (ibid.).

The assessments of the hierarchy and leadership in the Asia Pacific countries revealed the following results:

Table 4 clearly captures the change in the positions of the leading States in terms of influence in Northeast, Southeast and South Asia in the period from 2005 to 2016.

Table 4

Leadership in APR, %

Country \ Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
USA	1)84	3)56	3)51	3)47	3)37	3)34	3)47	2-3)31	2-3)30	3)41	3)40	3)40
China	2)72	1)86	1)87	1)100	1)100	1)90	1)95	1)96	1)95	1)93	1)92	1)92
Japan	3)48	2)61	2)62	2)51	2)41	2)37	2)54	2-3)31	2-3)30	2)43	2)43	2)43
Russia	4)32	4)42	4)43	4)38	4)24	4)25	4)23	4)18	4)17	4)15	4)14	4)14
Republic of Korea	5)28	5)24	5)24	5)18	5)15	5)12	5)19	5)17	5)16	5)14	4)14	4)14

Source: Data base Ruban L.S. (Results of the expert survey).

From 2005, the experts noted that there was an active struggle for dominance in the region between the US and China. Back then, China was rapidly catching up with the US in terms of development, which was a success and has since become a leader in North-East Asia as stated in the responses of the experts (answers from 2006–2016).

After more than three decades of reforms China four-times doubled its gross domestic product per capita, i.e., increased its economic potential by 16 times.

Chinese experts predict that by 2020 China will have the world's largest economy, will overtake the US in economic terms, and its GDP will exceed the US GDP by 1.04–1.74 times.

Active development brought Japan to second place in the region's leadership in 2006, moving the US into third place in terms of importance and influence in Northeast Asia. Despite the crisis in 2008–2009 and the disaster in 2011, Japan has managed to maintain this position, and in 2012 it shared 2nd – 3rd place with the US.

Russia's position has not changed – it remained in 4th place with 23%, as in 2011, 15% – in 2014 and 14% – in 2015–2016.

South Korea stays at the 5th place during the entire period – 19% and 14% – in 2014–2016.

Regarding Russia's role in the region, the range of experts' opinion is very wide. Five percent of the experts assessed our country as a great power with great potential: "Russia is a great power, it is not a balancer and not a regional power", "Russia is also a leader in APR, it possesses nuclear weapons and large armed forces, the enormous resource potential, and, primarily – energy" (Answers of the experts from China in 2012–2016).

Forty-six percent of the experts indicated that the role of Russia in the Asia Pacific region is very small, although it has a high technological potential and rich resources, a developed defense industry and nuclear weapons. But Russia lost many positions which were taken in the region by the Soviet Union. The Russian experts also noted that our interest in the Asia-Pacific region is big; we want to be there and to play a significant role, but strength is not enough. Russia has been negotiating with ASEAN for a long time. A lot of words, but the results are still very scarce (20% of responses from the Russian experts).

Indonesian experts said that it is necessary to understand and take into account local peculiarities, to understand the Asian way of institutional development, because intercultural dialogue by the participants of the communication process is needed for the stability and confidence-building. ASEAN and Russia have signed a number of documents. We must remember that the focus on cooperation in Asia envisaged by the treaties has been increased due to the huge market capacity and rates of production in the region.

The experts emphasized that Russia can play the stabilizing role in the economy, energy, and security (peacekeeping, combating international crime and prevention of military conflicts) in the Far East and Asia Pacific. Only 4% of experts said that our country will be able to play the role of balancer between the U.S. and China.

All of the Chinese experts talked about close and fruitful cooperation with Russia, and stressed that in the North-East Asia region, the Russian Federation should first and foremost have cooperation in the energy sector with China, stating that oil, gas and electricity cooperation is Russia's strong point, and in the field of Micropower (it is the PRC strong point), it is needed to develop cooperation in science, technology, and to make wider exchanges in scientists and students.

The general opinion of experts on the characteristics of Russia was vividly expressed at the Moscow urban forum in December 2014: "You go at a high speed on his ship and at the same time you build it" (*Kompleksnaya kharakteristika situatsii v ATR*, p. 49).

All of the experts noted that China is the leader in the region. It is the largest consumer of oil, gas and energy. It obtains a lot of this from Russia and intends to increase this export. China is the second largest importer of oil and energy after the United States. In July 2011, China for the first time in history surpassed the United States in its reliance on foreign supplies of oil.

At the moment, the largest oil producers in the Asia-Pacific region are China, Indonesia and Malaysia, while the biggest gas-producers are Indonesia, Malaysia and Thailand.

Expert opinion on effective areas of cooperation in the energy sector is unanimous. Russia's oil and gas export is efficient in North-East Asia, China, the Republic of Korea, Japan, and possibly in India (TAPI pipeline), but the Afghanistan issue needs to be resolved.

Experts from South-East Asia stressed that as their countries have their own oil and gas, the optimal areas for cooperation with Russia include joint

exploration and development of oil and gas fields, and development of transport communications and the downstream. They noted that the Russian Federation has level nuclear technology and the best and most advanced nuclear power stations in the world, and expressed interest in cooperating with Russia in this sphere.

The experts expressed the solid opinion that the development of the economic integration of the Asia Pacific countries will contribute to the solution of one of the most important questions of resource and energy security for sustainable development in the region. And here the opinions of experts are unanimous: energy cooperation is the basis for integration, prosperity and security in the region.

Regarding Russia's role in the Asia Pacific region, the range of expert opinions was broad throughout the entire period of the poll: 38% in 2005 and 19% in 2010 to 7% in 2014 and 5% in 2015–2016, said that Russia can be a strong partner only as a stabiliser to balance the development of the region, to maintain peace and prevent armed conflicts, and to ensure energy security and economic cooperation. This means that the potential of the Russian Federation is not enough for unilateral action, its power will be only in the Alliance, and much will depend on how well and efficiently the alliance will be built and the partners will be selected.

- 36% of experts in 2005 68% in 2014–2015 and 70% in 2016 – pointed out that Russia had lost the position taken by the Soviet Union in the region, but now its capacity in the APR is lower;
- 4% of experts in 2005 16% in 2008 and 6% in 2012 assessed Russia as a middle-range player less important than the US, China and Japan, but more important than the Republic of Korea, indicating that the strength of Russia increases in a coalition with China.

As of 2014–2016 there were no such responses, perhaps due to the weakening of world leaders and the growth of the position of the Republic of Korea, which in terms of leadership has received the same number of expert estimates as Russia (14%).

Two extreme positions defining Russia as a great power (this until recently was the opinion of the Vietnamese, Chinese and Mongolian colleagues) and characterizing the role of Russia in the Asia Pacific region as small and even tiny, in 2014 got 1%: and the answers of Chinese experts on Russia as the leader in the Asia Pacific region by 2014, almost disappeared, and then in 2015–2016 dramatically increased to 68%.

Table 5 shows the data of the expert survey on the role of Russia in the Far East and in the Asia Pacific region in the period from 2005 to 2016.

The data in Table 6 show that collective, group and individual assessment of leadership in the countries diverge sharply. When evaluating the United States, Chinese experts reveal the decrease in rating the US as the leader in Asia Pacific from 50% in 2006 to 21% in 2012–2013 and to 20% in 2014–2016. The assessments of the Russian experts regarding the US are higher than that of the Chinese, but it has also revealed a decline from 70% in 2006 to 34% in 2012 and 50–52% in 2013–2014 to 46% in 2015–2016 accordingly.

Table 5
The answers of the experts on the question about the role of Russia in the Far East and Asia Pacific Region, %

N	Answers	Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1	Russia lost the position taken by the Soviet Union in the APR		36	45	49	42	26	28	37	42	65	68	68	70
2	Positive changes compared to the period of rigid confrontation between the U.S. - Japan – Soviet Union, with the PRC Russia moved towards a strategic partnership		12	12	18	25	67	12	18					
3	Russia started to carry out more stringent stat policy, gaining strength and weight in the Far East, working closely with APEC and participates in the SCO. The government pays more attention to the Far East trying to rebuild the economy		12	12	12	18	16	10	10					
4	In partnership with India and China, Russia can impact the strategic balance in the Asia Pacific region		4	12	12	25	25	6	6	3	2	2	2	2
5	Russia does not have capacity and means for the development of Siberia and the Far East. Japan, China, South Korea and the United States have such potential and means, so they, along with Russia need to cultivate these areas and develop mineral resources		8	8	9	8	1	3	2					
6	Russia in the Far East is a middle-range player in the Far East less important than the USA, China and Japan, but more important than South Korea		4	8	9	16	6	4	3	6	8			
7	The role of Russia in APR is small, it has not kept pace with the development of the region					10	16	17	11	2	2	2		
8	Russia is a great power, neither a balancer nor a regional power			2	6	6	11	6	5	3	1	1	1	1
9	Small, tiny										1	1	1	1

Source: Data base Ruban L.S. (Results of the expert survey).

Table 6

**Experts assessments of the US, China and Russia positions
in the period 2005–2016, %**

Answers Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
USA all	1) 84	3) 56	3) 51	3) 47	3) 37	3) 34	3) 47	2–3) 40	2–3) 40	3) 41	3) 40	3) 40
American		66	25	30	45	22	66	67	80	80	92	92
Chinese		50	46	45	12	28	27	21	21	20	20	20
Russian		70	48	48	43	40	46	34	50	52	46	46
China all	2) 72	1) 86	1) 87	1) 100	1) 100	1) 90	1) 95	1) 90	1) 92	1) 93	1) 92	92
American		66	60	90	100	85	67	66	100	100	100	100
Chinese		100	100	100	100	100	100	100	100	100	100	100
Russian		100	100	100	100	100	100	84	82	81	80	80
Japan all	3) 48	2) 61	2) 62	2) 51	2) 41	2) 37	2) 54	2–3) 40	2–3) 40	2) 43	2) 43	2) 43
RF all	4) 32	4) 42	4) 43	4) 38	4) 24	4) 25	4) 23	4) 18	4) 17	4) 15	4) 14	4) 14
American		not	25	not	10	11	not	not	not	not	not	not
Chinese		50	96	90	60	71	40	14	14	14	28	68
Russian		29	50	50	14	13	13	11	8	9	12	14
South Korea	5) 28	5) 24	5) 24	5) 18	5) 20	5) 12	5) 19	5) 17	5) 16	5) 14	4) 14	4) 14

Source: Data base Ruban L.S. (Results of the expert survey).

The assessment by the American experts regarding U.S. dominance is curved: 66% in 2006, then a decrease to 25% in 2008, a slight increase in 2008 to 30% and 45% in 2009, and then again a decline in 2010 to 10% followed by a sharp increase to 66–67% in 2011–2012, and 80% in 2013–2014. It should be noted that in 2015–2016 the assessment by the Americans of the leadership of their country reached a 92% peak. That is, the worse the economic and financial situations in the country, the higher the ambitions are.

The assessment of the leadership of the PRC by the Chinese experts is clear – 100% over the whole period of the surveys. The Russian experts between 2006 and 2011 gave 100% to the Chinese leadership, and only in 2012–2013–2014–2015–2016 was there a decrease to 84%–82%–81%–80%. Assessments by the American experts on the positions of China gradually increase to 66%–60%–90%–100% in 2006–2007–2008–2009 (respectively), then drop to 85%–67%–66% in 2010–2011–2012, and then again reach 100% in 2013–2016 (when China passed the peak of its development).

As for the role of Russia in the Asia Pacific region, the lowest ratings are given by Russian experts:

- the decline was from 50% in 2007 to 9–8% in 2013–2014,
- also a sharp decline is typical for the Chinese assessments, from 96% in 2007 to 14% in 2012–2014,
- then there was an increase to 28% in 2015 and 68% in 2016.

American experts, with rare exceptions in 2007, 2009 and 2010, did not assess Russia as a leader in the Asia Pacific region.

Russia was assessed by the Vietnamese, Mongolian and Chinese experts as a “great power”. Moreover, such responses of Chinese experts by 2014 almost disappeared, and then in 2015–2016 skyrocketed to 68%.

Thus, we see how the geopolitical situation in the Asia-Pacific and in the all world was changed. Russia needs to take into account these changes and global challenges in the relationships with partners in the Asia Pacific region developing.

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THE BASIS FOR INITIATING THE EURASIAN INTEGRATION OF THE AGRICULTURAL SECTOR

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Abstract

This article discusses the basics of the integration of Eurasia's agricultural sector, based on the integration process between the European Union (EU) and Asian countries. The EU's agricultural integration has to be regarded as an innovative, large-scale project. The transformation of the EU's agricultural market has proven to be a complex agricultural integration that combines multiple ideological, financial, and political interests. Throughout the period of the EU's agricultural integration, its financial instruments and structured management were stable and, consequently, the integration was effective. However, the development stages of the ecological agriculture projects (EAP) study showed that the formation of a competitive EU agricultural market had some disadvantages. The complexity of the development of the agricultural market in Asian countries, including Kazakhstan and China, results from the fact that, unlike Europe, the Asian countries are at significantly different levels of development with respect to their economic, cultural, and political systems.

Keywords: integration; innovation; management; marketing; policy; agriculture.

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Introduction

The European Union (EU), which currently comprises 28 states, created a new economic market. The key to its development is the economic integration of the EU countries in the same economic space. For more than 50 years, Europe conducted numerous integration processes, which were manifested in the processes of unifying the socioeconomic, institutional, and legal systems of the EU Member States. Today, we must carefully study the experience of the EU's ag-

ricultural integration within the framework of the Common Agricultural Policy (CAP), its historical background, its advantages, and its disadvantages. According to the survey, it is necessary to identify the basic features of the Eurasian integration of the agricultural sector. The primary reason for this study is that Europe has not only integrated the structures of 28 European countries' agricultural sectors, it has also created the only international structure to overcome the difficulties and obstacles that stand in the way of a competitive agricultural market.

Investigation of the agricultural integration of the European Union and Asian countries. The EU is an inter-regional integration union of states that has strong supranational elements, manifested in the design and implementation of a common policy in trade, agriculture, transport, and other economic areas. In 1957, six countries signed the Treaty that established the European Economic Community. The EU's CAP is based on that treaty, which has been in force for more than 50 years.

According to Borisas Melnikas, the EU's cohesion is a particularly important factor in its processes of integration, agrarian integration, and enlargement (Melnikas, 2013).

All of the EU's agricultural integration processes began following the emergence and functioning of the CAP. The EU's ecological agriculture projects (EAP) constitute a system of EU agricultural subsidies to participating countries.

During the integration period, many reforms and changes have led to the modification of the CAP. While approaching a new financial period (after 2014), which requires the completion of the initiated reforms, the EAP has been subject to both active political decisions and ideological modifications because the policy's original purpose no longer exists. Effective recommendations for submission to the required investigation of possible stages of the development of the agricultural integration of the EAC allow the system to evaluate the content and results of development policies.

The primary objectives of the CAP are to guarantee the production of sufficient food and to ensure a fair standard of living for people engaged in agriculture in Europe (Lissitsa, Luke, Gagalyuk & Kvasha, 2006).

The background and reasons for agrarian integration arise out of the fact that all of the parties involved in the integration process have their own interests and attempt to solve their own urgent problems through joint efforts. Similar reasons include the following:

- The desire to provide access to a wider variety of agricultural produce;
- Access to cheaper inputs;
- Improved trading conditions;
- Reduced costs due to "economies of scale" in production;
- The achievement of sustainable economic growth in the agricultural sector; and
- Foreign direct investment, which is attractive to large markets.

The primary CAP mechanisms in the EU include guaranteed total prices in euros and overall organization of the markets (Ritson & Harvey, 1997). This financial integration has not only reduced friction among intergovernmental financial institutions and investors in manufacturers of agricultural products but also ensured fair competition by eliminating the risk of variations in prices caused by currency exchange rates.

Jordi Mondria and Thomas Wu (2013) address the problems of imperfect financial integration. They note that imperfect financial integration is the result of development problems in all economic sectors, including agriculture. Following the example of the EU, Mondria and Wu establish a pricing model that provides stability by investing in assets that, due to small downgrades, have resulted in financial friction in interstate relations.

Some authors distinguish among ambiguous stages of the CAP. Some fix chronological events without specifically classifying them into stages or distributing them in time (Nello, 2008; Fennel, 1997). Others (Tracy, 1998; Navickas, 2003) identify only the initial stages of development of the CAP, omitting separate tools and indicators.

On the basis of the proposed stages of the EAC's formation by authors such as Nello (2008), Navickas (2003), Tracy (1998), and Fennel (1997), the stages of CAP development are proposed, which consist of the following processes of agricultural integration:

The first stage (1962–1973 and 1973–1977) involved providing EU citizens with the most appropriate food through public procurement to encourage increased production volumes. Purchase prices were fixed at a high level, import restrictions – were not. Because at that time the EU had brought together nine countries, there was a need to coordinate their common policies on regulating the prices of agricultural products, to offer tools for market regulation, and to formulate the principles of establishing purchase prices and volumes (Zobbe, 2001). Participants in the agricultural sector received large subsidies. The total EU budget expenditure on agriculture was very high, and the high degree of support for the production of particular agricultural products led to overproduction, resulting in taxes and subsidies in addition to the CAP, which EU Member States were permitted (to some extent), independent of the general policy (Gopinath, Mullen & Gulati, 2004).

The second stage (1978–1984) involved the strict regulation of purchase prices, limiting overproduction of agricultural products and supply to the market. In this stage, the EU significantly reduced the use of tools to support market prices and strengthened fiscal discipline related to the use of its general budget. This stage also involved the introduction of export subsidies, which created more favorable price conditions for the implementation of agricultural goods in foreign markets. The adopted measures were deemed insufficient because it was not possible to reduce overproduction. In 1981, Greece joined the EU.

During the third phase (1984–1988), the EU made efforts to further reduce the volume of agricultural products by regulating purchase prices, implementing domestic market-protecting tax policies, and imposing milk-production quotas. Those quotas changed the CAP, which first approved quantitative restrictions on the production of particular commodities. Milk quotas were set individually for each Member State, and Community subsidies were paid only on amounts within the quota. In 1986, Spain and Portugal joined the EU. Their views on the need to integrate the Member States are expressed by Emmanuelle Lavallée and Vincent Vicard (2013), who recognize that transferring political boundaries sharply reduces world trade flows.

During the fourth stage (1988–1992), the EU united 12 countries, stabilized the supply of essential agricultural products in the internal market, stimulated the

development of a range of high-quality products, supported farms located in less favorable agricultural regions while farmers determined the need for environmental preservation, and financially supported the processing of particular types of agricultural products (The Green Paper, 1985).

Quotas for cereal products and oil plants. During the fourth stage, new methods of fixed financial support emerged. Those methods should have prompted structural changes in the agricultural sector as previously introduced EU subsidies were prematurely retired, including support for manufacturers' use of extensive agricultural technology in less-productive regions. Farmers established a requirement to engage in crop rotation to ensure the land's natural recovery of its yield every year by leaving 10% of it unused.

During the previous three stages of the EAP, its costs increased significantly in accordance with the EU's growth and the range of the instruments that it used.

The EU then decided to gradually reduce the cost of the CAP with the goal of not exceeding 0.65% of the GDP of all of the Member States (Drozd & Radzevicius, 2010). For several years, it was possible to reduce the cost of the CAP, but it later rose again, prompting the inevitable need to radically reform the CAP.

During the fifth stage (1992–1996), the EU conducted substantial reforms of the CAP. For example, the MacSharry reform abolished the system of purchase-price regulation and replaced the direct-payment mechanism of compensation paid per hectare of farmland (Nello, 2008). There were quotas on livestock, such as oxen and sheep, compensation for livestock sold, and livestock payments related to cows and ewes. Farmers were given preconditions and rationally disposed of physical, financial, and natural resources, based on their analyses of real changes in the market, to choose the optimal strategy for their own economy and that of a variety of agricultural products (Cardwell, 2004).

In 1995, the EU experienced a second wave of expansion to the East, adding Austria, Sweden, and Finland to the alliance. The first two countries have a long tradition of agricultural activities of an affectional nature, which has had an impact on the content of the CAP. An increasing amount of both attention and financial support was allocated based on strengthening ecologically oriented management through the minimal use of chemicals and the formation of natural parks and reserves.

Assessing the economic aspect of the MacSharry reform, its most important change was its establishment of direct payments per hectare of farmland, which was a prerequisite step towards rebuilding the principles of the agricultural financing system and providing both greater clarity and transparency.

The sixth stage (1997–2003) was the era of "Agenda 2000" (Agenda 2000), which marked the beginning of the EU's liberalization process with respect to the production of agricultural products.

Defined plan to continue reforms. The need to reform the EU's agricultural policy caused many problems. Agricultural subsidies covered approximately 50% of the cost of production, or approximately half of the EU's annual budget (Korol'kov, 2002). EU countries identified new principles for the CAP.

This new phase of decentralization was accompanied by a simplification of the CAP's rural development rules and the rejection of a large number of instruc-

tions, particularly with respect to crop production. Legislation became clearer, more transparent, and more accessible. Particular attention was paid to regulating the production and marketing of grain, beef and veal, milk and milk products, tobacco, olive oil, and wine.

The second-most-important main direction in CAP reform related to its development of rural areas, that is, its implementation of an integrated policy using common measures that ensured greater interaction between rural development and prices and market policy within the CAP. The fisheries policy, which was previously part of the CAP, emerged as an independent policy with private financing and independent content.

The seventh stage (2004–2007) is associated with the EU's greatest period of expansion. Ten more countries from Central and Eastern Europe joined. The EU set a strict schedule for direct payments to farmers, fixed specific volumes of payments for each country, delinked payments from production volume, and became instrumental in supporting farmers' income stability. The CAP's primary focus during the seventh stage was its complex ratio of financial support for standards related to environmental protection, food safety and quality, hygiene, sanitation, and the welfare of domestic animals (i.e., cross compliance).

For large farms, the EU introduced modulation, i.e., a percentage reduction in payments. It also increased the volume of funding for rural development.

Market-regulating tools were minimized and left in place only in some sectors, most significantly, dairy products. The EAP's focus was the modernization of agriculture, which was extremely important to the EU's new members. Due to the influx of investment in these new Member States' agricultural sectors, those countries' volume of foreign trade (both within and outside of the EU) intensively increased. Enlargement of the EU increased both foreign trade and trade with the older members of the EU, which at that point was stable and did not show significant growth.

The eighth stage (2007–2013) continued with the 2003 reforms that increased rural development. The EU created a separate regulation that would remain in force from 2007–2013. That regulation identified four main program areas for funding on four axes (Tarybos reglamentas, 2005):

Axis I: The competitiveness of the agricultural sector;

Axis II: Improvement of the natural environment and landscape;

Axis III: Improvement of housing conditions and encouragement of alternative activities in rural areas; and

Axis IV: Implementation of the LEADER method.

Studies have found both advantages and disadvantages to agrarian EU integration within the EAC. The advantages include the following:

- EU agricultural integration should be considered as an innovative, large-scale project implementing agrarian integration;
- Transformation of the EU's agricultural market has proven complex because it combines multiple ideological, financial, and political interests;
- Financial instruments and structured management integration in the EU were stable throughout the period of agricultural integration; and
- The integration was efficient.

However, CAP implementation also suffered from minor disadvantages caused by intensive economic development, information technology, and human resource capacity, including the following:

- A lack of marketing support for information producers (although agricultural integration in the EU has evolved even without marketing tools);
- Weak landmarks increased producers' attractiveness to investors; and
- The lack of scientific research institutes to address problems related to competitive training and innovation in agricultural integration.

The complexity of the development of the agricultural market in the Asian countries, including Kazakhstan and China, is unlike Europe, where at the beginning of the integration, the economic and political development of the countries involved was relatively comparable. Asian countries have significant differences with respect to the developmental levels of their economic, cultural, and political systems.

A rise in protectionism and regionalism in the global economy; a lack of multilateral cooperation mechanisms in the Asian countries' historical pasts; and geographical, political, economic, and sociocultural differences required the Asian countries to find new approaches to and forms of developing relations, creating their own regional integration association of agricultural markets. Today, the primary task is to lift the Asian countries to a new level, to develop action plans, to develop initiatives, and to eliminate conflict with the high heterogeneity of the Asian region.

The economic rise of China and the high rate of development of other countries in the Asian region have been accompanied by sub-regional, regional, and inter-regional initiatives intended to promote dialogue related to economic cooperation, including the creation of a common agricultural market. These initiatives have been generated amid growing economic interdependence and complementarity, manifestations of aspirations that consider both national and regional interests. Their implementation leads the world (i.e., the USA and China) in competing for influence in the region. Kazakhstan and China have the potential to exert influence on ongoing processes in the Asian region that are aimed at integrating economies.

China is the largest agricultural country in the world. More than 60% of the population is rural, and agriculture is the primary source of subsistence. China's social and economic status are primarily determined by two macroeconomic indicators: its population (the largest in the world) and its lack of arable land. Although it has 22% of the world's population, China has only 7% of its arable land. The sown area of China is approximately 130 million hectares; China's average farmland per capita is only 10 acres. In the suburbs of major cities, each person accounts for only 0.067 hectares of arable land—in some provinces, 0.04 hectares—which is below the critical level defined by the United Nations Food and Agriculture Organization as 0.053 hectares. (Plows AG, 2009).

By the end of 2014, China's agricultural, rural economy had achieved obvious developmental success, having increased in quality and efficiency while maintaining stability.

According to the data, in 2013, the total volume of collected crops increased by 1.5% compared to 2012, amounting to 601.94 million pounds. In 2014, China collected a rich grain harvest. Thus, its grain production grew for the 11th consecutive year, reaching 607.1 billion pound (5.16 billion pounds more in 2013). Eleven con-

secutive years of increasing grain production rapidly grew farmers' incomes. With increased pressure from the economic downturn, a favorable situation persists in the rural economy (Ministry of Agriculture of the People's Republic of China, 2015).

From January to October 2014, the sum of China's imports and exports of agricultural products was 160.14 billion US dollars, 7.0% more than in the previous year. Exports amounted to 57.88 billion US dollars while imports totalled 102.26 billion US dollars, with an annual growth of 6.7% and 7.2%, respectively. China has a 44.38 billion US-dollar trade deficit in agriculture, 7.7% more than the previous year (Ministry of Agriculture of the People's Republic of China, 2015).

At the international level, therefore, the EU and Asia need to discuss further cooperation both to create Eurasian integration and to discuss the formation of a common agricultural market. Methods of implementing agrarian integration—including applying proposals based on this study—can be effective in light of the positive experience of EU integration. Those proposals include the following:

- 1) Introducing integrative processes, systems, and information marketing. On this issue, I previously showed that the primary function of the system of information marketing is to ensure a continuous flow of information from the effective dynamic (depending on the level of integration) and to prepare and adopt additional marketing decisions (Ziyadin, 2012).
- 2) Introducing factor analysis to determine the degree of investment attractiveness of agrarian market investors and providing quality human resources. Investment analysis is considered by Lubyova and Vojtkova (2014) who analyze the economies of more than 134 countries in terms of multinational manufacturers. They established the dependence of countries' investment attractiveness on their human resources.
- 3) Creating a research institute to study the problems of introducing modern innovation.

With respect to development and diversification methods, I have previously made the following statements: "... improving the efficiency of production enterprises is achieved through the development of innovative processes ...," and "... diversification activities should not only meet the specific needs of the community, but also improve the efficiency of the use of certain resources ..." (Ziyadin, 2015).

- 4) Introducing new knowledge about scientific and technological progress in the integration process. Only scientific and technological progress can improve the ability to convert knowledge into innovation (Mersedes, 2014).

Research methodology

To study organizational and economic measures related to Eurasian integration of the agricultural sector, a rating system, based on two methods, is used: the first method involves a quantitative assessment of the state of the economy; the second is an intuitive method, employed when it is difficult to account for the influence of many factors, owing to their complexity.

A sufficiently accurate and comparable measure is used to assess the conditions of agricultural production in different countries. This allows for the deriva-

tion of coefficients that indicate the relative impact of different factors in economic development.

Attitude indicator of the effectiveness of the measure for the district to determine the value of the coefficient of economic factors:

$$K_j = \frac{V_{reg.i}}{N_{reg.i}} : \frac{V_{c.i}}{N_{c.i}} \quad (1)$$

where:

K_j is the value of the coefficient corresponding to the economic factor.

I is the year period;

$\frac{V_{reg.i}}{N_{reg.i}}$ is a measure of efficiency in a given region;

and $\frac{V_{c.i}}{N_{c.i}}$ is the average national efficiency rate.

To determine the level of economic development, we use a comprehensive indicator that takes into account the peculiarities of the economic factors in each case:

$$KI, n = \frac{1}{m} \times \sum K_j, n \quad (2)$$

where:

KI is a factor in economic development;

m is the number of economic factors included in the calculation of the integral indicator;

and K_j, n is the coefficient of a given economic factor in the n -th region.

The methodology used allows us to group regions of importance, based on the proximity of a region to the average of the Eurasian region, as follows:

- The first level is the region most suited to the new economic conditions; it has a KI equal to or greater than 1.
- The second level is a region that can still control the situation and maintain the potential for economic growth; it has a KI of 0.8 to 1.
- The third level is the current structure of a region that is not well adapted to the changed management conditions; its KI is less than 0.8.

An integrated assessment methodology can be applied to a model of financial-economic, socio-economic and other parameters.

In our view, the main indicators reflecting the degree of integration of the Eurasian region are the parameters of production efficiency, in particular, the volume of production per unit of land area, labor productivity and indicators of a social nature—per capita production of grain, milk, meat, vegetables and potatoes.

The proposed methodological studies are designed to objectively allocate algorithm territory according to the degree of success of industrial and economic activities and to assess the impact of the external environment or change the ratio of internal factors of development.

An integrated indicator enables a comparative assessment of the nature and sustainability of economic development of a territory and eliminates the need to recalculate, using a deflator.

The evaluation reveals that the agricultural sector of the Eurasian region has attained the second level of economic development. That is, it remains unable to control the situation and maintain the potential for economic growth.

The provision of sustainable agriculture is, in our view, breaking the negative impact of natural and economic factors that destabilize agricultural production.

Factors affect each territory in different ways. As a result of our research, we have identified the following factors in agricultural development, taking into account the most important factor conditions and the key problems in the development of the agrarian and industrial complex (AIC) of Tomsk Oblast:

1. Access to capital (specialized lending programs for the AIC; promotion of the integration of the processing industry with the primary sector; government subsidies).
2. Soil-climate and other natural conditions (conservation and improvement of soil fertility, increased drought resistance of crops, shortening of maturation periods, the struggle with excessive moistening).
3. Innovation (cooperation with regional science, development and introduction of agricultural technology).
4. Domestic demand (the need to improve the level of development of the processing industry, efficient customs import protection).
5. Transportation (the need to develop the transport services sector, increase the density of roads and reduce tariffs for rail transport).
6. Professional associations (collective interests of agricultural producers should represent various community organizations—the association of peasant farms and agricultural cooperatives).
7. Business services (transport, insurance, storage, recycling).
8. Export (advanced export infrastructure (logical centers) and the absence of barriers to entry in the target markets).
9. Time frames (to reduce the outflow of population, enhance entrepreneurial activity and increase knowledge of modern technologies).
10. Legislation (effectively forming the legal basis for the management of subjects, identifying land-use rules, determining the order and size of state support, and other powers).
11. The availability of infrastructure in rural areas (reasonable electricity rates).
12. National traditions and local customs.

To determine the value of each factor identified, we employed the method of peer review (the "pairwise comparison" method), which we adapted to the current situation.

The methodology is used to identify the most important factors, reducing the negative impact of some of them and identifying measures to enhance policy effectiveness, thereby contributing to the sustainable development of the agricultural sector.

The 12 factors identified above are horizontally and vertically arranged. Horizontal factors X_i, X_j are arranged vertically as $X_1 = X_1; X_2 = X_2; X_3 = X_3$, etc., where each cell of the diagonal has a recorded value of 1. Appreciated the advantage of the j -th figure compared with i -m. To determine the significance of the various factors, it is recommended that you start with the first factor horizontally and compare it with other factors vertically. The most important factor is given two points.

Accordingly, between X_i and X_j is the identity. The factor used to determine the value of the following formula:

$$W_j = \frac{\sum_{n=1}^n X_j}{\sum_{n=j}^n \sum_{n=i}^n X_{ij}} \tag{3}$$

where:

W_j is the weighted value of the indicator;

$\sum_{n=1}^n X_j$ is the number of assessments (the maximum value should be sought);

$\sum_{n=j}^n \sum_{n=i}^n X_{ij}$ is the number of assessment points.

The influence of factors on the stability of the agricultural integration development regions of Eurasia is shown by the ranking of the importance of each indicator, taking into account the analysis of the criticality factor conditions of the economic development of Eurasian regions (table).

Table

Determination of the ranking factors

	1	2	3	4	5	6	7	8	9	10	11	12	$\sum X_i$	W_j	Rank
1	1	0	2	2	2	2	2	2	2	2	2	0	19	0.13	2
2	2	1	2	2	2	2	2	2	0	2	2	2	21	0.15	1
3	0	0	1	2	2	2	2	2	2	2	2	2	19	0.13	3
4	0	0	0	1	0	2	2	2	0	2	2	2	13	0.09	6
5	0	0	0	2	1	2	2	2	2	2	2	0	15	0.10	5
6	0	0	0	0	0	1	2	2	0	2	2	2	11	0.08	7
7	0	0	0	0	0	0	1	2	0	2	2	2	9	0.07	8
8	0	0	0	0	0	0	0	1	0	0	0	2	3	0.02	12
9	0	2	0	2	0	2	2	2	1	0	2	2	15	0.10	4
10	0	0	0	0	0	0	0	2	2	1	2	0	7	0.05	10
11	0	0	0	0	0	0	0	2	0	0	1	2	5	0.03	11
12	2	0	0	0	2	0	0	0	0	2	0	1	7	0.05	9
$\sum X_j$	5	3	5	15	9	15	13	21	9	13	19	17	144	1.00	-

The most important factors in the sustainable development of agricultural integration in the regions of Eurasia are natural conditions, access to capital, innovation, human resources, etc.

The proposed model is an effective control system of regional development that includes areas of agricultural-industrial integration and organizational and economic measures. The model allows for the use of factors and determines the further development of the integration of agriculture regions of Eurasia.

Conclusions and suggestions

Based on this study, we can conclude that the EU's achievement of economic integration within the framework of the CAP is the direct result of its consistent-but-flexible agricultural policy. The model reflecting the EU's many years of experience with the integration process could be the basis for the development and implementation of agrarian integration between the EU and Asia and the creation of a member association to implement this integration, for example, with Kazakhstan, China, and other Asian countries; Kazakhstan and China have relatively competitive economies, raw materials, and agricultural potential.

Kazakhstan plays a major role in agricultural development. Within a relatively short period, Kazakhstan has formed a market-based infrastructure that will improve some portion of the material and technical base, provide working capital to stabilize production, and resolve issues related to marketing agricultural products. It has also formed the foundations of an economic mechanism based on a mixed economy, which will attract investors. In addition, financial leasing has resulted in fleet-replenishment agricultural agroformations, along with the establishment and operation of cooperative regional machine-technological stations, financial and credit unions, and insurance companies that provide a variety of services in the field of agriculture.

Modern economic science cannot yet determine the full impact of the integration processes at the global level. This is not due to the complexity of calculating the results of the integration and plurality effects in time and space.

Further development and improvement of forms of international economic integration may lead to political union, i.e., make integration a confederal state with all the consequences, including the creation of a central government with even more power and authority than supranational institutions of governance.

The most mature form of economic integration of the European Union is based on various treaties and agreements. The EU not only eliminated barriers to the movement of goods, services, capital and labor but also created an economic, monetary and political union.

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NEW POLICY TOWARDS VIETNAM? STATE ADMINISTRATION OF THE RUSSIAN FEDERATION AND A REALIZATION OF THE FREE TRADE AGREEMENT BETWEEN THE EAEU AND VIETNAM¹

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Abstract

The Free Trade Agreement between the Eurasian Economic Union and Vietnam, signed in May 2015, has special political significance for both Eurasian integration and Russian-Vietnamese relations. However, an important issue is the problem of the efficiency of this agreement for the Russian economy. Despite the high level of political contact between Russia and Vietnam, their economic interaction is still at a relatively low level. But at the same time, the FTA is often considered to be a factor that can impact positive influence on economic cooperation between Russia and Vietnam. Focusing on the political meaning of the EAEU-Vietnam FTA, the aim of the article is to research the role of Russian state administration in the development of the free trade zone.

The author analyzes the activity of Russian state structures (the Ministry of Economic Development, the Russian Export Center, the Trade Mission in Vietnam etc.) in terms of their assistance in the realization of the FTA, considers the results of their work and makes conclusions on the future prospects of the free trade zone between the EAEU and Vietnam. The Russian state administration has taken part in organizing different events (official summits, roundtables, exhibitions, business forums), assisted in communication between the Russian and Vietnamese business communities, and provided information support. But despite some achievements by the FTA, there are still a lot of unsolved problems and so interaction between state administration and business seems to be a necessary condition for the improvement of Russian-Vietnamese economic cooperation.

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Keywords: free trade agreement; state administration; trade mission; integration; Eurasian Economic Union; Russian-Vietnamese relations; Vietnam.

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Two Integrations

The Eurasian Economic Union (the EAEU) and idea of Eurasian integration as a whole play a special role in the current foreign policy of Russia. An important problem is the issue of the further expansion of the EAEU – as in the framework of the post-Soviet space, so beyond its borders. Under these circumstances, the signing of the Free Trade Agreement (the FTA) between the EAEU and the Socialist Republic of Vietnam (the SRV) in May 2015 gained an exceptional significance for the Eurasian integration project. Negotiations on the establishment of a free trade zone were conducted and are still conducted with many countries, but have currently only been successful for Vietnam. Also, Vietnam is one of the most actively developing economies in the Asia-Pacific region, having the important significance in modern Russian policy in the framework of the idea of the “Pivot to the East”. So the free trade zone between the EAEU and Vietnam might be considered as a consolidation of two key integration projects – Eurasian and Asia-Pacific. In the opinion of Russian scholars, the FTA between the EAEU and Vietnam is “an opportunity for Russia to institutionally “lock” Asia-Pacific and Eurasian ways of its foreign policy” (Mazyrin, 2015, p. 78). One researcher from Oxford University, Paradorn Rangsimaporn, stated that Eurasian ideas in Russia were closely connected with a vision of the necessity for the expansion of interaction with the Asia-Pacific countries (Rangsimaporn, 2006, p. 385). The EAEU-Vietnam FTA is considered to have an important political significance for the international prestige of Eurasian integration, and the cooperation with Hanoi in such a format will be the first step in the development of similar projects with other countries, including the ASEAN states.

At the same time the development of this scenario will be dependent on the achievements from the work of the free trade zone between the Eurasian Economic Union and Vietnam. The agreement came into force in October 2016 and a year later it seems productive to analyze the results of this project. Keeping in mind the political significance of the EAEU-Vietnam FTA, the author views the research of the role of the state administration of the Russian Federation in the realization of this agreement as an important approach. The influence of administrative structures in the accomplishment of decisions taken in practice might be crucial. For instance, as Professor Vladimir Kolotov (Saint Petersburg State University) commented, many problems in Russian policy on the development of relations with Asia-Pacific countries in the spirit of “Pivot to the East” have their roots in the ineffective work of some branches of state administration (Kolotov, 2017, p. 19).

Traditions of the Russian-Vietnamese Partnership and the Free Trade Zone

The conclusion of the EAEU-Vietnam FTA became possible mainly due to the close partnership between Moscow and Hanoi, and also because of the direction of Vietnamese foreign policy. Modern Russian-Vietnamese relations are developing in many aspects on the basis of the cooperation between the USSR and Vietnam in the Cold War. The Soviet Union rendered assistance to Communist Vietnam, and Hanoi was one of key Soviet partners in the Asia-Pacific region. After the collapse of the USSR, the level of interaction between the Russian Federation and the Socialist Republic of Vietnam substantially decreased in comparison with the period of the Soviet-Vietnamese alliance. However the two sides did manage to maintain good relations in some spheres (for example, in the fields of defense and energy cooperation). Vietnam tried to lead multilateral foreign policy and still saw Russia as one of centers of the global system of international relations. In 2001, the two states signed the declaration on “strategic partnership” and in 2012 the status of bilateral relations was increased to the level of “comprehensive strategic partnership”. The SRV is still the only state in Southeast Asia that has the status of strategic partner of Russia. At the same time the scale of economic cooperation, despite the development of some new projects and the rise of trade turnover from the beginning of the XXI century, are relatively low. For instance, the volume of trade between Russia and Vietnam in 2014 was about USD 3.7 billion. In contrast, Vietnam trade with its key partners (China, the United States, South Korea and Japan) in 2014 was 58.5 billion, 34.9 billion, 28.9 billion, and 27.6 billion respectively². Meanwhile, Russia’s share of the general volume of trade of the EAEU member-states with Vietnam was more than 90%. The serious problems for Russia were the higher import tariffs in comparison with states that signed the free trade agreements with Hanoi (Mazyrin, 2014, pp. 108–109). Experts underlined that the solution for this situation might be the establishment of a free trade zone between Russia and the SRV (Mosiakov, 2014, pp. 43–44).

However the first steps in the elaboration of such an agreement were made in the form of projects incorporating Vietnam’s participation in Eurasian integration. Firstly, these ideas were declared in 2009, when the discussion about interaction between Vietnam and the Customs Union was initiated (Tsvetov, 2015). In 2010–2012 there was an expertise of necessity and the possibility of the creation of a free trade zone between the Customs Union and the SRV. Official negotiations started in March 2013 and finished in December 2014. From the beginning of 2015 the Eurasian Economic Union – a successor of the Customs Union, officially began to work. In May 29, 2015 the agreement on the establishment of the free trade zone between the EAEU and Vietnam was concluded.

The negotiations were successful for several reasons. Firstly, Russia and Vietnam were longtime and reliable partners (Mazyrin, 2016, p. 72). The Vietnam-

² V'etnam. Vneshniaya torgovlia i investitsii [Vietnam. Foreign Trade and Investments]. Available at: <http://rvbu.ru/stati/397-vneshnyaya-torgovlya-i-investicii.html> (accessed: 14 February, 2017).

ese media remarked, that the conclusion of the free trade agreement was an acknowledgement of the role of Vietnam in comprehensive strategic relations with the EAEU member-states (and especially – with Russia)³. Secondly, Vietnam leads multilateral foreign policy and this strategy was confirmed, for instance, by the resolutions of the XII Congress of the Communist Party of Vietnam in January 2016 (XII s"ezd kompartii V'etnama ..., 2016, 159). Besides, Vietnam, by conducting independent foreign policy, could distance itself from the harsh Western position towards Russia which manifested from the Ukrainian crisis in 2014. Thirdly, Hanoi aims for the expansion of free trade zones with its partners and it responds to a Vietnamese export-oriented economy. At the moment, Vietnam has 15 free trade agreements with states and integration blocs (Mazyrin, 2016, p. 76). And lastly, we can suggest that one important reason for successful negotiations was the relatively low level of trade between the EAEU member-states and Vietnam. It was noted, for example, that EAEU trade with the SRV was not substantially significant in order to “make any harm for a local manufacturer” (Tsvetov, 2015). In the report “Questions and Answers on the Free Trade Agreement between the Eurasian Economic Union and the Socialist Republic of Vietnam”, prepared by the Eurasian Economic Commission, there was an assertion that the liberalization of trade with Vietnam “didn’t draw essential risks for economies of the EAEU states” (Voprosy i otvety po Soglasheniiu o svobodnoi trgovle ..., 2015, p. 7).

The agreement was in some aspects a compromise. As Russian researchers pointed out, the EAEU and the SRV would supplement each other in mutual trade, and competing fields would be protected (Mazyrin, 2015, p. 72). In the opinion of Professor Vladimir Mazyrin (Institute of Far East, Russian Academy of Sciences), the FTA may help to increase the trade turnover between Russia and Vietnam to USD 8–10 billion by 2020 (p. 77). At the same time, real results from the free trade zone might be obtained only after 10–15 years (p. 81).

The FTA also has an important political meaning for Russia. According to some foreign scholars, the expansion of the EAEU is stipulated by not so much by the principles of Eurasian integration as by Russian geopolitical interests. Negotiations on cooperation with the EAEU were conducted with some states, which did not belong to Eurasian space, but had strong ties with Russia (Roberts & Moshes, 2016, p. 12). But relations between the EAEU and Vietnam were, however, connected with Eurasian integration. The SRV is one of the actively developing economies in the Asia-Pacific region. The authors of the report “Questions and Answers on the Free Trade Agreement between the Eurasian Economic Union and the Socialist Republic of Vietnam” underlined the opportunities for strengthening cooperation with the Asia-Pacific region through the zone of free trade with the SRV: “The deepening of trade and economic ties with Vietnam let manufacturers and suppliers from EAEU states get access to participation at already established production and marketing ties in the APR”

³ Vietnam’s “Niche Market” FTA strategy. Available at: <https://www.cogitasia.com/vietnams-niche-market-fta-strategy/> (accessed: 1 March, 2017).

(Voprosy i otvety po Soglasheniyu o svobodnoy torgovle ..., 2015, p. 7). The idea of the consolidation of integration processes in the post-Soviet space and in the Asia-Pacific region was proposed by Russian President Vladimir Putin at the APEC summit in Vladivostok in 2012 yet⁴.

Experts noted the FTA with Vietnam was the first such treaty for the EAEU and so it might be considered as a kind of “test ground” for cooperation in that format. As Russian researcher Anton Tsvetov (Russian International Affairs Council) wrote, the role of the FTA consisted “in elaboration of practice of negotiations and instruments of realization of similar agreements for the EAEU” (Tsvetov, 2015).

The EAEU-Vietnam Free Trade Agreement officially entered into force in October 5, 2016 after ratification by all sides.

Administration, Economy and the FTA

In realization of the principles of the FTA an important role is played by the Russian Ministry of Economic Development. Active work began before the ratification of this agreement. In August 14, 2015 the First Deputy Minister of Economic Development, Aleksei Likhachev, negotiated with a delegation from the Economic department of the Central Committee of the Communist Party of Vietnam. Both sides discussed cooperation in trade and investment spheres. Likhachev insisted on the necessity of a conclusion of agreement for the industrial assembling trucks on the territory of Vietnam. This document had to enter into force at the same moment as the beginning of the official work of the zone of free trade⁵. The protocol on assembling trucks in Vietnam was signed in March 21, 2016 and became, in the words of Russian Minister of Industry and Trade, Denis Manturov, “the first project of bilateral cooperation, concluded in development of the Free Trade Agreement between the member-states of the Eurasian Economic Union and Vietnam”⁶.

In November 12, 2015 Aleksei Likhachev took part in the Russian-Vietnamese Business Forum for the promotion of mutual trade and a bilateral channel of payments. Participants of the Forum considered the possibilities of the use of national currencies in bilateral payments as one of the variants for increasing trade turnover between Russia and the SRV⁷.

In November 25, 2015 the First Business Forum “The Eurasian Economic Union – Vietnam”, dedicated to the development of mutual trade, took place in

⁴ Vladimir Putin priniial uchastie v rabote Delovogo sammita ATEs [Vladimir Putin Took Part in Work of the APEC Business Summit]. Available at: <http://kremlin.ru/events/president/news/16410> (accessed: 23 March, 2017).

⁵ Rossiisko-v'etnamskii tovarooborot k 2020 godu sostavit 10 mlrd.dollarov [Russian-Vietnamese Trade Turnover will be USD 10 billion by 2020]. Available at: <http://economy.gov.ru/minec/about/structure/depasiaafrica/2015081401> (accessed: 22 August, 2017).

⁶ Rossiia i V'etnam podpisali protokol po proizvodstvu avtomobilei [Russia and Vietnam signed a Protocol for Trucks' Production]. Available at: <http://eurasiancenter.ru/news/20160321/1004342984.html> (accessed: 14 August, 2017).

⁷ Aleksei Likhachev: tovarooborot s V'etnamom v 10 milliardov dollarov k 2020 godu – vpolne real'naya tsifra [Aleksei Likhachev: Trade Turnover with Vietnam in USD 10 billion – Quite Real Score]. Available at: <http://economy.gov.ru/minec/about/structure/depasiaafrica/20151112> (accessed: 21 August, 2017).

Hanoi. Among the organizers of the event were the Eurasian Economic Commission, the Ministry of Industry and Trade of Vietnam, the Ministry of Economic Development of Russia, the Center of International Trade of Moscow, and the Chamber of Commerce and Industry of Vietnam. Participants of the Forum also included businessmen from the EAEU member-states and Vietnam, and officials from different structures of state administration. The First Deputy Minister of Economic Development, A. Likhachev, defined the following means of support for Russian exporting companies from the Ministry: the activities of intergovernmental commissions and high level working groups, new channels for payments (including payments in national currencies), exhibitions, forums and conferences⁸.

Aleksei Likhachev participated personally in summits involving intergovernmental commissions and working groups. In April 1, 2016 he took part in the first round of bilateral consultations for the realization of the mechanism for a preferential trade regime between Russia and Vietnam in the framework of the Russian-Vietnamese Working Group of High Level for Priority Investment Projects. At the negotiations Likhachev focused on the importance of the EAEU-Vietnam FTA for Russian-Vietnamese relations and spoke about plans for opening the House of Trade in Vietnam, which could be a useful instrument for supporting Russian exports to Vietnam⁹.

In September 21, 2016 Likhachev worked at the summit of the Inter-Government Commission for Trade-Economic and Scientific-Technical Cooperation. The Russian delegation was headed by the First Deputy of the Chairman of Government of Russia, Igor Shuvalov. Participants of the summit discussed issues of trade and investment ties in the context of the zone of free trade between the EAEU and Vietnam¹⁰.

In March 20, 2017 the Deputy Minister of Economic Development, Aleksei Gruzdev, visited the summit of the Russian-Vietnamese Working Group of High Level for Priority Investment Projects. The sides discussed the influence of the EAEU-Vietnam FTA on the results of bilateral trade¹¹.

In May 21, 2017 the Minister of Economic Development, Maksim Oreshkin, negotiated with the President of the SRV, Tran Dai Quang, on the eve of a visit by

⁸ Aleksei Likhachev. Vzaimodeistvie EAES i V'etnama mozhnet stat' prochnoi «startovoi» ploshchadkoi dlya sovmestnogo vykhoda na rynki drugikh stran ASEAN [Aleksei Likhachev. Interaction of the EAEU and Vietnam might become a Solid "Start" Ground for Joint Access to Markets of Other ASEAN States]. Available at: <http://economy.gov.ru/minec/about/structure/depAsiaAfrica/2015251112> (accessed: 14 August, 2017).

⁹ Aleksei Likhachev. Pochti tret' rossiiskogo eksporta v torgovle so stranami Yugo-Vostochnoi Azii prikhodit-sya na V'etnam [Aleksei Likhachev. Almost one third of Russian Export in the Trade with Southeast Asia States relates to Vietnam]. Available at: <http://economy.gov.ru/minec/about/structure/depAsiaAfrica/20160401> (accessed: 11 August, 2017).

¹⁰ Aleksei Likhachev. Rossiisko-v'etnamskoe sotrudnichestvo vykhodit na kachestvenno novyi uroven' [Aleksei Likhachev. Russian-Vietnamese Cooperation Enters on a Perfectly New Level]. Available at: <http://economy.gov.ru/minec/press/news/2016210902> (accessed: 11 August, 2017).

¹¹ Aleksei Gruzdev. Soglashenie o svobodnoi torgovle mezhdru EvrAzEs i V'etnamom sozdast novye tochki rosta [Aleksei Gruzdev. The Free Trade Agreement between the EAEU and Vietnam will create New Spots of Rise]. Available at: <http://economy.gov.ru/minec/about/structure/depasiaafrica/2017200304> (accessed: 14 August, 2017).

the Vietnamese leader to Russia. At this meeting there was a discussion on the influence of the EAEU-Vietnam FTA on Russian-Vietnamese trade¹².

Maksim Oreshkin also attended the roundtable “The Zone of Free Trade of the EAEU: New opportunities for entrepreneurs of Russia and Vietnam” in June 27, 2017, organized by the Trade of Commerce and Industry of the Russian Federation in honor of the visit of the President of the SRV to Russia. The Vietnamese leader also visited this roundtable. It was remarked during the discussion, that an important element of development of the free trade zone was “legal and informational support that at the moment didn’t seem to be optimal and suitable for appointed tasks”. Participants of the roundtable asked representatives of executive and legislative structures of Russia and the SRV, heads of regional administrations, the business community and the mass-media to assist with the realization of the strategic potential of the EAEU-Vietnam FTA in the shortest time¹³.

In July 25, 2017 the Deputy Minister of Economic Development, Aleksei Gruzdev, took part in the work of the Russian-Vietnamese Economic Forum. He underlined the prospects for commercial cooperation between Russia and Vietnam linked with the realization of the EAEU-Vietnam FTA. He highlighted the establishment of a system of interaction between middle and small businesses of Russia and Vietnam as an important task. The Deputy Minister also declared that the Ministry of Economic Development in coordination with the Ministry of Planning and Investment of Vietnam was working on a memorandum in support of cooperation between middle and small enterprises in Russia and the SRV¹⁴.

The industrial exhibition and business forum “Expo Russia Vietnam 2017” is scheduled to take place in Hanoi in December 15–17, 2017. This event will be organized with the support of the Russian Foreign Ministry, the Ministry of Economic Development, the Ministry of Industry and Trade, and the Ministry of Education and Science. One topic for roundtable discussion will be “Development of economic cooperation of our countries in the context of the establishment of the zone of free trade between Vietnam and the states of the EAEU for the realization of joint projects”¹⁵.

Representatives of Russian state administration consider the EAEU-Vietnam FTA as an important element in Russian-Vietnamese relations. They negotiate with their Vietnamese colleagues, attend different events and take part in their organization. But many problems regarding Russian-Vietnamese economic coope-

¹² Maksim Oreshkin. Dostizhenie tovaroborota v 10 mlrd. dollarov k 2020 g. vpolne real'no [Maksim Oreshkin. Advance to the Trade Turnover of USD 10 billion by 2020 is Quite Real]. Available at: <http://economy.gov.ru/minec/about/structure/depasiaafrica/2017210504> (accessed: 15 August, 2017).

¹³ Zona svobodnoi trgovli EAES: Novye vozmozhnosti dlya predprinimatelei Rossii i V'etnama [The Free Trade Zone of the EAEU: New Opportunities for Businessmen of Russia and Vietnam]. Available at: <http://www.iarex.ru/news/54162.html> (accessed: 3 September, 2017).

¹⁴ Aleksei Gruzdev. Soglashenie o svobodnoi trgovle mezhdru EAES i V'etnamom sozdaet novye usloviya dlya rasshireniya rossiisko-v'etnamskogo sotrudnichestva [Aleksei Gruzdev. The Free Trade Agreement between the EAEU and Vietnam Creates New Conditions for Expansion of Russian-Vietnamese Cooperation]. Available at: <http://www.ved.gov.ru/news/23050.html> (accessed: 4 September, 2017).

¹⁵ Expo-Russia Vietnam – Mezhdunarodnaya promyshlennaya vystavka i biznes-forum [Expo-Russia Vietnam – International Industrial Exhibition and Business Forum]. Available at: <https://www.expoclub.ru/db/exhibition/view/expo-russia-vietnam/> (accessed: 4 September, 2017).

ration are still awaiting resolution, and assistance from the state administration's side is necessary for this.

Missions in Vietnam

An important role in increasing Russian exports to Vietnam belongs to the Russian Export Center (REC), a state structure, active since the beginning of 2016. The Chairman of the Board of Directors is the First Deputy of Chairman of the Government, Igor Shuvalov, while the Board of Directors also includes the Minister of Economic Development, the Minister of Industry and Trade, and the Minister of Finance. The main mission of the REC is declared as “support and development of non-raw export through participation in state policy and creation of a joint effective institute of development”¹⁶.

The Russian Export Center is designing “a road map” – a complex plan for the promotion of Russian export to Vietnam. The REC will play one of key roles in developing bilateral Russian-Vietnamese relations, providing complex assistance to Russian exporters through finance and non-finance instruments and promotional support¹⁷.

The office of the REC in Vietnam was opened in Hanoi in July 21, 2016. In December 14, 2016 in Ho Chi Minh City an exhibition of Russian food products “Russian Gastro Week” took place, organized by the REC with support from the Trade Mission of Russia in Vietnam¹⁸.

Officials of the REC also participated in the forum “Eurasian Week” in Astana in 24–25 August, 2017 and held the seminar “The EAEU – Vietnam: the first business results”¹⁹.

Important activity for the promotion of information on the opportunities of the EAEU-Vietnam free trade zone is executed by the Trade Mission of the Russian Federation in Vietnam.

Officials of the Trade Mission participated, for instance, in August 11, 2015 at the practical conference in Ho Chi Minh City, dedicated to the expansion of export ties with Russia, and presented the report “New prospects of development of Russian-Vietnamese trade and economic relations in the light of the Free Trade Agreement between the states of the EAEU and the SRV”. After the presentation of the report there was a discussion with Vietnamese businessmen²⁰.

¹⁶ Strategicheskie perspektivy [Strategic Prospects]. Available at: <https://www.exportcenter.ru/company/perspective/> (accessed: 3 September, 2017).

¹⁷ RE'Ts: Rasshirenie sotrudnichestva s V'etnamskim biznesom aktual'no, kak nikogda [The REC: Expansion of Cooperation with Vietnamese Business is Urgent as Never Be]. Available at: https://www.exportcenter.ru/news/rets-rasshirenie-sotrudnichestva-s-vetnamskim-biznesom-aktualno-kak-nikogda/?sphrase_id=17536 (accessed: 3 September, 2017).

¹⁸ V Khoshimine sostoyalas' vystavka rossiiskikh prodovol'stvennykh tovarov “Russian Gastro Week” [The Exhibition of Russian Food Products “Russian Gastro Week” took Place in Ho Chi Minh City]. Available at: <https://www.expoclub.ru/db/exhibition/view/expo-russia-vietnam/> (accessed: 12 August, 2017).

¹⁹ Rossiyskiy eksportnyi tsentr na «EKSP0 2017» [Russian Export Center at EXPO 2017]. Available at: <https://www.exportcenter.ru/news/rossiyskiy-eksportnyy-tsentr-na-ekspo-2017/> (accessed: 4 September, 2017).

²⁰ Russian Trade Mission in Vietnam. Post on Facebook. August 13, 2015. Available at: <https://www.facebook.com/rustrademissionVN> (accessed: 15 September, 2017).

In June 28, 2016 there a dialogue via Skype took place between officials of the Trade Mission and representatives of small and middle businesses in Saint-Petersburg in the framework of the seminar “Establishment of international business in states of the Asia-Pacific region on the example of Vietnam”, organized by the Center of Import Substitution and Localization of Saint Petersburg. The Trade Representative, Maksim Golikov, spoke about the prospects of Russian exports to Vietnam after the EAEU-Vietnam FTA comes into force and assistance (in the information, legal and bank spheres) for Russian entrepreneurs from the side of the Trade Mission²¹.

In October 5, 2016, the day the EAEU-Vietnam FTA came into force, there was a press conference in Hanoi with the participation of ambassadors of the states of the EAEU. The Russian Trade Representative, Vyacheslav Kharinov, also attended this press conference and remarked, that because of tariff liberalization, products from Vietnam and the EAEU would be more accessible for customers²².

In October 12, 2016 in Ho Chi Minh City a conference titled “Stimulation of export of goods to the states of the Eurasian Economic Union at the entering into force the Free Trade Agreement between Vietnam and the EAEU”, held by the Ministry of Industry and Trade of the SRV. Officials of the Trade Mission also participated in this event. At the center of the discussions were new logistical opportunities, payments in national currencies and obstacles to the export of Vietnamese agricultural products to the states of the EAEU²³.

The Trade Representative also took part in seminars titled “Free trade between the EAEU and the SRV”, organized by the Chamber of Commerce and Industry of Da Nang, in August 17, 2017²⁴ and “Market of the EAEU states and opportunities for stimulation of export in the framework of the Free Trade Agreement between the Eurasian Economic Union and Vietnam”, organized by the Vietnamese Ministry of Industry and Trade in Ho Chi Minh City, in August 25, 2017²⁵.

The Trade Mission of Russia in Vietnam actively works for the EAEU-Vietnam FTA information support, but mainly acts as a participant of events, set by other Russian or Vietnamese structures, but not as an organizer. As for the REC, this structure is only beginning its work in Vietnam. However, the office of the

²¹ Postroenie mezhdunarodnogo biznesa v stranakh Aziatsko-Tikhookeanskogo regiona na primere V'etnama [Establishment of International Business in States of the Asia-Pacific Region on the Example of Vietnam]. Available at: <http://www.bmaestro.ru/training-raspisanie/item/postroenie-mezhdunarodnogo-biznesa-v-stranakh-aziatsko-tikhookeanskogo-regiona-na-primere-veltnama-2.html> (accessed: 18 December, 2017).

²² Posly gosudarstv-chlenov EAES otvetili na voprosy po torgovoi liberalizatsii s V'etnamom [Ambassadors of the EAEU Member-states answered Questions on the Trade Liberalization with Vietnam]. Available at: <http://vietnam.ved.gov.ru/ru/news/14107> (accessed: 18 December, 2017).

²³ O vygodakh Soglasheniya o svobodnoi torgovle mezhdru V'etnamom i EAES rasskazal Minpromtorg SRV na konferentsii v Khoshimine [The Ministry of Industry and Trade of the SRV Told about Benefits from the Free Trade Agreement between Vietnam and the EAEU]. Available at: <http://vietnam.ved.gov.ru/ru/news/14288> (accessed: 18 December, 2017).

²⁴ Russian Trade Mission in Vietnam. Post on Facebook. August 17, 2017. Available at: <https://www.facebook.com/rustradmissionVN> (accessed: 15 September, 2017).

²⁵ Uchastie v seminare “Rynok stran EEAS i vozmozhnosti stimulirovaniya eksporta v ramkakh Soglasheniya o svobodnoi torgovle mezhdru EAES i V'etnamom” [Participation in the Seminar “Market of the EAEU states and Opportunities for Stimulation of Export in the Framework of the Free Trade Agreement between the EAEU and Vietnam”]. Available at: <http://vietnam.ved.gov.ru/ru/news/60339> (accessed: 18 December, 2017).

REC and the Trade Mission seem to be an essential element in the realization of the FTA, providing the linkage between Russian state administration, Russian commercial companies (working in Russia, as well as in the SRV) and Vietnam's business community.

Conclusion

The problem of the EAEU-Vietnam FTA is an important issue raised during negotiations between representatives of the Russian state administration and their Vietnamese colleagues. Some of these meetings take place in a multilateral format (for instance, at summits of working groups and intergovernmental commissions) and also with the participation of the business community. Professor Valentin Myagkov (Russian Foreign Trade Academy) highlights in particular the role of the Russian-Vietnamese Inter-Government Commission for Trade-Economic and Scientific-Technical Cooperation and the Working Group for Priority Investment Projects in support of Russian exporters, in trying to expand the Vietnamese market²⁶. Also Russian government structures assist in the FTA information promotion participating, for example, by organizing events, connected with economic interaction between Russia and Vietnam.

Promotion of the principles of the FTA also occurs at the level of the Trade Mission of Russia in Vietnam and the office of the Russian Export Center (primarily in the form of information support).

The issue of information exchange between Russian and Vietnamese partners is an important aspect of the interaction. A lack of information about Russian and Vietnamese markets was named as one of serious obstacles to economic cooperation between Moscow and Hanoi (Fam Nguen Min', 2015, p. 49). However, in the opinion of Vladimir Kolotov, information coverage is still a very difficult problem in Russia-Vietnamese relations and leads to a misconception of Vietnam and its significance among Russian society, as well as its business community and administration²⁷.

It can't be said that the Russian state administration has solved every problem in the development of cooperation between Russia and Vietnam in the format of the FTA. In this case it should again pay attention to the address of the participants of the roundtable "The Zone of Free Trade of the EAEU: New opportunities for entrepreneurs of Russia and Vietnam" that was directed toward structures of state administration too. It can be concluded that the most effective way of developing the opportunities of the FTA is the collaboration of different departments of state administration and representatives of business (especially having the experience of interacting with Vietnamese entrepreneurs or serious interests in Vietnamese market). According to V. Kolotov, closer cooperation

²⁶ V'etnam: Ne vazhno, kakogo tsвета koshka, lish' by ona lovila myshei – 2 [Vietnam: It's not Important what Color a Cat is, if a Cat catches Mice – 2]. Available: <http://www.rusexporter.ru/research/ved/4894/> (accessed: 19 August, 2017).

²⁷ Aziatskii rynek: Rossiya nastupaet na khvost Kitayu [Asian Market: Russia Steps on the China's Tail]. Available: <http://yenicag.ru/aziatskij-rynek-rossiya-nastupaet-na-hvost-kitayu/> (accessed: 17 September, 2017).

with experts and scholars in Vietnamese studies (in the form of either consultations or direct participation) would also be useful for the successful realization of joint Russian-Vietnamese projects²⁸.

One of the indicators of the efficiency of the FTA might be the level of trade turnover between the EAEU and the SRV. For the period from October 2016 to June 2017, the trade turnover between the EAEU member-states and Vietnam increased by 11.8% in comparison with the same months in 2015–2016²⁹. From January to May 2017, the rise of the trade turnover between Russian and Vietnam was by 20% in comparison with the similar period the previous year. From the beginning of 2017 there was an increase in the volumes of Russian grain, food products, pulp and paper, and chemicals and steel, exported to Vietnam. The SRV, in turn, increased its exports of electronics, clothes, shoes, and agricultural products³⁰. The FTA helped to initiate some new joint projects (for example, the assembling of trucks in Vietnam). However, at the same time, the volume of Russian-Vietnamese trade is still much lower than the current trade of the SRV with its key economic partners and the level of Russian-Vietnamese trade in USD 8–10 billion, predicted by Russian experts.

However, the EAEU-Vietnam FTA may be considered to be a significant element in current Russian-Vietnamese relations from “media” and political points of view. This means that the attention of representatives of the Russian state administration will be focused on this issue and it might assist further realization of the opportunities of the FTA. As a result, this can help to develop Russian-Vietnamese relations, including those within the sphere of economic cooperation.

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²⁸ Interview of Professor Vladimir Kolotov (Faculty of Asian and African Studies, Saint Petersburg State University) by the author.

²⁹ Na 11,8% vyros tovarooborot mezhdru stranami EAES i V'etnamom s momenta vstupleniya v silu Soglasheniya o ZST [The Trade Turnover between the EAEU States and Vietnam increased by 11.8% since the FTA came into Force]. Available at: <http://www.eurasiancommission.org/ru/nae/news/Pages/25-09-2017.aspx> (accessed: 28 September, 2017).

³⁰ Uchastie v seminare «Rynok stran EAES i vozmozhnosti stimulirovaniya eksporta v ramkakh Soglasheniya o svobodnoi torgovle mezhdru EAES i V'etnamom» [Participation in the Seminar “Market of EAEU States and Opportunities for Stimulating of Export in the Framework of the Free Trade Agreement between the EAEU and Vietnam]. Available at: <http://vietnam.ved.gov.ru/ru/news/60339> (accessed: 18 December, 2017).

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INCLUSIVE GROWTH AND ADMINISTRATIVE REFORM IN THE BRICS COUNTRIES

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Abstract

The paper concerns administrative reform in the BRICS countries as a requirement of inclusive economic growth. The relationship between economic growth and equity describes the concept of inclusive development. In this respect, justice and quality of life is becoming one of its key factors and a stimulating cause of long-term economic development. The concept of an equitable (inclusive) growth strategy is based on the premise of the unity of governability, competitiveness and public policy through citizen participation. An important association of governability, competitiveness and fairness is participatory institutions. Four of these are crucial: strategic policy institutions; institutions of decentralization; institutions of “open government”, and accountability institutions. The paper, based on analysis of the BRICS, demonstrates that these not only create an environment for development, but are also tools for citizens’ participation.

Keywords: inclusive growth; administrative reforms; political institutions; open government; BRICS countries.

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Introduction

The member countries of the international association called BRICS are currently tackling complex tasks of domestic and international development. Proclaimed by the declaration of the 9th BRICS Summit in Xiamen (2017), the call for a new world economic order based on inclusiveness and justice presupposes a number of steps that affect, among other things, the internal sphere of public

administration. In this regard, it is rightly noted that “as the BRICS partnership aspires to become more influential in world affairs, the internal governance systems of its member states will be of fundamental importance in shaping their activities elsewhere, whether individually or collectively” (Tapscott et al, 2017, p. 2). At the same time, it is important to note that administrative reforms are not a strictly independent activity of the modern governments of the BRICS countries. They are built into the complex task of ensuring sustainable and equitable economic development in individual countries and in the world as a whole.

One of the most important factors in maintaining a certain stability or orientation of economic development on justice and poverty reduction is institutional transformation. This is connected not only with the formation of the market institutions, but also with the participatory institutional development of public policy and administration. Some researchers have expressed doubts about the significance of the administrative factor in economic growth: “effective government is desirable, but what is not so clear is whether it is an essential or even important antecedent of rapid economic growth” (Kurtz, Schrank, 2007, p. 541). However, this position is overcome by the studies of modern economic growth, combined with inclusive development. P. Cerny and his colleagues deploy the concept of the ‘competition state’ – whose priority is ‘maintaining and promoting competitiveness in a world marketplace and multi-level political system’ – to identify national convergence but with variations in the era of neoliberal globalization (cit. on: Neilson, Stubbs, 2016, p. 123). Inclusive Advanced Competition States are characterized by a mix in which counter-capital and counter-market regulation figure more prominently whereas the Asian Tigers or Newly Advanced Competition States (India, China) which are characterized by a hybrid mix of relatively high pro-capital regulation and relatively high counter-market regulation (Neilson, Stubbs, 2014, p. 133). In general it can be argued that the concept of equitable economic growth strategy is based on the premise of *unity of public governability, competitiveness and equitability*. As has been stated, “It would require a more general design of democracy, i.e. democratic regime not only for politics but also for the field of economy. None other than Simon Kuznets... that for the study of the economic growth of nations ‘effective... economy’” (Kuznets, 1955, p. 28). Li Zhao demonstrates the role of social economy in inclusive development: “The outlining of the past and the present leads to a consideration of the social economy as an important way to achieve a balanced economy and an inclusive society, together with the public sector and private for-profit sector” (Zhao, 2013, p. 1085). This democratization and social economy means building institutions that ensure not only growth, but also well-being. In this regard, developing a science approach in terms of the differences between the extract and inclusive institutions corresponds to a common understanding of the new economic and social order: “economic growth and prosperity are associated with inclusive economic and political institutions” (Acemoglu, Robinson, 2012, p. 91).

The study of administrative reforms in individual BRICS countries in recent decades has attracted increasing attention from researchers. Of particular interest are the reforms in Brazil. Here researchers analyze general administra-

tive changes (Bresser-Pereira, 2003; Pereira, Orellana, 2009; Nunberg, Pacheco, 2016), new forms of involving citizens in public policy (Souza, 2001; Rios et al, 2014; Graft, Verhulst, Young, 2016), transparency, accountability and fighting corruption (Filgueiras, 2015). Russian administrative reforms receive a general description (Barabashev, Straussman, 2007; Gaman-Golutvina, 2008; Goncharov, Shirikov, 2013; Barabashev, Klimenko, 2017), although recently there are works on certain components of administrative reform (Smorgunov, 2016). India falls under the field of view of researchers in connection with the e-government, services and local government (Mathur, 2005; Nayyar, 2006). China is the object of research in connection with active economic growth and administrative progress (Zheng, 2004, 2007; Zhao, 2013; Hameiri, Jones, 2016, Chan, 2016). To a lesser extent, administrative reforms in South Africa are being investigated (Fryer, 2016; Tapscott, 2017). As a rule, administrative reforms in these countries are analyzed under a broad historical background of administrative changes. An international research project on the assessment of sustainable governance in the BRICS countries is acknowledged (Azahaf, Schraad-Tischler, 2012). In 2016, Fudan, China hosted the first international symposium on public administration in the BRICS countries (Tapscott et al, 2017). At the same time, the general directions of administrative reforms and their links with contemporary problems of economic development are poorly analyzed in a comparative manner.

This paper aims to describe the problem regarding the choice of methods in achieving a combination of economic growth and social development through the formation of bodies which can mediate between the political and administrative institutions in the BRICS countries. It will focus on the following topics: (1) a new type of economic development and requirements for administrative reforms; (2) the general directions of administrative reforms in the BRICS countries; (3) recent political and administrative transformations in the BRICS countries.

Inclusive growth: a new paradigm for development

The list of issues relating to the development of the BRICS countries follow the theme of economic growth based on a combination of justice and quality of life. Although the theory of economic growth affirmed the incompatibility of efficiency and fairness, many researchers now say that, in itself, intensive economic growth without equity is not a measure of modern development. Yes, the pace of growth in the BRICS countries is ahead of the “old world”, but they are still a long way from that system, which provides life satisfaction for the populations of these countries. At the same time, a simple assumption is accepted that the policy of economic growth in these countries is not linked to the issues of equity and quality of life. Although, of course, it is assumed that without economic growth these problems cannot be updated, but it is believed that it is difficult or even impossible to solve problems at the same time by the combination of growth and quality of life under the conditions of modern economic world competition. The relationship between economic growth and equity is described in *the concept of inclusive development*. As written by Michael Spence – the Nobel

laureate in Economics: "Inclusion has become the most essential part of sustainable growth. Initially, the concept of "inclusiveness" comes to economic science from India, but now it is used very widely. It concerns the distributional aspects of growth and expresses two basic ideas: 1) opportunities, created by growth, should be open to people; 2) the degree of inequality of income and access to basic services should be limited to acceptable levels" (Spence, 2011, p. 116–117). The problem, therefore, rests on the synergy of public policy objectives and its ability to combine economic growth and performance of vital functions. We are talking about the state *governability as a system built on the principles of a complex combination of tasks, rather than priority ranking*. In this respect, equity and quality of life, as a long-term outcome of economic development, become its (governability) main factor, stimulating cause.

With regard to the BRICS countries, none of these factors are obvious. If the "Asian Tigers" have demonstrated economic growth as a whole by the market centralization and sustainable management of the project, the BRICS countries are demonstrating a different strategy. Almost all of them are trying to connect the problem of economic growth with a solution to problems of social exclusion, by trying to raise the level of social policy at the same time as the human capital for the development and quality of life. Brazil also shows a more intensive policy of equitable economic growth. In this respect, it is interesting to compare the Russian experience of the patrimonial state, where the balance of economic growth problems rests on the need to strengthen the justice and quality of life, with the experience of Brazil and China, demonstrating the different models of public policy governance, but with a reduction of poverty as social exclusion. Social-democratic policy over the last decade in Brazil demonstrates the success of the fight against poverty on the basis of equity and growth. Social policy in China is based on economic growth with a demonstration of the prestige of the new quality of life. India is trying to solve the problem of poverty through enormous investments in education and science.

Although there is the correct understanding that "a growing body of work in economic growth theory argues that the growth process is not universal" (Hanson, 2013, p. 241), we can talk about three main paradigms of economic growth. One of these is *the model of "an investment-based growth"*. In an investment-based growth paradigm, growth is driven by "implementation innovations" and consists of sustained, high levels of capital investment and the local adoption of technologies developed elsewhere. The second is *the model of "an innovation-based growth"*. In an innovation-based growth paradigm, by contrast, growth consists of "leading-edge innovations" that develop new technologies and push the frontier outward (Aghion, Howitt, 2006). Now we could mention the *new developing paradigm of economic growth* and development. It's based on intensive use of human capital. As Hanson writes, "driving up rates of capital investment and sheltering firms from competition become increasingly inefficient as growth depends more on leading-edge innovation. Instead, growth is founded on high levels of human capital and inventive activity" (Hanson, 2013, p. 241). This third paradigm could be named as *"a human-based growth"*. All aspects and forms of human capital development are not only well-being indicators, but also

effective drivers of economic growth. This growth ensures inclusiveness, which is expressed in the formation of inclusive institutions and broad social inclusion. We could adopt the definition of social inclusion: it “has highlighted important concepts that are central to the notion of social inclusion such as equality, rights and social cohesion and draws attention to barriers or inequalities that prevent individuals or groups from taking a full role in society” (Warburton, Sik Hung, Shardlow, 2013, p. 4). In this respect, the growth paradigm, based on human capital development, can be considered as inclusive growth. Then “by inclusive growth, we mean that growth process which benefits all sections and all regions of the economy, though not in a uniform manner. In other words, the growth of a country would be considered to be inclusive growth if along with the increase in the GDP (Gross Domestic Product) of a country, the HDI (Human Development Index) also increases” (Roy, 2011, p. 47). Although the state has an important role in investment policy and the national innovation system, its role increases in respect of inclusive development. The role increases not in the sense that the state assumes the main function of redistribution of the fruits of economic growth. *The state has an important role in building the institutions between economy and society, between economic and social development.* And here we can talk about two important processes and structures related to public governance. The first is the governance of public policies. Secondly, is the introduction of new institutions for the implementation of political and administrative decisions. Together they “create institutional mechanisms that mediate between economic and social development” (Nayyar, 2006, p. 825).

Public administration reforms in the BRICS countries: a general outline

The BRICS countries, in the last three decades, in the course of administrative reforms, laid the foundations of a new public administration system, which as a whole has demonstrated its effectiveness by high rates of economic growth and more or less successful social achievements. Of course, there are the old and new diseases (corruption, nepotism, “manual control”, disrespect for the law, and others.), but step by step with the introduction of new institutions and mechanisms, that are demanded by the real problems, the situation changes. There is a gradual process of learning what the content of good governance is. Since 1982, *China's seven rounds of institutional reforms* have led to the reorganization of the central governmental bodies, accompanied by a reduction in their number, increasing the strategic role of macro-control, and the formation of a new civil service system. In the course of these reforms, there is considerable decentralization of administration and the quality of relations between central and local government. Significant rights were delegated to governance in municipalities. The 18th Congress of the CPC in October-November 2012 set the targets of the new administrative reform, which included the construction of a public administration on the basis of law, improving the system of public services, separation of functions of administrative bodies from the state-owned enterprises management functions, state assets management authorities, and others (Kirillov, 2013; Troshchinskiy, 2014). However, it should be noted that the state in China

was transformed under the influence of the market economy, while maintaining leading positions in the public administration system. As Yong Zeng writes, “globalization has weakened the power of the Chinese state in some areas, and the state has responded to its declining power consciously in some cases and unconsciously in others. The Chinese state has not merely played the role of the fire brigade, reacting passively to the negative consequences of economic transformation and globalization. Instead, the state has adopted a proactive approach to re-make the state system. These conscious actions has not only modernized the Chinese state but also strengthened the power of the state in many aspects” (Zheng, 2004, p. 2). *The second administrative reform in India* in 2005 (the first was held in 1966) contributed to the introduction of new public management, the development of e-government and e-services, crisis management, administrative ethics, a performance evaluation system at all levels of public administration, and others. *In 1995, in Brazil* the President, Fernando Cardoso, launched a policy plan of state apparatus reform, aimed at finding a way out of the fiscal crisis, the collapse of the public administration in the global economy and the inability of bureaucracy to deal with the provision of public services. The reorganization affected all levels of public administration, and came under the general ideological aspirations of social liberalism, which would ensure the protection of social and economic rights, creating a more competitive environment for the implementation of public services. *In Russia, the administrative reform 2003-10* made significant structural, functional and motivational changes to the system, although it has not been implemented in accordance with the original plans. Augmented by further formation of e-government and e-services system as a whole, it has enabled a rise in the level of efficiency of public administration and its consistency with the objectives of economic stabilization and development. *Since 1994*, with the adoption of the Public Service Act, administrative reform has been ongoing *in South Africa*, aimed at enhancing the abilities of officials and the public administration system as a whole. This reform was carried out along the way, especially the rationalization of management, increasing the role of law and the coordination of central and local management systems. For example, in 1995, South Africa adopted a law on labor relations which was “aimed at economic development, social justice and the democratization of the workplace” (Schulz, 2015, p. 268). All these public-administrative transformations contributed to the stabilization of the public governance systems in the BRICS countries, their focus on efficiency and quality of public services, economic development and social rights. It should be noted that the impact of the reforms in the countries was different, as well as their social and economic effects. However, the overall handling was provided with regard to the solution of contextual tasks corresponding periods. In recent years, the BRICS countries have been faced with contemporary challenges and risks choosing new measures for the public administration and putting them on the current political agenda.

New challenges to the systems of public administration are determined by external and internal factors and conditions. Governability today requires sensitivity to the risks and terms of instability and uncertainty, generated by the new economic, social and political reality. A modern public administration system

should not only meet the new challenges, but also promote innovations, encourage their, give priority to institutions that have become the need of sustainable and competitive development. Although there is a belief that the quality of public governance is not directly linked to economic growth and that it is associated more with certain contextual conditions but not the cause of it (Kurtz & Schrank, 2007, pp. 538–539), many gradually come to the realization that efficient and innovative public administration is a very important institutional factor of equitable development. There are different conceptual approaches to the relations of political regime and economic growth (from optimistic to skeptical); *yet the question of the new nature of the development takes a closer look at the role not only of the political regime, but also the public policy and administration.* Will economic growth be accompanied by positive effects in principle, independent of the political regime? Could the modern modes of democracy and authoritarianism with the same success contribute can contribute to economic growth? Whether or not the economic growth is based on social factors (equity, poverty reduction, employment, education and so on) largely depends on the political economy of development, defining public policy and democratic governance as a system element of equitable development. Modern “*inclusive development of competitive state*” (as well as new competitive states such as China and India) is based on a mixed strategy with respect to economic growth and its mechanisms: on the one hand, there is the strategy of capital development and control of the market (Neilson, Stubbs, 2016, p. 133), on the other hand, the public investment policies and programs become a factor for growth and development. In this respect, economic development cannot be measured without a welfare state and without public production of services (Stiglitz et al., 2016). The following main challenges currently facing public administration may be noted.

Political institutions for inclusive growth

It is clear that the modern public administration cannot simply create external conditions for economic development (such as security) or to carry out a different range of regulations in the economy; it is faced with the need to stimulate this development and innovation, creating the appropriate institutions and practices. In this respect, the modern transformation of public administration in the BRICS countries are not only aimed at creating investment regimes, but also the formation of a comprehensive policy of equitable economic development, which would have linked structural, institutional, functional justice and efficiency.

Political strategy and administrative tactics. Public administration was faced with the problem of *a combination of political strategy and administrative tactics.* Their inconsistency is not just the mismatch that creates extra costs and inefficiencies, but it becomes a hindrance for dynamism and competitiveness. On the one hand, focus on the primacy of politics in relation to the administration is determined by the criticism of New Public Management, in which the cost-effectiveness of spending budget or estimation of public personnel doesn't

put any dependency on the quality of public policy implementation. Political contexts and questions are left by the wayside, especially relations between public policy and citizens. On the other hand, the complexity and uncertainty of the conditions of state activity exacerbated the problem of choosing the right public strategy for inclusion, and subsequently its effective implementation. Integrity and conjugation of government functions, expressed in public policy, are opposed to a non-integrated approach to competing agencies. In addition, efficiency assessment of public administration may not be complete and consistent, if it does not include an assessment of participatory public policy-making. As Laurence Lynn and Robbie Robichau write, “the formation of structures of public policy leads to further structural refinements of the administrative system. Intuitively, the policy is primarily due to the construction and design (directly and through management agents) administrative capacities and the division of labor” (Linn, Robichau, 2013, p. 218–219). This problem is a combination of policies and administrative practices of the country and take into account their specific character and experience. In this respect, for example, in Russia the task to build a system of balanced decision-making based on the principles of the Federal Law “On the strategic planning in the Russian Federation” (adopted June 28, 2014), and the political debate on the new administrative reform directly declares the problem of transition from a manual to a programmed method. By this law the state system of strategic planning is defined as the sum of the following subsystems: “interrelated strategic planning documents describing the priorities of socio-economic development of the Russian Federation; elements of regulatory, scientific and methodical, information, financial and other support strategic planning processes; members of the state strategic planning, implementing and directing the practical activities in this area” (Normativnoe..., 2014). The recent decision on the formation of the Presidential Council on strategic development and priority projects (Ukaz..., 2016) is another step in the creation of organizational conditions for coordination between state authorities, local government bodies, and public associations, and scientific and other organizations in addressing issues of strategic development of the country.

Modern administrative transformations in China fall under the banner of the idea of “governance in accordance with the policy”, or “governance in accordance with the party directives and documents”. As Yijia Jing points: “The leadership of the CPC over bureaucracy denies the politics–administration dichotomy that is supported by Weberian bureaucracy” (Jing, 2017, p. 63). On the one hand, this demand was the result of a certain increase in independence of governance structures. However, in connection with the identified degradation under a new government system (localism, corruption), there was a need for greater coordination of public administration in the country. Many experts consider this requirement as a step towards re-centralization. On the other hand, if you do not consider the contextual reasons then demand for communication policy and governance is a response to the growing complexity of public policy objectives in the face of uncertainty. Improving the coordination of values is due not only to a single political line, but also the formation of joint knowledge in the implementation of a unified policy in different local environments. At the end of the

1990s in China the agencies, planners and direct economic management were abolished and the number of ministries was reduced by 28%. According to Shaun Breslin, China's central government has moved away from direct control over production and distribution, it has adopted the model of "regulatory state", leaving the possibility of a broad macroeconomic policy to other public and private actors (Breslin, 2013, p. 64, 72). What outside observers can consider as "clearly the central government and powerful unified management system", says another researcher, in fact, is a "fragmented and chaotic structure, over which the central government has little control". The result is no centralized power solutions, but "horizontal negotiations between the government ministries, agencies and state-owned enterprises, as well as vertical negotiations between different levels of government that are involved in the implementation of the [policy]" (Hameiri, Jones, 2016, p. 84). In general, the Chinese state today is a multi-layered form of governance. In these circumstances, the central political leadership is concerned about delegating authority to lower levels of governance, but at the same time maintaining the unity of the political line in the form of merging party and government. Xi Jinping said at the 19th National Congress of the Communist Party of China in October 2017: "More decision making power should be given to governments at and below the provincial level, and ways should be explored to merge Party and government bodies with similar functions at the provincial, prefectural, and county levels or for them to work together as one office while keeping separate identities" (Xi Jinping, 2017, p. 35). This line of policy and administration unity we can also see in the CPC personnel policy, as well as in the formation of different coordinating political structures, such as the "leading small group" of the Politburo.

Citizens participation in policy-making. Imperative to the administrative reforms of the last decade is a response to the challenge of *expanding the actors of policy making to include in this process the citizens and their associations*. Trust, openness and cooperation are the terms and conditions of building a modern public administration. All of the BRICS countries respond by forming conditions that would include new political and expert discussion platforms, such as councils, public chambers, forums, etc., as well as the formation of "open government" systems or "open data", extending the possibility of government-society cooperation. While in India, for example, the problem of the formation of an "open government" system as an institution of public administration is a discussion, but creation of a platform of "open government data" and the adoption of several laws on information create conditions for closer cooperation between the citizens and the state, having, of course, their differences and inconsistencies. In 2005, the Indian Congress passed a new law on the right to information. This law removed a number of restrictions on the right to information, which the Supreme Court of India found impeding the constitutional right of citizens to freedom of expression. The adopted law allows Indian citizens after a nominal payment and certain procedures to obtain information from the governmental structures of different levels. The law increases the level of transparency of the government and provides tools to protect citizens' rights and to fight against cor-

ruption. The researchers emphasize that, of course, the implementation of this law, especially in rural areas, is prone to all sorts of obstacles and constraints, but its progressive role is not denied by anyone in the community (Schulz, 2015, p. 268). In China, the modern administrative transformation is carried out on the basis of the idea of “promoting plural governance” as opposed to principles such as social control and unitary. To a greater extent this applies to the assumption of public services on the part of civil associations rather than direct participation by them in public administration. The expansion of the NGO functional boundaries, recognized by law, is the condition of “plural governance”. In Russia in 2011, the idea of “open government” was not only developed, but also considerable resources for its functioning were created. There are a number of problems and contradictions: the structure itself is not homogeneous “open government”, it is often used for mobilization, rather than stimulation, the culture of cooperation was not formed, and there is a large proportion of distrust by citizens, public officials and politicians (Smorgunov, 2016). However, the positive effects are also evident in solving a number of social and economic issues at the regional and local levels. In 2004, in Brazil the portal of transparency was established by the Comptroller General of the Federation, which allowed citizens to obtain information on the expenditure of budgetary funds. In 2009, the law ordered these portals to be opened in the federal states and some cities. At present, the transparency portal is visited monthly by more than nine hundred thousand unique users (Graft, Verhulst, Young, 2016). In September 2011 a law was passed, which institutionalized the National Action Plan for the development of open government in the country, the Inter-Ministerial Committee on Open Government and the Executive Committee of the groups. It is coordinated by the General Controller of the federation. As a result, Brazil adopted several laws regulating access to information (2011), Freedom of Information (2012); the open data portal was also created (2012). However, there is a weak role of civil society in the movement for open government in Brazil.

Decentralization of policy processes. The public administration system is facing *the challenges of self-government and creativity*, which are an integral part of innovation and development. In this respect, the administrative transformations involve some decentralization, reduction of excessive regulation and the inclusion of the subsidiary arrangements. Although all these measures are related to the different areas of administrative improvements, on the whole they contribute to creating the conditions for self-governance in the broadest sense, including the conditions for business development, resource allocation, delegation of authority, and the development of local initiatives. The literature emphasizes that “decentralization can have a very positive effect on the development, because it improves government efficiency, sensitivity, accountability and the impact of the citizens” (Earle, Scott, 2010, p. 27). In China in 2013 the priority of administrative reform was to reduce the administrative practice of examination and approval of the activity by the state authorities. In Russia, the problem of excessive administrative regulatory activity was the subject of administrative reform from 2003-10 and remains relevant today. At the

same time the central area of improving governance is a reduction of excess government regulation; improving the quality of public services; improving the efficiency of public authorities; and increasing transparency. In the aspect of self-governance and subsidiarity an important aim is the improvement of regional and especially local authorities. In China, for example, decentralization has brought many changes in the center of the relationship with the regions. Although in the recent years in connection with the fight against corruption the trend is bucking, however, fiscal decentralization, which changed the way of the formation of local taxes and revenues, maintained a new direction in relations between central and local authorities. The new separate tax system, introduced in 1994, allowed for the local authorities to collect taxes, fees and spending at the expense of the various projects. The second element of decentralization was the formation of the special administrative regions based on the decentralization of provincial governance structures. All of these innovations have allowed local capitalism to develop and often lead to the delimitation of the territory into separate “fiefdoms”, however, as noted by observers, fiscal decentralization has established a new character of relations between the center and local areas and established in China “federalism de facto” (Zheng, 2007, p. 31, 73, 115). Fiscal federalism established in China in the mid-1980s, made her the most decentralized country in the world, despite the formal unitary character of the state government. The political institutions, namely, the personnel evaluation system and the system of dual accountability made it mandatory for local officials to increase tax revenues, allowing them to focus resources in the local credit institutions (Ong, 2012, p. 456).

In Brazil in the 1990s and 2000s the “government based on participation” is an important area of the administrative reforms. It fills a vacuum of citizens’ influence on policy, formed due to the weakness of the party system and the absence of parliamentary developed traditions (Wampler, 2012, p. 344). Here, there is the “participatory budgeting”, where citizens are mobilized to participate in the discussion of municipal budgets, as well as to create a number of administrative councils in municipalities (*conselhos*) which are involved in education policy, health care, transport, etc. An important place in the political and administrative influence is filled by the civil society associations, whose activities in cooperation with the state are conceptually described by the concepts of “right to have rights” and “participatory public”. In India, 73 and 74 amendments to the Constitution in 1992 led to the formation of local self-government as the constitutional system, which includes the traditional councils of villages (the Panchayat Raj) and the city government, which expanded their powers to address political issues of local importance. To increase the representation of women in the villages, in August 2009, the boards of the central government of India decided to reserve to the Board 50% of the seats for the female population.

Rising Accountability and Anticorruption Policy. A deficiency in *responsibility and accountability* is often referred to in the new governance system. “State institutions that are accountable to their people will use their resources constructively rather than misspend or steal them” (Gaventa, McGee, 2013, p. 5).

This is of particular importance in the fight against corruption in the designated countries. In the past two decades, Brazil has been taking a number of anti-corruption measures that increase openness and accountability in the public administration system. Among them are the opening of public budgets, the increase in the role of special financial control bodies, the development of a system of public audit organizations, the involvement of civil society in the control of public finances and other measures (Puppim de Oliveira, 2017, p. 12). However, as some scholars stress, in Brazil public control of corruption was centered on bureaucratic-administrative innovations, with few changes in judicial control and non-state public control (Filgueiras, 2015, p. 120). In Russia there is a National Anti-Corruption Plan (2016–2017), introduced by the President of the Russian Federation in 2016. According to this plan we could see some reformations: anticorruption examination of legal norms; openness of public authorities; regulating the activities of public authorities (laws and standards); informing citizens about the activities of the authorities and on civil rights; perfection of the judicial system; the irrevocability of punishment for corruption; increase in the social status of civil servants; introducing ethical standards; and competitive forms of recruitment to the civil service. In India, the phenomenon of corruption is no less significant than in other BRICS countries. As the researchers emphasize, corruption here is based on the closure of the bureaucratic apparatus from society. Hence, the policy of openness is the key to greater accountability and reducing corruption. The Chinese anti-corruption policy of the last decade has acquired new conceptual and institutional outlines (see: Manion, 2016). There is an important conceptual shift from targeting tougher punishment for corruption to preventative work against corruption-related behavior. In this regard, strengthening the institution of party control, open budget expenditures and declarations become the center of anti-corruption policy in modern China.

The formation of a responsibility and accountability system, the different institutions of accountability (monitoring, for example), the introduction of ethical codes of conduct, and citizens controlling institutions based on the law and open government are the signs of this general development. An important role is played by relatively independent and responsible institutions for monitoring and control, such as the Accounts Chamber of the Russian Federation, the Brazilian Federation of Accounts Tribunal, the National Audit Office of China, the Institute of the Comptroller and Auditor General of India, and the Auditor-General of South Africa. The National Audit Institutions of these countries have the function of an independent external audit of the public sector, established by the constitution or parliament. These institutions are responsible for control over the spending of public resources by the government, which they carry out in cooperation with parliaments and other regulatory and supervisory structures. They are responsible to the parliament, government or head of the state. Compared with other state organizations of audit, the national audit institutions have strict constitutional guarantees of independence. Their impact on the quality of public administration has increased in terms of financial management reforms and decentralization of the system.

Other control institutions are related to the participatory mechanism of accountability. The movement for Transparency and Accountability Initiatives stresses the different modes of such mechanism, including the Public Expenditure Tracking Surveys, citizen report cards, score cards, social audits and community monitoring, participatory budgeting, sector-specific budget monitoring and participatory audits (Carothers, Brechenmacher, 2014). Brazil was the first country which implemented participatory budgeting. In Brazil, at the moment, the most effective way of directly including the citizens in policy-making is not political parties, and not representative authorities, but participatory budgeting. There are numerous complex social problems – the legal inequality of the black population, the marginalized population of the ‘favelas’, exacerbating the problems of drug trafficking and crime, etc. To address these problems the main emphasis was placed on increasing social inclusiveness through a special institution of participatory budgeting at the level of municipalities. The cycle of participatory budgeting lasts one year, during which citizens, through public meetings and negotiations between themselves and the local government, decide how to spend money on new projects for urban infrastructure, for example, healthcare, schools, and public roads. Participatory budgeting combines two models of democracy – direct democracy at the level of district assemblies and representative democracy at the level of the Council of Delegates and the Council for Participatory Budgeting. In Russia, participatory budgeting is expressed in the “Open Government” project of the “Budget for Citizens”. This project was implemented at the federal and regional levels in 2013. The main directions of the project in Russia were the openness of the federal and regional budgets, the adaptation of budget data to citizens’ perceptions, and the formation of an education system on the budget problem. Every Russian region has an open budget, and 47 regions of the Russian Federation implement the practice of initiative budgeting. The openness of regional budgets and their ranking are monitored. In 2017, the Ministry of Finance has prepared a draft program for the development of initiative budgeting in Russia.

Conclusion

The formation of public administration which meets the challenges of equitable development and improvement of social welfare level requires not only participatory institutions, but also participatory culture. The formation of institutions simultaneously transforms the consciousness and activity of participants in public administration. There is a period of searching for new principles and approaches that can later be transformed into policy and administrative reform under a new name. In the BRICS countries, administrative transformations take the form of permanent changes in public administration. The main directions of the current changes concern the enhancement of the strategic role of government policy, the development of civic engagement, the use of open government and open data for public administration and policy, and increasing the level of accountability and responsibility of the public administration system. Of course, all these changes are aimed at making the economic and social policies of states more efficient and inclusive.

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ASSESSING CIVIL SERVANTS TRAINING NEEDS: THE CASE OF KAZAKHSTAN

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Abstract

Under the current conditions in forming the corps of civil servants, the professionalism and competence of civil servants comes to be of paramount importance. The pace of deterioration in the growth of knowledge has lead to objectively emerging contradictions between civil servants' competency and continuously emerging new technologies. Therefore, continuous training is the basis for the constant improvement of knowledge and acquiring new socially important skills for civil servants in Kazakhstan. However, it often happens that in practice the planning of an educational process is carried out without a preliminary assessment of training needs, which leads to inefficiency in the whole learning process. The purpose of this article is to identify the main areas needed for the training of civil servants in Kazakhstan. This article is a report on a conducted study which focuses on the following research questions: (1) What are the common problems regarding knowledge and skills among civil servants? (2) What training content is currently required for civil servants? Research methods include online questionnaires and focus groups with civil servants, as well as interviews with international experts. Key areas of professional development in the civil service have been identified based on the respondents' answers. The results confirm that civil servants universally recognize that certainly there are some gaps between what is required to perform their work completely and what they actually know. The focus and methodology of the training also requires critical attention.

Keywords: civil service; competencies; training needs assessment; Kazakhstan.

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Introduction

Nowadays, the set of private and corporate interests is characterized by constant dynamics and the situational variability of its quantitative, qualitative and content parameters depending on the decisions made by the government and the actions it carries out, as well as the changes in the current social, economic and political situation in the country. Interests of stakeholder groups that are not taken into account and aggregated by the government, creates the threat of a loss of socio-political stability and sustainability in public administration and in the political system as a whole (Nisnevich, 2012). Political leaders are also required to demonstrate a high level of expertise as today they have to work under conditions of constant instability and the unpredictability of a rapidly changing world (Kramer, 2016; Kazhyken, 2015).

The role of the civil service is vital in the planning, implementation and evaluation of policies and programs formulated by the political leadership. A critical issue in this context is the development of a competent and motivated civil service to assist in realizing national aspirations for rapid social and economic development which is currently complemented with the world crisis in the financial and economic sectors (Barabashev, 2016; Asatryan, Heinemann, Pitlik, 2015). It has been observed that there is a certain time lag between new innovative breakthroughs and their adjustment by public administration systems (Matei, Bujac, 2016). As a result, there is a search for new opportunities, directions and tools for further development (Lopez, 2017; Rivolin, 2017). Moreover, a crucial quality of the civil service involves its capacity to adapt and respond to the consequences of domestic and international challenges. Late-century issues including global economic crisis, increasing expansion of globalization and migration processes coupled with the rise and influence of civil society organizations, terrorism and corruption are some of the examples of those challenges that civil servants currently have to deal with (Franko, Stamos Jr., 2017; Mosley, Singer, 2015).

All these challenges have intensified the call for effective civil service education and training for building civil servants' capacity to meet constantly changing requirements. There is an urgent need to modify training systems and provide civil servants with a complex of knowledge and skills, so-called "competencies" necessary to successfully perform their duties. The recognition of the importance of civil servants' competencies development is the basis for the implementation of various training programs. This is because there is always a certain discrepancy between the content of training and the actual training needs of civil servants. In other words, there are some "learning gaps" between the knowledge required for the effective performance of official duties, and the knowledge of the civil servant himself.

Since its independence, public administration in Kazakhstan had also faced numerous challenges as a consequence of the transition period when the Communist model of public administration was shifted towards the Kazakhstani model of a market-based economy. (National Digital History, 2017). This resulted in a number of reform initiatives including civil service reform, decentralization, e-governance, etc. (Barabashev, Klimenko, 2017; Janenova, Kim, 2016;

Nemec, 2014; Bhuyian, Amagoh, 2011). All these reforms are essential in driving a civil service towards the successful implementation of government projects, programs and policies. Consequently, civil servants were in desperate need of upgrading their skills and knowledge in order to adequately respond to these changes. As a result, civil service training has long been recognized as an important activity within the civil service of independent Kazakhstan.

Civil servant training in Kazakhstan

Over the years following independence, Kazakhstan has formed a system of training civil servants with its own inherent structure and model of training which meets the overall needs of the civil servants (Suleimenova, 2016; Suleimenova, Demeuova, 2014). The existing training model for local civil servants, in particular, was implemented in 2004 and followed the 2000 Concept of Civil Servant Training. The current model is a framework model and represents two main areas of civil servant training: retraining and upgrading qualifications training. In general, over the years, the current model allowed numerous issues to be resolved, i.e. ensuring training coverage for civil servants of all categories.

The system of civil servant training that functions in different countries, to a certain extent correlates with the civil service model and is mainly based on a competency-based approach (Podger, 2016; Knassmuller, Veit, 2015; Civil Service: Training and Development, 2014; Barabashev, 2011). In countries with a positional model of civil service, civil servant training is comprised of two components: training organized at the request of a trainee's personal and professional goals, and training for specific programs focused on obtaining relevant experience in practice. There is another model of executive education – “renewable” education (Podger, 2016). For instance, in European countries where continuous education is widely spread, trainings on executive programs are conducted in specialized university centers of continuing education (Reichard, 2016).

In the light of recent reforms in the civil service of Kazakhstan, there have been significant changes in the “Public Positions Register” as well as in procedures for entering the civil service. For instance, civil servants' performance assessment was introduced as well as certain arrangements being carried out for the transition to a new wage system. Altogether, these changes lead to the design of a career model for the civil service. (Information on the main results of activity in the sphere of civil service for 2015 and 2016, n.d; The realization of the new model of civil service, 2017). The current model of civil servant training, the foundations of which were laid in 2004, requires revision. One of the steps in this direction was the legislative recognition in 2015 which provides that all civil servants should upgrade their qualifications no less than once every three years (Article 34 of the Law on Civil Servants of the Republic of Kazakhstan, 2015). Thus, the Kazakh model of training civil servants can be referred to the type of “renewable education”. In other words, it can be defined as “continuous professional training”.

Despite the fact that under the law, HR management departments of government agencies are responsible for organizing the training of civil servants (Law of

the Republic of Kazakhstan, 2015), the planning of the training process in the government agencies is often carried out without a preliminary assessment of training needs. As a result, the planned seminars (a) do not always meet the participants' expectations; (b) the knowledge acquired during the training is not in demand in practical work. Therefore, in the majority of cases the training process does not fill the "gap" in the knowledge (Kim, 2016; Poor, 2008).

The main problem in Kazakhstan is that the HR management departments of government agencies are initially guided by the norms of legislation based on the requirement of timely completion of trainings by civil servants. Primarily, the role of the HR management departments of government agencies is to timely direct the training of a civil servant.

We believe that training needs assessment is crucial in determining the "learning gaps" between the current and desired outcomes needed to perform the job successfully in the future. To quote Balisi (2014), "If needs assessment is not carried out, training programmes may have the wrong content, objectives and methods, and this means money is spent on training programmes that are unnecessary" (p. 138). Therefore, we have made an attempt to identify Kazakhstani administrative civil servants' corps 'B' basic training needs¹. This article seeks to achieve a better understanding of civil servant training needs by soliciting their opinions as well as the perceptions of international experts on this matter. On the basis of the purpose of the study, the following central question was developed: What are the civil servants' basic training needs in Kazakhstan?

Civil servants and international experts' perspectives were examined from several aspects in order to address the central questions of the study:

SQ (1) What are the gaps in knowledge and skills among civil servants?

SQ (2) What training content is currently needed for civil servants?

SQ (3) What learning modalities are effective to use?

Though there is a great deal of contemporary interest in public administration reform in Kazakhstan, there is little research done on civil service training in Kazakhstan. Moreover, there is an absence of studies exclusively on civil servants' training needs assessment in Kazakhstan which, as we have mentioned, is the cornerstone in training program planning. It is hoped that this study will make a unique contribution to the development of civil servants' executive education in Kazakhstan.

With the further development of Kazakhstan as well as the crucial quality of the civil service involving its capacity to adapt and respond to the consequences of domestic and international challenges, it is necessary to train civil servants to be highly competent to adjust to all these current changes. Thus, the study is intended to play a significant role in the country's further socio-economic development.

¹ The article is not aimed at studying the training needs of political civil servants and administrative civil servants of corps "A". They refer to the high level of civil service, and their functional responsibilities are concentrated on policymaking and decision-making level. It is obvious that their training needs will be significantly different from the executive level. According to statistical data, the share of above mentioned in groups of public positions accounts for 1%, while the share of administrative public positions of corps "B" is 99%.

Training needs assessment: international experience

Development of civil servants' potential is a priority in human resource management (VanWart, Hondeghem, Schwella, Suino, 2015). While previously, the emphasis was on knowledge-based education, currently the training is more focused on the development of competencies needed for the successful implementation of various projects (Poor, 2006). This is supported by the fact that many countries have developed such competency models for training of civil servants such as Senior Executive Leadership Capability Framework (Australia), Federal Competency Model (Belgium), Senior Civil Servants Competency Framework (UK), Key Leadership Competencies Profile (Canada), Executive Core Qualifications (USA), Competency Framework of DPSA (South Africa), Government Standard Competency (South Korea). However, it is important to note that today competency models are not constant and often revised over time. The dynamism of the information age forms ever new challenges which in turn require new competencies. As Stephen (2001) pointed out "...competent employees don't remain competent forever. Skills deteriorate and can become obsolete. That's why organizations spend billions of dollars each year on formal training..." (p. 480). A striking example of this is the model of competencies for British civil servants (Civil Service Competency Framework, 2015).

Often, the difference between the regulated value of the specific competences and the actual behaviour of the employee is a basis for education and training planning. The process of identifying this difference is called the assessment of training needs. It is an integral element of the planning process for the development of civil servants. (The OPM: Training Needs Analysis, n.d.; Mulang, 2015; Chang, Chiang, Kun yi, 2012; Dukhnich, 2007; Fourie, 2004).

The interest in assessing the training needs is expressed by the government agencies and training centers that implement educational programs.

Meanwhile, the needs identified during assessment within the government agency, are classified into different levels. There could be three levels (OPM: Training Needs Analysis; Manning, Agere, 2002), and in some cases, four levels of needs (Haslinda, 2009; Poor, 2006; Applegarth, 1991). In our case:

1. Corporate level (on a scale of the government agency);
2. Divisional level (on a scale of the structural division);
3. Workplace level (on a scale of one workplace);
4. Individual level.

Each government agency has its own mission and strategic goals. It is very important that all structural divisions have a common vision and shared corporate values. Therefore, initially the staff development system should be built based on the mission, the perspective vision on development, and the strategic objectives of the government agency. Of course, each structural division implementing the various functions has its own specific training needs and each workplace includes its own requirements of employees that form the needs of a more local nature. At the same time, each employee is motivated by his own interests and individual training needs. Proper needs identification and subsequent identification of training objectives, as well as resources needed to implement the training strategy, will help to organize an effective educational process. At this point, the motivational aspect plays

a significant role as the readiness and willingness of the civil servant to work is one of the key factors of the successful operation of the government agency as well as effective organizational performance (Randma-Liiv, Merilin & Külli, 2013). In this case, it can be noted that without internal motivation an employee would not develop his competencies. As a result it can effect on his performance. In other words "...motivation indirectly through competency affect performance..." (Subari, Riady, p. 144, 2015).

For training centers it is also extremely important to conduct a preliminary assessment of training needs prior to the development of any educational programs. This will provide information about the target group, such as: number of trainees, their types of work, their interests, age and gender, gender composition, and others. Such information is useful for the selection of examples, case studies for discussion in the group, terminology, methods and forms of training. Research has shown that the attitude of civil servants to training depends on their demographic characteristics. There is also a high correlation between the assessment of needs in training, planning, and the implementation of a training program and assessment of its effectiveness (Rodic, Vucovic, Zarsnik, Miglik, 2012). Therefore, it is possible to prepare the practice-oriented training materials that will ensure effective learning.

In general, the process of training needs assessment consists of five steps:

1. Identifying problems and needs;
2. Determining assessment method;
3. Collecting the data;
4. Analyzing the data;
5. Providing feedback (Manual on Training Needs Assessment).

Studies carried out in Eastern Europe have shown that there are three different approaches for the identification of training needs in civil service (Demmke, Hammerschmid, Meyer, 2006) which are presented in a more generalized perspective:

- centralized approach, according to which the needs assessment process in training is centralized;
- decentralized approach, according to which each government agency independently exercise the training needs assessment process;
- semi-decentralized approach, according to which the strategy and structure are defined and managed centrally, but the training needs assessment process is carried out by each government agency independently.

Serbia, for instance, has identified the structure and procedures of the training needs assessment for civil servants. Each government agency is obliged to assess the training needs of their employees. In addition, the central institution for training civil servants should also identify the needs of civil servants in training (Miglic, 2006).

The Law on Civil Service of Slovenia stipulates that the heads of government agencies are responsible for the professional development of civil servants. Thus, the line management plays an essential role in identifying the need for training, while the human resources Departments bear primary responsibility for the development and implementation of training activities. As a consequence, most of the decisions on the needs and priorities of training are based on the views of the heads of departments (Rodic, et al., 2012). In practice, the vision of the training needs for the manager and the staff are always different. In particular, in South

Africa the mid-level managers were asked to assess the “gap” between the knowledge required for the effective performance of official duties, and their own knowledge. In this case the need for training the mid-level managers had been assessed by their own supervisors. Results of the study revealed disagreements between the self-assessment of mid-level management and the assessment of their knowledge by supervisors. So, if the mid-level manager in the course of self-assessment noted that his need to develop such a competency as “Problem Solving and Decision Making” amounted to 32.5%, then supervisors evaluated it as 50% (Fourie, 2004). In this case, the assessment of supervisors not only ensures the credibility of a training needs assessment, but also confirms the need for training.

In general, the training centers must pay inordinate attention to the identification of training needs among potential participants before approving professional development workshops calendar. By focusing on exploring civil servants as well as international experts’ opinions on current training needs, this study makes an attempt to identify the main areas needed for civil servant training in Kazakhstan.

Research methodology

The process of the training needs assessment was aimed at identifying the general gaps in the knowledge and skills that exist among civil servants.

Mixed methodology is adopted in this study to explore civil servants current training needs. Data are drawn from a survey and focus groups with in-service civil servants, and semi-structured, open-ended interviews with international experts working in Kazakhstan or having experience working with Kazakhstani partners. The interviews and focus groups aided interpretation of our statistical model, thereby enhancing the importance of this research. In fact, each instrument has its advantages and disadvantages (Barbazette, 2006). Thus, it is recommended to use them in combination.

Analysis of various sources (Chang, et al., 2012; Topno, 2012; The OPM Training Evaluation Field Guide, n.d.) has allowed us to develop our own approach to the training needs assessment. We decided that a survey using questionnaires would be conducted in 2014 and 2015, focus groups and interviews with experts in 2016.

Figure

The methodological approach to the evaluation of training needs



The “Bottom” approach suggests the use of a quantitative method, i.e. conducting a survey with civil servants, in the course of which individual opinions on the training needs were identified. In order to implement this approach, we developed a questionnaire. The questionnaire contained questions aimed at identifying the domains in which civil servants are challenged with needs in knowledge and skills. Civil servants were asked to answer open questions indicating an approximate list of knowledge and skills for choice as well as the opportunity to add personal opinion. Respondents were asked to answer three sets of questions such as: (1) What are the most complicated issues/tasks you have to fulfill at work? (2) What are the reasons that make it difficult to perform these tasks; (3) What skills and knowledge are needed in order to overcome these difficulties?

The survey was conducted online in the summers of 2014 and 2015, and identified the training needs during this period of time. The questionnaire was posted on the website of the Academy of Public Administration under the President of the Republic of Kazakhstan. The information, with an invitation to participate in an anonymous survey, was sent to civil servants’ email addresses. The sampling amounted to 138 respondents in 2014 and 258 respondents in 2015. The information collected in the survey was largely the result of self-assessment.

It should be noted that it is common practice to conduct surveys via the HR management departments. With this approach, the questionnaire is mainly filled out by the employees of HR management departments and line managers. For that reason, the needs were mostly identified through the prism of views of the managers and employees of HR management departments. Thus, the survey was conducted by a team from the Institute for Civil Servants Executive Education in close cooperation with the government agencies’ human resources management services.

For the “Top” approach, we used a qualitative method – focus groups with civil servants in managerial positions aimed at the study of their own views on training needs, better understanding of information collected during the survey, and the generation of ideas regarding ways to improve training programs. In order to conduct the focus groups, target groups were formed, and the list of questions was made in a specific sequence and with a certain structure. The civil servants were asked open questions on how they understand the notion of “upgrading qualifications”, what kind of knowledge and skills they lack while performing their functional duties, as well as what they would suggest as ways to overcome all the related issues, etc. A total of 78 civil servants (59 of which hold managerial positions) participated in 13 focus groups.

Within the qualitative paradigm we also used semi-structured, open-ended interviews with five international experts working in Kazakhstan or having experience working with Kazakhstani partners. This was the part of “Outside point of view” assessment.

Thus, the connection between the structural validity of the questionnaire and the current model of civil servants’ executive education was provided through interconnected questions that help to identify training needs as the basics of continuous professional development.

Results of the study

Characteristics of respondents

According to the Ministry of Civil Service Affairs of the Republic of Kazakhstan, 9% of the total staff number of civil servants work in the central government agencies, 43% in the territorial divisions of the central government agencies in the regions, and 48% in the local executive bodies (Agency of the Republic of Kazakhstan for civil service and anticorruption, 2016).

In 2014, 138 civil servants participated in the online survey and 258 civil servants in 2015. However, a considerable number of the civil servants who answered the questions in the online questionnaires were representatives of local executive agencies.

Table 1

Number of Respondents

	Central government agencies		Local executive bodies	
	2014	2015	2014	2015
	Number (%)	Number (%)	Number (%)	Number (%)
Total number of respondents	46 (33.3)	90 (35)	92 (66.7)	168 (65)

Characteristics of the respondents in the context of work experience in public service shows that the greater interest in online questionnaires was by government officials with over 10 years of experience.

Table 2

Experience of the Respondents in Public Service

Work experience in public service	2014	2015
	Number (%)	Number (%)
less than 1 year	14 (10.1)	38 (14.6)
from 1 year to 3 years	20 (14.5)	40 (15.7)
from 3 year to 5 years	13 (9.4)	27 (10.6)
from 5 year to 10 years	28 (20.3)	50 (19.3)
from 10 years and over	63 (45.7)	103 (39.8)

Quantitative findings

In terms of the most important issues/tasks, respondents chose answers by the level of importance and could offer their own suggestions. The distribution of answers for 2014–2015 shows that the respondents' perception changed over time.

Table 3

**Distribution of Responders' Answers to the Question
"What are the most complicated issues/issues/tasks you have
to solve at work?" by the level of importance, %**

	2014	2015	Difference between 2014 and 2015
Conducting negotiations and protecting position of the department	31.2	14.3	16.9 ↓
Delegation of authority, distribution of tasks	18.8	9	9.8 ↓
Preparation of analytical reports, letters, etc.	53.6	21.3	32.3 ↓
Preparation of letters in the State language	21	21	–
Development and adoption of decisions on the basis of the plan analysis	44.2	17.9	26.3 ↓
Development and defense of the plans, projects and/or programs	40.5	21.3	19.2 ↓
Organization and conducting of meetings	13	7.5	5.5 ↓

In order to identify the reasons that make it difficult to perform complicated tasks, respondents were offered multiple choice questions. During the ranking of the results, we found that the opinions of the respondents in 2014 and 2015 coincided. Civil servants pointed out that the main reasons were “the lack of skills in research and application of analytical methods”, then “the lack of competencies to formulate, implement and evaluate policies”, “lack of decision-making competencies”, etc.

Table 4

**Ranking of the largest gaps in competencies, according
to the respondents, by the level of importance**

Ranking	2014	2015
1	Lack of skills in research and application of analytical methods	Lack of skills in research and application of analytical methods
2	Lack of competencies to formulate, implement and evaluate policies	Lack of competencies to formulate, implement and evaluate policies
3	Lack of competencies required for development and decision-making	Lack of competencies required for development and decision-making
4	Lack of competencies required to perform leadership functions	Lack of competencies required to perform leadership functions
5	Lack of competencies required for co-operation, communication and interaction	Lack of competencies required for co-operation, communication and interaction
6	Lack of presentation and speech-writing skills	Lack of presentation and speech-writing skills
7	Lack of negotiation skills	Lack of negotiation skills

It should be noted that in the category “other complicated tasks” the respondents were required to fulfill, a significant number of the respondents included various tasks, which together reflect the “communication barriers” within the domestic government agency. This means that many people lack communication skills.

At the same time, “the lack of competencies required for co-operation, communication and interaction” occupies 5th place in the ranking, and “the lack of negotiation skills” is in 7th position. Based on this, we conclude that in no way do the civil servants attribute “communication barriers” within the domestic government agency to their own lack of communication skills.

The most frequent answers to additional question on what other competencies the civil servants were lacking were “lack of time” and “lack of competent staff”.

The comparative analysis of respondents’ answers for 2014 and 2015 regarding required knowledge and skills necessary to overcome emerging challenges demonstrated a “contextuality” of needs.

Table 5

Ranking of the Knowledge and Skills required to fill the gaps in competencies

Ranking	2014	2015
1	Ability to conduct research, analysis, etc.	Ability to conduct research, analysis, etc.
2	Strategic planning and budgeting skills	Project and program management skills
3	Fundamental knowledge of policy definition, implementation and evaluation	Ability to develop and make decisions
4	Ability to develop and make decisions	Fundamental knowledge of policy definition, implementation and evaluation
5	Project and program management skills	Knowledge of the psychology of management
6	Knowledge of the psychology of management	Strategic planning and budgeting skills
7	Basic knowledge of the rulemaking	Ability to collaborate, communicate, and interact
8	Knowledge of the change management peculiarities	Knowledge of the change management peculiarities
9	Ability to collaborate, communicate, and interact	Basic knowledge of the rulemaking

If, in 2014, the first three places in the ranking were: “ability to conduct research, analysis, etc.”, “strategic planning and budgeting skills”, and “fundamental knowledge of policy definition, implementation and evaluation”, then in 2015 the first three places were occupied by: “ability to conduct research, analysis, etc.”,

“project and program management skills”, and “ability to make right decisions”. This rating indicates that the training needs change over time.

Qualitative findings

Focus Group Results

During the period of April-May 2016, 13 focus groups were held, which were attended by a total of 78 civil servants. The following questions were prepared for focus group discussions: (1) What qualities are civil servants required to have for the effective performance of their functional duties? (2) What do you understand by professional development? (3) What training content is required for civil servants? (4) What learning modalities are effective to use?

Four themes describing which qualities civil servants need to have were identified:

1. Being professional;
2. Being competent/having specific competencies to fulfill the tasks;
3. Ability to make their own decisions;
4. Following the ethical guidelines.

In terms of the second question on the meaning of professional development, participants expressed the following. In the participants' opinions, professional development is the “exchange of experiences; new perspective and new information”, “additional knowledge that will be useful in the course of my work”, “a person must come and learn something new for himself, and after, apply it in his work place”, and so on. The answers received indicated that civil servants put a slightly different meaning to the term “professional development”, which generally coincides with the concept laid down in Article 34 of the Law on Civil Services of the Republic of Kazakhstan. In the Law, the term “professional development” includes training seminars aimed at competency improvement.

While the answers of the focus group participants to the two previous questions varied and generally represented the “reasoning” nature, the answers to the third question: “What training content is required for civil servants?” were precise and similar. The answers can be divided into three themes:

Communication skills, following ethical guidelines. Here are some of the views:

“If the main objective of the civil servant is a provision of public services and work with the general public, than certainly, it shall be a communication skills direction. It is necessary that he complies with the ethics and is able to resolve a conflict situation ...”

“This is the ethical standard for civil servants and their ability to communicate with the population.”

“It is necessary to conduct lectures on development of moral and determination qualities, develop communication skills in particular”

Development of leadership skills. Participants of focus groups showed great concern towards the need to improve the competencies of managers and to develop their leadership skills. Participants offered to organise the seminars on

the following topics: Management for Executives; Time Management for Executives. Here are some of the comments:

“I will pass the management course again.... I would like our managers to attend these management courses on a mandatory basis ...”;

“... Managers have to undergo some kind of professional development of a psychological nature ...”;

“There is no proper management, no proper planning Our managers say ... here you are, I assign this task to you, you do it ...”.

Third group. Participants touched on the highly specialized topics arising from specific activities of the government agency, such as strategic management; the specifics of public policy development, realization and evaluation; globalization and national security; project management strategies, instruments and tactics; performance management; public policy effectiveness evaluation, etc.

To the question “What learning modalities are effective to use?” participants suggested:

1. Form target groups whereby civil servants are exercising the same duties in one group;
2. Develop differentiated programs for managers and executives;
3. Conduct offsite training;
4. Implement corporate training;
5. Apply active forms of training, such as working in small groups, etc.

In general, the results of the focus groups, in addition to the questionnaire, allowed us to define the attitude of civil servants towards training and identify their understanding of training.

At the same time, in the survey results, respondents noted the presence of “communication barriers”, but did not evaluate the priority status of civil servants communication skills development as high. The results of the focus groups have shown the paramount importance of the development of the communication skills of civil servants together with the development of ethics.

Interviews with the Experts

During the study, semi-structured, open-ended interviews were conducted with five international experts, who are in one way or the other familiar with the government structure of Kazakhstan.

In order to identify the experts’ opinions on current civil servant training needs, four basic questions were prepared: (1) What challenges may the public sector of Kazakhstan face within the next five years; (2) What competencies should civil servants in Kazakhstan develop in order to meet these challenges? (3) What kind of training courses do you believe it will be necessary to design to help civil servants develop the above mentioned competencies? (4) What other professional development learning modalities do you recommend implementing?

Regarding the challenges to be faced by the public sector of Kazakhstan within the next five years, the majority of experts have noted that the falling price of oil, the unstable economic situation worldwide, the need to diversify the economy, and the problem of centralized public administration (the “top-

down” principle) are the most likely challenges for Kazakhstan in the long term perspective. These are some of the expert comments:

“The first one, of course, will be the oil price because with falling of oil prices you’re gonna have budget problems. Budget problems mean that you have to think about allocating your resources in an efficient manner ...”;

“... The main challenges of course refer to the raw materials orientation of the economy. And there is absolutely no doubt about the need to diversify the economy of the country ...”;

“There is a real need if you want to diversify the economy, there is a real need to have rather detailed planning at this level and rather detailed development of initiatives and so on. And actually the issue is that all of this in the region requires different public actors to be able to work together, ok? The key issue is the following. In your system, there is a still very, very vertical ...” .

One of the respondents in his comments noted, that the public sector in the next five years might encounter such problems as setting higher requirements regarding the quality of services from the business and public sectors; the outflow of highly qualified personnel to the private sector; and a reduction in the state apparatus and the need to improve the efficiency of current business processes.

Concerning the competencies required for civil servants to solve the above challenges, a number of experts indicated the importance of leadership development, strategic thinking, communication skills of civil servants, ability to manage changes, and effective management skills. Here's how the experts commented on the importance of some of these areas:

“First of all, you need to improve leadership skills. That is a very horizontal thing. You do need, especially I see at the rural level, you do need the people to feel like they can take initiatives and a number of people to emerge leaders who can lead teams, impart skills to the teams and so on ...” .

“... Change management is a very important aspect. Policy is all very well, policy process. But to implement policies you have to know not just the legal but the institutional, operational, technical, financial nature of change”.

With regard to curriculum development, i.e. what training programs need to be developed, it is interesting to note that the experts developed different views about it in many respects. This is what one of the experts said about the need for in-service training:

“... In-service training with implementation of specific projects in the workplace. At that, the civil servant receives coaching on the development of the projects and their immediate implementation. Such projects can be pre-agreed with the management of civil servant” .

In addition the majority of experts agreed that it is very important to have experience and knowledge of the context during the work process. Therefore, the experts proposed to develop programs oriented at real situations and specific examples (case studies):

“Second issue is again experience. You at the moment have got a lot of very well-educated civil servants who have got Phds, who studied abroad and

so on. In my experience that is unique, I haven't seen that in other countries. The one problem is that they need the experience on the ground. They need to know the context and content. I listen to some of your workshops and it seems to me it is dealing more with law and basis. Legislation is just a beginning, a first step. But the thing is how it will be implemented in practice. For that reason I think there needs to be more practical experience. In other words, the learning should be focused more on studying and analyzing the real situations”.

Also, the example most commonly used by the experts, is the training focused on development of the civil servants' specific competencies.

When considering the issue of the training methods, the experts mutually agreed that the training should be active, in order to represent so called “active learning”. The majority of experts expressed their views on the fact that the traditional methods of education are important, but they are less effective nowadays. Some of the experts' comments on this matter were as follows:

“... Results of my study have shown that the most effective training for adults is experiential learning, which by necessity have to include the active learning (Study, Application, Analysis), i.e. not only the study in the classroom. Based on the results of my interviews with civil servants in leadership positions, the most effective training methods involve the work with successful managers, and monitoring their performance; in-service training; development of so-called «Stretch assignments» (special tasks for stimulating further development); organization of mentoring in government agency; and organization of off-site trainings to familiarize with international experience”.

Another expert has noted that active learning should be accompanied by group work, work in pairs, and in some cases, by individual work. It is necessary to structure the training courses in a way so that civil servants have the opportunity to express themselves, since each of them comes with a certain amount of knowledge and experience, and no matter whether it is a good experience or not, this is their experience. Based on their experience, you need to enable them to construct this new knowledge by themselves while working and discussing the issues in groups or in pairs:

“Civil servants need to understand that they're learners. Every civil servant has to have, first of all, a professional development plan and that should be linked logically to an appraisal system, and that implies managers have got some knowledge to be able to manage all of this and help them to identify what they want to learn and so on. So, professional development I see as an essential kind of modality for every civil servant ...”.

So-called “peer learning” (group exchange of experience and knowledge) was also a commonly used example in interviewees' responses.

Thus, the international experts pointed out the importance of developing leadership skills while simultaneously developing managerial skills. The training methods proposed by the experts are of particular interest. They are all focused on enhancing the interactive training methods involving trainees themselves into the training process. Results of the interviews are summarized in Table 6.

Table 6

Results of the experts' interviews

Possible challenges	Required competencies	Requirements for the development of training programs	Training methods
Situation on the oil market (falling oil prices)	Formation of leadership skills	In-service training	“Active learning”
Raw-materials oriented economy (the need for diversification of the economy)	Formation of strategic thinking (strategic vision and strategic planning skills)	Training oriented at consideration of the real cases (case study)	“Peer learning”
High requirements to the quality of services provided by the business and public sector	Formation of communicative skills	Competence approach in training	Working with successful managers, supervision of their work
Outflow of highly qualified personnel into the private sector	Formation of change management skills		In-service training
Reduction of the state apparatus and the need to improve the efficiency of current business processes	Formation of performance management skills		Development of so-called «Stretch assignments» (special tasks for stimulating the further development)
“Top-down” principle (lack of knowledge and skills at the local level)	Formation of the skills to allocate budget funds wisely and efficiently		Organization of mentoring in the government agency
	Project management skills		Organization of the off-site training to familiarize with international experience
	Prioritizing skills		Working in groups and/or in pairs
	Focusing on results and not on the process		Maintaining a professional development plan
	Understanding the business process reengineering		
	IT skills		
	Development of the leadership skills of managers working in the regions		

Conclusion

Both quantitative and qualitative results confirm that civil servants universally recognize that certainly there are some gaps between what is required to perform their work completely and what they actually know. According to the findings of the study there are skill areas which present a catalogue that is essential to Kazakhstani civil servants professional development. Results of the study suggest that training is needed across the following areas:

- 1) Ability to communicate effectively;
- 2) Project management skills;
- 3) Skills in research, analysis;
- 4) Development of leadership skills;
- 5) Strategic planning and budgeting skills;
- 6) Fundamental knowledge of policy definition, implementation and evaluation;
- 7) Ability to make right decisions.

The focus and methodology of the training also requires critical attention. A training priority might be emphasizing the role of in-service training where trainees can reflect and learn from their own experience.

This study is only an initial investigation. The sample is limited and the results may not be generalizable to the entire civil service system in Kazakhstan. It is recommended to extend the number of survey participants in order to collect more quantified data from civil servants of different regions of Kazakhstan. However, trends and issues related to civil servants' current training needs have been identified. The above represents the current target topics of a training curriculum. Training centers developing the training programs should pay attention to the performance gap between current competencies and their actual training needs. It can be concluded that training needs assessment is very important in planning training programmes. So, it is of great importance to conduct training needs assessments among civil servants on a regular basis.

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WHY RUSSIA HAS AGAIN BEEN SLIDING FROM FEDERALISM TO UNITARIANISM¹

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Abstract

Throughout the history of Russia, short periods of public administration decentralization have been replaced by long periods of centralization. In particular, and mainly with negative connotations, the tendency towards centralization in Russia – the building up of a predominantly unitary state and the departure from the principles of federalism, even in its asymmetric form – has been discussed in the last few years.

The article analyzes the reasons for the current tendency for the centralization of public administration in Russia. The main reasons, we believe, are: the command-administrative style of governance that was formed in Soviet times, supported both by the mentality of the political elite and the bureaucracy, and by the traditional paternalistic attitude of the population towards power; the lack of understanding by the center as to how to interact with the ethnic republics, aggravated by the fear of the disintegration of the country; and the existence of a centralized Budget and Tax Codes. As an illustrative example of the history and content of reasons for the centralization of governance, the interaction between the Federal Center and the Republic of Bashkortostan is considered, and the article focuses on analysis of the two main reasons for centralization.

It is alleged that in Russia the “pendulum” will not change direction from centralization to decentralization any time soon. However, in order to mitigate the negative consequences of excessive centralization and prevent spontaneous events, some measures are proposed to reduce excessive centralization and develop federalism. In particular, it is necessary to change the system of professional and additional professional education of civil servants, as well as to reduce the transaction costs of governance by redistributing a number of public administration functions between the Center and the Regions, and introducing some elements of the single-channel budgeting system used in China in 1980–1993.

Keywords: public administration, federalism, unitarianism, unitary state, centralization, decentralization, institutions, path dependence, Russia, Russian Federation.

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Introduction

Modern Russia, according to the constitution, is called a Federation, although many real federations do not include this word in the official name of the state. At the same time, traditionally, Russia remains a unitary state rather than a federal one. If we take the age-old historical horizon, it can be seen that the periods of decentralization and approximation to the theoretical model of federalism coincide with periods of economic crises and political easing of the central government. And the periods of economic growth and political stabilization for some reason coincide with trends towards centralization of state administration.

By historical standards, in the short period after the collapse of the USSR, the Russian Federation experienced dramatic liberal economic reforms. The very concept of liberalism includes the idea of imminent decentralization of public administration and development of local self-government. However, liberal, market-oriented reforms in the economy in 1992–2017 were accompanied by a consistent centralization of state power throughout these years.

In considering this, the question arises: why were the liberal reforms in the Russian economy not accompanied by the liberalization of public administration, i.e., its decentralization?

The problem of the ratio between decentralization and centralization in public administration is not unique to Russia, which has built a market economy, although there are many questions to its quality. The most acute issues were in Canada, Spain, and Great Britain (Milne, 2005), occasionally exacerbated to the need to hold referendums on secession (referendums in 1980 and 1995 in the province of Quebec on separation from Canada, referendum in Scotland in 2014 on secession from Britain, referendum in Catalonia in 2017 on separation from Spain, etc.). At the same time, in Europe, within the framework of the emergence of the European Union, there were processes of centralization, i.e., the voluntary restriction of national sovereignty of countries in favor of European institutions. After Brexit, we know that centralization can be replaced by partial decentralization.

Not only have the practical issues of this problem been fairly well studied in the literature, the theory has too. The theory of public choice, the theory of public economics and the theory of fiscal federalism, considering the assignment of public responsibilities between the levels of governance from the economic point of view, were developed by the classics of these theories: Arrow (1971), Musgrave (1959), Oates (1972), Samuelson (1954), Stiglitz (1977), Buchanan (1968), etc. The theory of federalism and its development in the practice of governance is generalized on the basis of 21 countries' experience (with an accent on public finance management) in the fundamental collective monography (Ter-Minassian, 1997).

Economic criteria of decentralization were developed by Bahl (1999a), and political aspects of this problem by Treisman (2007). A great contribution to the development of the theory of federalism was made by the concept of "Market-Preserving Federalism" by Weingast (1995).

Intense discussions were sparked around the original Chinese model of economic federalism, in which the administrative relations during the reforms of the 1980s were built to implement a concept known in Russia as the "single-channel

budget system” in the works of R.M. Bird, R.D. Ebel and C.I. Wallich (1995), R. Coase and N. Wang (2012), R.W. Bahl (1999b), and D.C. North (2005). In this article we mention the issues of asymmetric / symmetrical federalism in the Russian Federation discussed in the works of C.D. Tarlton (1965), D. Milne (2005), J. Martinez-Vazquez (2002) and S. Valentey (1996).

The ways of developing federalism and constructing the modern Russian architecture of intergovernmental relations in Russia were developed by J. Martinez-Vazquez and J. Boex (1998, 2001), L. Polishchuk (1998), A. Lavrov, D. Sutherland and J. Litwack (2001). Critical comprehension of the course and results of administrative and fiscal reforms of 2000–2005 in Russia can be found in the works I.U. Zulkarnay (2003, 2004, 2006), R.L. Watts (2007), A. Yushkov, L. Savulkin and N. Oding (2017).

The article is devoted to an attempt to reveal the causes of centralization tendency in Russia and, based on this understanding, an attempt to predict the development of relations between the Center and the regions in the future. The research period covers mostly 1988–2017 with the added use of some facts from 1918, and the structure of the article reflects the main stages in the development of the institutions of interaction between the Center and the regions.

The main hypothesis of the article is that the tendency towards centralization of public administration against the backdrop of liberal reforms after the collapse of the USSR was inevitable in Russia because the state apparatus inherited from the Soviet period, the so-called command-administrative style of governance, is unable or unwilling to apply (fears consequences), or simply does not know the modern theories of the public sector of the economy and economic federalism.

The preconditions in designing Center-regions relations in contemporary Russia

The development of relations between the Center and the regions in Russia in the last quarter of a century has undoubtedly been influenced by the institutions of public administration that were established during the Soviet era. Those, in turn, are characterized by high centralization of public administration throughout the vertical of the USSR and by the tradition to declare democratic institutions in their de facto absence, which is deeply rooted in the minds and hearts of officials.

If at the dawn of Soviet power the word “union” in the name of the Union of Soviet Socialist Republics (USSR) and the word “federation” in the name of the Russian Soviet Federative Republic (RSFSR) had some meaningful content, then very soon, due to the centralization of public administration, a rigid vertical of power and the concentration of governance in the hands of the Communist Party, these words turned into formal declarations that did not have significant meaning from the point of view of public administration.

Also, formally, for example, in Article 79 of the 1978 Constitution of the RSFSR, ethnic republics were called “republics”, “states” within the RSFSR. In addition, their name included an adjective “autonomous” (for example, the Bashkir Autonomous Soviet Socialist Republic (BASSR)), suggesting that these “republics-states” could autonomously solve some issues of public administration while other regions (*oblast* and *krai*) did not have such freedom of decision-making. But in

fact, the “republics” had the same small opportunities to manage the economy and social development of their territories as the *oblast* and *krai* of the RSFSR had.

Such a de facto reduction of autonomous republics to administrative entities, such as *oblast* and *krai*, was provided by the following circumstances. Firstly, the 1978 Constitution of the RSFSR did not assign the responsibilities separately to the Center and the republics, but simply listed the responsibilities that were under the federation. Thus, it turned out that all the remaining functions of public administration belonged equally to both republics and regions (*oblast* and *krai*).

Secondly, the actual administrative governance in the autonomous republics was carried out by the regional committee of the Communist Party, which carried out the decisions of higher party bodies. The very name “regional committee” (*oblastnoy komitet*) in the republics unequivocally showed the formality of autonomy, that from the point of view of the center the republics were the same administrative entities as *oblast*. Thirdly, as a consequence of the first and the second, the constitution and all regional laws were supposed to “clarify” the constitution of the RSFSR and the corresponding higher laws, turning into a compilation of the first.

Fourthly, item 16 of Article 72 of the RF Constitution of 1978 referred to the jurisdiction of the RSFSR as “the solution of other issues of national importance”, without giving a criterion as to who will determine whether a particular competence has RSFSR or regional significance.

These traditions of the formal declaration of “federalism”, with its simultaneous deletion by the provisions of the document itself, were laid down in the beginning in the constitution of the RSFSR of 1918, where, after listing issues under the jurisdiction of the RSFSR, Article 50 stated that, apart from them, the Center's competencies are “all questions that they recognize subject to their resolution”. In addition, Article 61 of that Constitution obliged the administrative bodies (ministries) of the subjects of the federation “to enforce all decisions of the relevant higher bodies of Soviet power”.

A separate issue that goes beyond the scope of this article is the question as to why the Bolsheviks called the country a “federation”, but for our purposes it is important to accept this fact and combine it with the understanding that strategically they saw Russia as a highly centralized, unitary state. Thus, in participating in discussions about the 1918 Constitution of the RSFSR, Joseph Stalin ((1918), p. 73) stated that “federalism is a transitional stage towards socialist unitarism”.

Spontaneous decentralization in Russia and attempts to return to the principles of federalism in the 1990s

In 1992, the independent Russian federation faced the same problem of building administrative relations between the center and the regions, which, against the backdrop of the economic crisis, contributed to the disintegration of the USSR. In the 1990s not only the union republics of the USSR, but also the autonomous republics of the RSFSR, in their majority adopted declarations on state sovereignty, in which they proclaimed, in fact, limited sovereignty, outlining rights that they would like to retain.

For example, the Declaration on the State Sovereignty of the BASSR (1990), adopted after the nationwide discussion by the Parliament on October 11, 1990, declared Bashkortostan a subject of the “renewed Russian Federation”, but also stated that “Land, natural resources, other resources in the territory of the Bashkir Soviet Socialist Republic, as well as the entire economic and scientific potential are the exclusive property of its multinational people”.

Hence it followed that all the legislation regulating this property is in the jurisdiction of Bashkortostan and not Russia. In addition, Article 2 of the declaration stated that Bashkortostan “retains all the completeness of state power throughout the territory except the responsibilities *voluntarily transferred* [italic is mine – I.Z.] to the USSR and the RSFSR”. Similar statements were made by other republics of the RSFSR, with some variations: for example, the declaration of Checheno-Ingushetia listed water resources and airspace alongside the property of autonomy for land and subsoil. Tatarstan proclaimed its property on land and subsoil but didn’t mention the economic potential (enterprises) that Bashkortostan did.

Such broad powers of the subjects of the federation are a common phenomenon in federations. So, in Canada, unlike other developed countries, most of the land, subsoil, and forests are state property (which brings it closer to Russia) and only a small part is private. At the same time, for example, 77% of forests are state-owned by the provinces, and only 16% are state-owned by the federation (the remaining 7% is privately owned) (Islakayeva, 2017). There are similar proportions with state ownership of land and subsoil. For comparison, in Russia, so far all of its forests are federal property.

The Russian government, in the face of such ambitions of ethnic republics who wanted to see the country not as a fake Soviet federation, but as a real Federation like the USA or Canada, faced the serious problem of state building: either to conduct serious decentralization without losing the integrity of the country, or to start the process of centralization.

Federal politicians and the federal bureaucracy of Russia, formed under the conditions of the Soviet administrative command system with strict vertical reporting, objectively had not and could not have governance experience in a decentralized country. In particular, it was difficult for them to interact with the indigenous peoples of 20 ethnic republics which had completely different mentalities, histories of relations with Russia, socio-economic development and demanded different sizes of autonomy for themselves. The desire of these peoples to live as they wanted was perceived by the Center as nationalism and separatism.

Were there any grounds for believing that ethnic republics wanted to secede from Russia, as they were accused of by politicians from the Center? Certainly, in the 1990's, and in the early 21st century, there were no such grounds. Yes, during the existence of the USSR, a number of autonomous republics of the Russian Federation wanted to acquire the status of union republics, which meant withdrawal from the Russian Federation. But at the same time, these republics thought of themselves as members of a federation of a higher rank, the USSR, where they simply had more powers in the economic field and in the field of protecting their ethnic identity. In the economic sphere and politically they did

not want to be outside the large territorial community – the USSR, seeing the advantages of membership in a large federal country in comparison with complete independence.

In the most severe form, independence was declared by Tatarstan and Checheno-Ingushetia, which, unlike Bashkortostan and other republics, did not initially declare themselves subjects of the RSFSR and the USSR. But they also announced their intention to sign a federal treaty, and thus remain a subject of the federation. The condition for signing was, obviously, an indication in the federal treaty that the subjects of the federation had the ownership to themselves: their land, subsoil and resources.

Despite the absence of objective grounds for the separatism of the subjects of the Federation, the fear of the supposedly existent threat of the country's disintegration led to a victory on the road to centralization. The real reasons were the above mentioned lack of management, governance skills for large decentralized systems, and delegation of authority from the Center to regions. There were also political reasons and the corruption interests of some federal officials in choosing centralization of power but they go beyond the scope of this article.

Initially, in the first months of 1992, the Administration of President Yeltsin tried to avoid the term “Federal Treaty” itself. The Center suggested that the regions sign the so-called Agreement on the Delimitation of Responsibilities between the federal authorities of the Russian Federation and the authorities of the republics, territories, and regions within the Russian Federation (hereinafter the Agreement). According to this Agreement, ethnic republics were equal in expenditure responsibilities and revenue assignments to other administrative units that did not carry the character of the state. Regions, especially ethnic republics, insisted on a Federative Treaty with different powers for each subject of the federation, in accordance with their declarations of sovereignty.

In the end, the federal treaty was signed in a compromised form. First of all, it did not become a truly Federative Treaty, i.e., a treaty on the creation of a federation that would be concluded by members of the federation that would delegate some of their sovereign powers to the Center. It was an agreement between the Center and the regions, which recognized the original existence of the federation and, accordingly, the existence of the sovereignty of the whole country, and not the sovereignty of the subjects of the federation. Thus, the Russian Federation has become a constitutional federation, not a contractual one, such as the United States and the Swiss Confederation.

One compromise in favor of the regions was that the Federal Treaty consisted, in fact, of three treaties, with three groups of subjects of the federation: 1) ethnic republics that were called “sovereign republics” in the treaty; and 2) *oblast* and *krai* – the main administrative units of the Russian Federation; *avtonomnyy okrug* (Federal Treaty, 1992).

Ethnic republics had more powers in treaties than *oblast* and *krai*. However, this largely unified distribution of powers did not suit some of the republics. Nineteen ethnic republics (the Republic of Adygea, the Udmurt Republic, etc.) signed the treaty, and two – the Chechen-Ingush Republic and the Republic of Tatarstan did not sign it, mainly because the assignment of responsibilities did not suit them. That

division of powers also did not suit the Republic of Bashkortostan, but it signed the Federal Treaty, with the simultaneous signing by both parties of an additional annex, in which, the Federation agreed to leave two groups of rights to Bashkortostan: a) land, subsoil and natural resources ownership; and b) the right to determine the general principles of taxation and charges to the budget (Annex, 1992).

Thus, the Russian Federation became an asymmetric federation: different groups of subjects of the federation had different levels of powers, and in addition the Republic of Bashkortostan had special rights at the same level that the provinces of Canada have (in this country the provinces not only have state ownership of land and mineral resources, but also their own tax systems with the right to impose taxes).

Around the very concept of “asymmetric federation”, before and after the signing of the Federative Treaty legal disputes flared between the federal center and the regions. So, the regions appealed to the constitutions of foreign countries and their practice, to the fact that all foreign federations are *de jure* and *de facto* asymmetric.

Representatives of the Center argued that the asymmetry of the federation violated the “equality” of the regions, thereby demonstrating the legacy of Soviet thinking. It should be noted that there was practically no discussion abroad about the very principle of the asymmetry of federations and it still does not exist. For example, C.D. Tarlton (1965) stated that, even if there are no signs of asymmetry of the federation in the constitutions of the countries, in fact the intergovernmental relations that the center with the regions generates are different due to objective cultural, economic, social and political differences between subjects of the federation. The work of J. Martinez-Vazquez (2002), which substantiates the appropriateness of symmetrical relations in the Russian Federation, appeared after these events, and only because Martinez-Vazquez himself headed a group of American advisers to the Russian leadership, who in the mid-1990s developed the budgetary reform of 2000–2005.

In addition, it is important to note that all three treaties of which the Federal Treaty was part were essentially agreements on the division of powers within the framework of the existing state, and not by the treaties establishing the federation. This laid the legal foundation for further evolutionary state-building, during which, for a quarter of a century, the signs of federal relations were significantly weakened.

Thus, it was assumed that the Federal Treaty would be fully incorporated into the new Constitution of the Russian Federation, but legally it was not fixed. As a result, when the new Constitution of the Russian Federation was adopted in December 1993, the Federative Treaty did not feature in it, and instead, a section on the federal structure appeared in the Constitution, which divided the powers between the Center and the regions evenly, making no distinction between ethnic republics and *oblast* and *krai*. Thus, the Constitution in the scope of expenditure responsibilities and revenue assignments equated ethnic republics with other types of subjects of the federation, although it formally named the former “republics”, i.e. states with a republican form of government (Constitution of the Russian Federation, 1993).

The Republic of Bashkortostan, which previously signed the Federal Treaty with an annex that stipulated its ownership to land and resources, was unilaterally deprived of these rights by the new Constitution. The federation itself became symmetrical, because all regions had the same scope of rights, which was not clearly defined. So, in the current constitution, two areas of authority are listed: the exclusive authority of the Center and the joint authority of the center with the regions. The sphere of “joint authority” is de facto regulated by the center in view of Items 2 and 3 of Article 76: thus, according to Item 2, the Federation adopts laws on the sphere of joint legislation, and the subject of the federation adopts its normative act in accordance with this law; paragraph 3 of this article specifies the procedure of “joint authority”: the Federation sends draft laws to the regions and then takes into account or does not accept the wishes of the regions. Outside of exclusive and joint authority “the regions possess all the fullness of state power” according to Article 73.

However, the first two spheres list such a wide scope of powers, that practically nothing remains for the sphere of exclusive authority of the regions. For example, at present, federal legislation penetrates right up to local self-government at the level of settlements, determining their tax revenues and regulating inter-governmental fiscal relations of municipal districts and settlements.

In addition to the struggle over the Federal Treaty and the Constitution, in 1992–1993 there was the struggle between the center and the regions around intergovernmental fiscal relations. The ethnic republics persistently proposed a so-called single-channel fiscal system (the republics collect taxes on their territory and deduct the Center’s share of all revenues or the absolute amount fixed in bilateral agreements with the Center). The federal center in active form rejected the single-channel system and since 1993–1994 has forced the regions to return to the enrollment of taxes in the federal budget according to the tax sharing set by the federation. R.M. Bird, R.D. Ebel and C.I. Wallich (1995, p. 385) also criticized the single-channel budget system, believing that it undermines the center's ability to maintain macroeconomic stability; in particular, they negatively mentioned Bashkortostan: “...This is similar to the system Bashkiria negotiated with the federal government in Russia. The fiscal contracts were negotiated with most of China's better-off provinces, encouraging them to build up a tax base and reap the marginal benefits. ... The fixed nominal contracts kept federal revenues constant, regardless of economic boom or bust, and undermined the use of fiscal policy for macroeconomic stabilization”. However, as we know, in the next quarter century macroeconomic stability in China was not undermined, the country has developed steadily. The Chinese model was cited as an example of “Market-Preserving Federalism” by B.R. Weingast (1995), and was positively evaluated by D.C. North (2005, p. 19), verbatim: “The central government has deeded, not necessarily deliberately but nevertheless deeded, autonomy to the local governments”.

In connection with the adoption of the new Constitution of the Russian Federation in December 1993, a legal collision arose, in view of the fact that the ethnic republics had previously proclaimed declarations of sovereignty, many of them had adopted their constitutions in which the principle that sovereignty originally belonged to them was postulated and they already delegated part of its powers to

the Federal Center. Proceeding from this collision, many regions demanded bilateral contracts from the Center, a bit like those used in China, in which intergovernmental fiscal relations were defined. These contracts were adopted every year, and not for 5 years, as in China, therefore their effectiveness as incentives for the economic development of the regions were lower.

Depending on the bargaining power, the regions were able to negotiate for themselves greater or lesser tax sharing rates. For example, the general rule for the regions was the tax sharing of VAT between the federal and regional budgets in the ratio of 75:25 from 1994 to the 1st quarter of 1999, then the regional share decreased to 15%, and from 2001 nothing was sent to the regions. But according to the bilateral treaties adopted by the Republic of Bashkortostan with the Center in those years, 50% of VAT revenues remained in the republic (Law of the RB, 1996).

In addition, such agreements and even laws of the republics on the budget for the next year were drawn up on the basis of the concept that the region delegates authority to the Center. For example, Article 7 of the Bashkortostan law on the budget for 1997 said: “For the implementation of *delegated* [italic is mine – IZ] authorities to the Russian Federation and the financing of federal socio-economic programs for 1997 to contribute profit tax revenues with 13 percent rate and 50 percent of VAT revenues to the federal budget” (Law of the RB, 1996).

Against this background, in the middle of 1996–1997 budget reform was being prepared, aimed at the strict unification of inter-governmental fiscal relations between the regions and the Center. Since the Russian leadership did not have knowledge of theories of the public sector of the economy, it accepted the offer of assistance from a group of scholars from Georgia State University, headed by Martinez-Vazquez, closely associated with the World Bank. This group of scientists, lived in Moscow during these years, worked closely with the RF Ministry of Finance and, in particular, prepared a “Russian team” of reformers (Lavrov, Sutherland, Litwack, 2001; De Silva, Kurlyandskaya, Andreeva, Golovanova, 2009).

In 1998, the Budget Code of the Russian Federation was adopted, replacing many laws and excluding the existence of bilateral treaties with the regions. According to the federal law, this code was to enter into force on January 1, 2000 (already at the next president). In addition, the Tax Code of the Russian Federation was drafted, the first part of which entered into force in 1999, and the second in 2001.

American advisers who developed the architecture of the intergovernmental fiscal relations, the conditions of which we now live up to, were surprised by what happened as a result of their consulting work. So, Martinez-Vazquez and Boex wrote in 2001: “Putin has pushed the pendulum of fiscal federalism further in the direction of centralization, and only time will tell how far the pendulum will swing”. (Martinez-Vazquez, Boex, 2001, p. 96). The matter is that there were elements of both centralization (for putting things in order after the mess in the 1990s), and elements of decentralization, and the development of local self-government in the theoretical developments and recommendations of foreign experts. But as a result, those proposals were mainly chosen by the Russian government that spoke in favor of centralization.

The victory of the trend towards the centralization of Russia and its economic consequences

As early as 2000, after the elections, “unleashing the hands of change”, a process was launched to bring the constitutions of the seven ethnic republics into line with the Constitution of the Russian Federation.

In the course of the Center for the Forcing of Ethnic Republics, which began in mid-2000, to bring the constitutions in line with the Constitution of the Russian Federation, almost all the republics, after fierce resistance, surrendered almost all of their positions.

For example, the Parliament of Bashkortostan made changes to the constitution several times in a year and a half, each time announcing that it was brought into line with the federal one. But each time the Constitutional Court of the Russian Federation did not agree with this, and the republic took position after the position, until in December 2002, at last, this process was completed by the consent of the Center.

All of the republics were forced to withdraw from their constitutions' provisions on the existence of their sovereignty and on joining the federation on the basis of a treaty, on delegation of authority from the bottom up. The mention of the bilateral treaty in the Constitution was defended only by the Republic of Tatarstan, and then in a compromise form (mentioning the treaty as the basis for membership in the Federation along with the Constitution of the Russian Federation) (Constitution of RT, 1992).

As a consequence, all regional legislation was revised, as required by the federal constitution, “in compliance” with federal laws, which meant the abolition of regional laws in their existing form and the adoption of new laws that were mainly compiled from federal law. For example, in the Republic of Bashkortostan in the 1990s a system of so-called “state local governance” was built, which operated in cities and rural districts, when local self-government existed only at the level of settlements. Due to bringing things “in line”, the republic formally created local self-government bodies in all administrative units, in the absence of the population's skills of self-organization in large cities.

Almost simultaneously with the campaign to bring the constitutions in line, the reform of the composition of the Federation Council, the lower chamber of the Parliament, formed from the representatives of the subjects of the federation, was carried out. Until December 2001, each subject of the federation was represented by the head of the executive power (the governor of the *oblast* or the president of the republic), and the chairman of the parliament of the subject of the federation). The first persons of the subjects of the federation, many of whom were political heavyweights, created many problems for the Federal Center when bills passed through the Federation Council.

To stop this resistance, the Center unilaterally introduced a new rule, according to which the subjects of the federation were represented in the Federation Council not by the first persons of the regions, but by the representatives appointed by them. Certainly, the representative of the governor and the representative of the head of the regional parliament were not able to defend the interests of the

subjects of the federation as effectively as the very first persons of the subject of the federation – the governor of the region (the president of the republic) and the chairman of the regional parliament.

On May 13, 2000, a presidential decree was signed on the creation of seven so-called federal districts in the country. A special representative of the President was appointed to each district, who was actually of a higher official position than the governors of *oblast* and *krai*, and the presidents of the republics. It administratively postponed the subjects of the federation from the Center.

In December 2004, the federal legislation adopted a new procedure for the election of heads of subjects of the Russian Federation. Prior to that, the governors of the regions and the presidents of the republics were elected by population of the subject of the federation, as a result of an election campaign with several candidates. Since 2005, the head of the subject of the federation has been approved by the parliament of the region, when candidates were chosen and suggested by the President of the Russian Federation. In fact, the elections were replaced with the appointment of regional leaders. It is noteworthy that the decision concerning not the whole country, but a separate region, was adopted by federal legislation, on the basis of the constitution adopted in 1993.

The provisions of the Constitution of the Russian Federation postulating the supremacy of federal legislation over legislation by the subject of the federation allowed the Constitutional Court of the Russian Federation on November 16, 2004 to recognize the right of the body of the federal legislature to establish a graphic basis for the state languages of regions. For example, based on this, federal legislation prohibited Tatarstan from translating the Tatar script from Cyrillic to Latin.

In intergovernmental fiscal relations, the policy of strengthening centralization also continued. In 2000, the Budget Code of the Russian Federation came into effect, and in 2001 – the Tax Code that abolished a huge number of laws. The practice of concluding bilateral treaties of the Center with ethnic republics has ceased. Since 2001, there has been established uniform tax sharing for all subjects of the federation for transferring taxes to regional budgets (with some transition period).

In addition, for all of the regions, more and more stringent fiscal conditions were established. All through the 1990s the share of VAT in regional budgets was reduced; to zero by 2001. This easily collected tax is still fully assigned to the federal budget. Since 2004, amendments were made to the tax and budget code and the Center abolished sales tax, which had come fully into the regional and local budgets. This act further worsened local tax revenues.

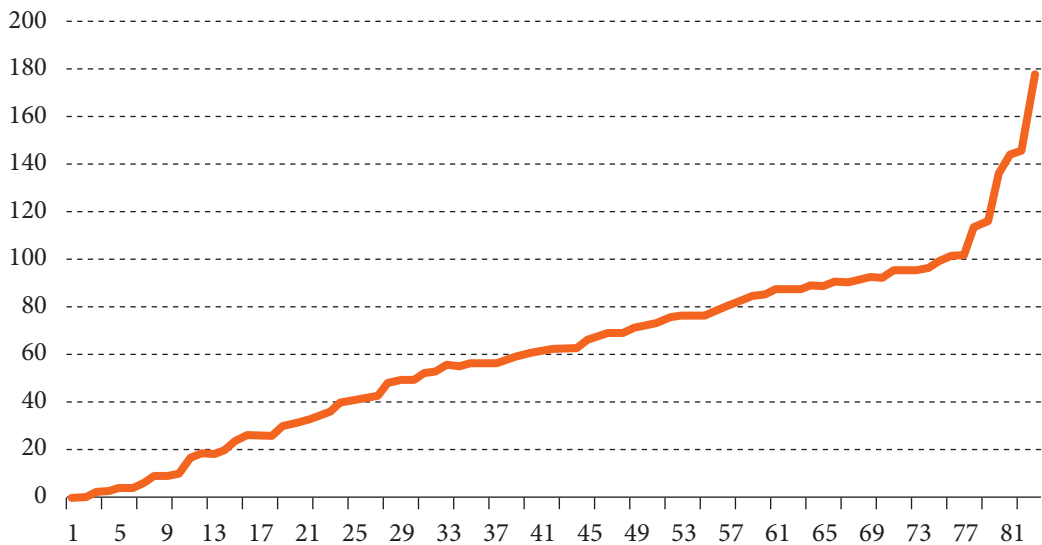
Consecutive centralization of revenues has led to an increase in the federal share of the consolidated Russian budget from less than half to 65%. The dramatic situation in the regions was realized by the country's leadership. Thus, Valentina Matvienko, the chairman of the Federation Council said in 2016: "We believe that it is necessary to change the concept of intergovernmental fiscal relations. To date, 35% of all revenues remain in the region, and 65% go to the federal budget. It is not right. ... the leaders of the regions lose their motivation for development". However, awareness of this problem has not yet led to a change in legislation towards the decentralization of tax sources (Feinberg, 2016).

The side effect of the policy of centralization of both tax sources and expenditure powers was that the Center took on the responsibility of highly equalizing the budgetary provision and undermined the budgetary incentives for the economic development of the regions.

At the same time, the Center, using the constitutional leeway of federal jurisdiction, compelled the regions to incur increasingly high costs. Thus, the Center ordered the heads of regions to raise the average wage. They were forced to do this, being actually appointed from the center and not taking into account the level of economic development of the region. As a result, the regions began to increase their debt, borrowing money from both the federal budget and banks (Zubarevich, 2016). The debt of some regions now exceeds their annual tax and non-tax revenues (Fig. 1).

Figure 1

**Share of debt in tax and non-tax revenues
of Russian regions in 2016, %**



Source: Rating of regions by level of debt load, 2016.

The existing dynamics of changing relations between the Center and the regions is determined not only by the legacy of Soviet thinking, but also by the lack of knowledge of modern public administration theories at the federal and regional levels by Russian public servants. Thus, the theory of public economics provides clear criteria for the allocation of expenditure responsibilities and revenue assignment among levels of governance, classifying all economic services into pure public goods, mixed goods, local goods and private goods. The same theory provides economic justification for the provision by the state and local authorities on the part of private goods and equips the architects of state building with economic criteria (in particular, the calculation of external economic

effects), to what level should be attributed to certain private services such as education and health care and in what size they should be provided by state (Musgrave, 1959; Oates, 1972).

From the point of view of these criteria, it is puzzling why in Russia the federal law still regulates such issues as forest use and reforestation, which are obviously regional and local responsibilities in nature, why the federal legislator intervened in the road sector of regional and local significance, abolishing road budget funds in regional budgets in 2005 and reintroducing them in 2012, and why it regulates the provision of secondary education by closing schools in villages with a small number of children across Russia in the course of the federal program to optimize budget expenditures.

In his works, W.E. Oates (1972) mathematically (!) proved that it is economically inefficient to provide local public services, such as public safety services, at the same quantitative level in two municipalities with different consumer preferences. From the standpoint of Oates' theory of federalism, it is completely unclear why the federal legislator passed the law, in detail, covering 130 pages, determining the system of local self-government, while the federal executive authority regulations determine the provision of local public services of regional and even local significance.

Conclusions

In relations between the Center and the regions, we now see interests that are not harmonized: the vertical relations of the state have been transformed into a system of subordination of the regions to the Center, masked by the word "Federalism".

From the analysis carried out in this article, we see two bound reasons for what has happened. The first is the ingrained tradition of Russian bureaucracy for centralization, its reproduction of the Soviet model of public administration. Officials are accustomed to "taking into account and taking control" from Soviet times. The second is the habit of the population in regards to centralized management. Suffice to say that on every "direct line" the President of the Russian Federation has with the people, people do not hesitate to ask the head of state to solve local issues. These habits were definitely formed in the Soviet period, when for generations there was a rigid vertical of power controlled by the Communist Party, whose functionaries actually ruled the country and regions without being elected by the people. Actually, all of these are the well-known effects of path dependence (North, 1990, pp. 112–117).

The second reason is the attitude to the concepts of "federalism", "republic", and "subject of the federation" that have developed in society as beautiful (or habitual?) words that do not carry any meaningful value.

The third reason is the low academic education of the bulk of those working in bureaucracy – their lack of knowledge of the theory of public administration, the theory of the public economics and the theory of economic federalism. Also, the Highest Russian Representative bodies and the elected authorities do not use these theories when talking of the allocation of responsibilities, but appeal to "common sense" and "balance of interests", with the understanding that in regards to the latter there is always a contradiction between the center and the regions,

and there must be a balance in the sense of mutual concessions. This way of reasoning is typical not only for federal, but also for regional civil servants, who build a power vertical within the regions.

However, this is completely wrong from the point of view of the economics of the public sector. For example, the reassignment of the public security function responsibility from the federal to the regional level would not be an act of concession to the federal center, where it would lose something in favor of the regions, but it would be an act of increasing the welfare of all of the regions through more efficient delivery of these local goods, which is possible at the local level. Accordingly, the welfare of the whole country would increase, because it would be an act that is economically beneficial to both the regions and the federal center, unless, of course, the latter cares about the welfare of Russia, and not about something else.

Obviously, the slowdown in the country's economic growth as its centralization grew, which we have observed over the last decade and a half, could be foreseen on the basis of economics of the public sector, which allows us to even quantify the huge losses of efficiency in public administration that arise from such extreme centralization as in Russia .

In the end, centralization led to the economic stagnation of the country, which began as early as 2013 (when the GDP growth rate fell to 1.3%), i.e. before the fall of world oil prices and before the Western sanctions.

According to A.G. Aganbegyan (2017), R.S. Grinberg (2015), M. Movchan (2015), N. Zubarevich, (2016) and other Russian economists, the economic crisis that has begun is protracted, and there are no prospects for an exit from it without institutional and structural economic reforms that should be done. As we know, any protracted economic crisis threatens to turn into a political crisis.

With its approach, with the weakening of the federal center, as happened with the USSR Union Center on the eve of and during *perestroika*, the spontaneous processes of decentralization of power will again come into play and the powers and control over the economy will begin to move to the regions. This revolutionary scenario of decentralization has high risks of at least a partial, and possibly the complete, disintegration of the Russian Federation.

It follows that in order to prevent threats to Russia's integrity and return to economic growth, it is necessary to begin the processes of decentralization of public administration, it is necessary to fill the word "Federation" in the official name of the country with the content consistent with the principles of federalism set forth in the relevant theories. Here it is appropriate to cite China as an example, which started its rapid economic growth in the early 1980s, carrying out administrative and intergovernmental fiscal relations decentralization, while not abandoning the authoritarian political control of the Communist Party (Coase & Wang, 2012).

Proposals

Building a real federalism and conducting effective decentralization is a problem that cannot be solved in 2–3 years, it must be a process that will last for decades if it starts now. The first step should be the training and retraining of civil servants

(Mau, 2011). People occupying public positions must undergo training and pass exams on the knowledge of the theories mentioned in the article, and demonstrate practical skills in examinations such as analyzing game situations. This problem alone is extremely difficult to solve, if only because there are not enough teachers in the country who could train civil servants. In addition, the level of knowledge of our civil servants corresponds not even to “yesterday's day”, it's “the day before yesterday”, because even Western public administration no longer corresponds to technological changes in their own countries (Barabashev, 2016).

After training, and simultaneously with it, it is possible to introduce the elements of the single-channel intergovernmental fiscal system discussed here, which would give impetus to the economic development of the regions, and accordingly, the whole country. The ultimate goal should be to build a federation, like the Canadian federation, because Canada is similar to Russia in terms of climate, overall size, and the size of territories with very low population density.

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RUSSIAN ADMINISTRATIVE REFORM: BETTER OUTCOMES THROUGH BROADER PARTICIPATION¹

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Abstract

The following paper deals with the issue of the Russian administrative reform of the 2000s. The subject of analysis is the relationship between the extent of inclusivity in the reform process and its outcomes. To study this relationship we start by focusing on the federal stage of the reform's design, outlining institutions, involved actors and their strategies. We claim that due to the closed nature of the reform, its official Conception was highly incoherent. Following this, we turn our attention to the implementation of the reform in the Russian regions. We illustrate this process by outlining one case of the reform in the Republic of Karelia, based on interviews with representatives of bureaucracy, civil society and the expert community. Here we also demonstrate that greater engagement by interested groups results in better implementation of reform. Then we introduce simple regression to trace the relationship between two major directions of administrative reform – one based on the new public management idea of cost efficiency and the other grounded in the public governance call for greater community participation. Our model shows that these directions are hugely contradictory due to the logical incoherent Conception of the reform. We suggest some possible solutions to deal with this problem to some extent, which will require an even broader set of actors involved in the reform process. Therefore, looking at examples from the federal and regional dimensions of the Russian administrative reform, we argue that a more open regime within a policy subsystem with a broader circle of participating actors will lead to a more coherent content of policy change and better implementation of the initial conception.

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Keywords: administrative reform; Russian administrative reform; participation in reform process; regional level of administrative reform; administrative paradigms; federal conception of the administrative reform.

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Russian administrative reform has been ongoing since the early 2000s. Even in the 1990s, there were some attempts to design changes in the public administration system (Krasnov, Obolonsky, 2003). Despite its rather long implementation, the reform is far from over. Moreover, its outcomes can be described as disputable. There are some relatively important steps toward modernization of the bureaucratic process: e.g., a more precise and unified regulation of services, the introduction of multifunctional centers of public services and e-government mechanisms, and realization of the service function of public officials in relation to citizens. At the same time, a lot of other no less (or perhaps even more) significant initial aspects of a probable reform were greatly reduced: the functional reorganization of the administrative system, broader inclusion of civil society in decision-making and appraisal processes, lesser administrative borders for the economy etc. In what follows, we show that this pale outcome of the reform is in large part explained by the character of the reform process. We argue that the closed regime of policy management within an administrative subsystem with a restricted set of participants made the design of the reform logically inconsistent and its implementation far from satisfactory. On the other hand, engagement by different interested actors and group of actors could lead, and did lead in some instances, to more coherent and deliberated design and more successful implementation of and/or change in policy.

This statement echoes some ideas from both the political philosophy and theory and the modern trends of the public administration studies. In political philosophy, the claim of normative good from broader engagement of the public in political life, not only as voters but also as active participants, stems from the works of J. Habermas (Habermas, 1984; Habermas, 1987) and J. Rawls (Rawls, 1997). These thinkers expressed the ideas that wider participation in communication and use of reasoning during it could lead to more consensual, fair and legitimate decisions. Later these philosophical foundations were developed to the more elaborated theory of deliberative democracy. In public administration studies and practices, these normative premises resulted in the relatively recent ideas of the new public governance approach and the even more recent mid-range and micro theories and techniques describing ways for community inclusion and dealing with some of the practical and theoretical problems around this issue. Working in this tradition, S. Osborne developed the co-production theory. His recent theoretical study on this subject (Osborne et al., 2016) is based on the new public governance approach, system theory and service management theory. In combining the premises of these ideas, Osborne comes to some important conclusions: a) there is always a co-production of a result of a public services process from both sides ('producer' and 'consumer') whether it is voluntary and/or conscious or not; b) the result of a public service process affects not only the

immediate consumer but also his significant others, a broader circle of the community and even the whole social system in the potential future; c) the depth and breadth of the effect of public service co-production depends on the extent of consciousness and willingness of both sides to invite (or be invited) and accept the participation of a 'consumer' in the process. Therefore, we see that the inclusion of 'consumers' in the process of public service production has the potential to change the quality of a given service and even to affect the frames of a whole system. In spite of this, Osborne also reminds us that co-production of services may result not only in co-creation of public value, but also in co-destruction of it. Another popular direction of research in public administration studies is the work on concept of participatory government. This idea draws upon the same normative belief that deliberative approaches result in better decisions than alternative ways and suggests some instruments that allow for including (to different extent) the 'ordinary' public into the deliberation process: e.g., focus groups, televoting, consensus conferences, citizens jury etc. (Fisher, 2012). Studies show that preliminary broad deliberation could potentially change the initial policy views of decision-makers (Burgess, 2014) and lead to more objective, critical, representative and legitimate decisions (Brown, Dillard, 2015). These authors also note that there are some prerequisites for useful deliberation (the most important are actual and full information through proper means of accounting (Brown, Dillard, 2015) and readiness of decision-makers to outline possible choices and change their policy directions (Burgess, 2014). There are also some significant questions to the concept of a participatory government that need to be resolved in future studies. E.g., deliberative procedures could legitimate decisions without actually affecting it; participants with the status of experts could both provide some important information and restrict the opinions of others through their authority (Burgess, 2014); the manner in which the 'public' is defined (and who defines it) may also influence results and the effect of deliberative processes (Brown, Dillard, 2015). Nevertheless, we can sum up that generally in modern public administration studies (based on earlier philosophical ideas) it is acknowledged that broader participation of different types of stakeholders in decision-making and preliminary deliberation may cause an actual effect on results of policy process in terms of its quality, legitimacy, fairness etc.

As we said earlier, in the given work we claim that broader participation of different types of actors in the Russian administrative reform process had the potential for better outcomes of the reform. We support this suggestion with our analysis of the design of the initial conception of the reform at the federal level. Then it is illustrated with the case of the administrative reform in the Republic of Karelia. In addition, we end up with statistical evidence of existing negative effects of logical incoherence on the implementation in regions.

Design of Federal Conception

We start our analysis by sketching the work on reform conception and the instruments of implementation control that was undertaken on a federal level of authority. But firstly we need to clarify what we mean by the notion of management regime of policy subsystem. In general, we can define this term as a combination of institutions and actors, their strategies, resources, practices, that exists in a given

policy subsystem² and whose actions and decisions are oriented and empowered to form this policy, i.e. to design and implement policy change. Here one can easily detect a similarity with the notion of political regime (Bri M., Gel'man V., Ryzhenkov S., 2000, pp. 12–20) accepted in new institutional theory. Some common moments could be traced with a concept of a political-administrative regime, that includes “the real way of authority functioning, its shape and style of realization” (Blinova, 2009, p. 4). One important difference is that these notions of political and political-administrative regimes are bounded with some piece of territory for which they are relevant. For our concept, the borders of the policy subsystem are more significant, though territorial boundaries could be significant also.

The institutional structure of the process of reform's conception on the federal level is rather simple. The reform's design was the task of the special Committee. The President of the administrative reform committee (a high-ranked ministerial official at the level of vice-prime minister or close to it) made the final decision. The President of the Committee himself did not participate actively in the very process of deliberation; he rather played the role of a referee in a dispute between supporters of different alternative visions of the reform (often trying to reach a compromise, needed or not). The whole process was hidden from the public; all decisions were made inside the body of executive authorities. Formally, there was an opportunity to invite some external experts to the process of the reform's design (in spite of this, invited experts were never unaffiliated with nor independent from disputing parties within the Committee).

The analysis of the actors' constellation and their strategies is a slightly more difficult task. We already mentioned that there were some groups who advocated for different alternatives. According to the President of the Center for Strategic Research (CSR – the expert organization strongly affiliated with the Department of Economic Development), M. Dmitriev, these groups could be tentatively divided into 1) the supporters of liberal ideas coming from new public management and public governance approaches, and 2) ‘statist’ bureaucrats unwilling to radically change themselves (Administrativnaya reforma, 2011). In the beginning of 2000s, groups had a rather equal influence on the policymaking process: technical (liberal in economic sense) reformers were needed to implement the Russian modernization project, conservative ‘siloviki’ and statist bureaucrats had personal bounds with the highest layer of authority, they were one of the reference groups for currently shaping the regime of electoral authoritarianism (Gel'man, Starodubtsev, 2014). From the neo-institutional perspective of rational choice, we would expect the same interests for both groups: as soon as they consist of public servants and very closely related experts (often also former state officials), their priority is saving or enhancing their position in hierarchy. In almost every change to the public administration system, its familiar formal and informal rules would impose some costs for bureaucrats. This is especially the case with reforms inspired by new public management's idea of economic efficiency and public governance's call for the broad participation of civil society (Osborne, 2006.) An argument among bureaucrats with, as expected, the same rational interests could be explained with the help of other concepts. P. Sabatier

² The concept of policy subsystems is elaborated in works of P. Sabatier (Sabatier, 2007, p. 189–220).

suggests that besides material interests, even more important for participants of the policy-making process are their “deep core beliefs” about policy content. Around these beliefs advocacy coalitions are built to support one of the existing policy alternatives (Sabatier, 2007, p. 189–220). In our case, we cannot strongly claim the presence of such coalitions: they do not meet some of Sabatier’s criteria, especially, the one about diversity of participants. However, we can assume that opposing groups within the administrative reform process were driven by these deep-seated beliefs. One – by the technocratic idea of the benefit of free-market features (competition, openness) for public administration performance. Another – by the conservative vision of the strict and almost militaristic hierarchical system of the old bureaucracies (with a little space for change or no need for it at all).

After a description of the set of advocacy groups acting in the arena of public administration policy we should depict their possible strategies and actual actions to see what they did and – in context of our work and much more importantly – what they could do to fulfill their views of a good administrative system.

To describe the set of strategies and tactics of actors we transfer some ideas of B. Latour about the strategies and tactics of scholars in creating a new scientific fact. (Latour, 1987). He portrayed the process of scientific knowledge emergence as the construction of a black box by scholars. At the start, there is no common understanding of the nature of things; different scholars could advocate alternative views and theories of a given phenomenon. Their aim is to make their point of view the only one acceptable by everyone (or almost everyone). To do this, their foremost strategy is to make alliances with actors of both human nature and non-human nature (former knowledge, experiments, experience etc.). Latour also gives concrete examples of tactics used by actors to strengthen their positions in the struggle for powerful allies:

1. “I want what you want” – presentation of ideas as if they corresponded to the explicit interests of a target audience;
2. “I want it, why don’t you?” – relevant actors have no other way of meeting their needs than to follow proposed ideas;
3. “If you just make a short detour...” – persuasion of potential allies, that the best (shortest, cheapest etc.) way to achieve their interests is to support the opinion of reformers (scholars);
4. “Reshuffling interests and goals” – displacing, mixing and changing goals of the target actors, hiding other ways to achieve their aims, finding new relevant groups to make them follow reformers’ ideas;
5. “Becoming indispensable” – construction of the network of allies (both of human and non-human nature: instruments, research results, past and foreign experience etc.) around some concepts to leave newcomers with no other choice other than to follow these ideas. Actually, this strategy is being used during the last stages – when most of the bonds are already established and the “black box” is nearly closed (Latour, 1987, pp. 108–121).

We can make some kind of analogy with a process of reform. In the beginning, there are a lot of alternatives and their supporters are relatively weak towards each other. Later, struggling parties, through the skillful (or not) use of different tactics, increase the extent of their influence. We can imagine that actors could strengthen

themselves with some personal connections and the support of professional or civil communities and organizations (experts, mass media, NGOs etc.) In addition, they can use prior or foreign experience and the early results of their activity to prove their rightness. Moreover, once their influence is strong enough, their ideas are implemented in practice and become a fact of the current social reality.

During the preliminary stage of the work on the possible change of administrative system, reformers used mostly the first two of the tactics described above. They tried to comply their suggestions with the current interests of the political elite. However, due to changes in government structure, the financial problems of 1998 and a lack of political will for change, the work on the reform stopped (interview with V. Smirnov – one of the members of the expert working group, St.-Petersburg, 2012). We suppose that such a situation could be different if the reformers used a broader set of tactics and made broader alliances including with the public.

At the beginning of the 2000s, the reformers implemented a “detour” tactic. Experts from the CSR invited by the Department of Economy reduced the clumsy and unclear problem of state (re-)building to the simpler (and more understandable for the elite) task of administrative reform (Sungurov, Tinyakov, 2016, p. 42–43). This “detour” attracted attention and enabled the formal creation of the federal Administrative Reform Committee and later the official Conception of the Administrative Reform.

Despite this ‘trick’ being quite successful, we cannot say the same thing about the later actions of the reformers. The work on the Conception of the Reform is actually one instance of the unskillful use of the ‘reshuffling interest’ tactics by the ideologists of policy change. They could not bind the existing interests of the political elite with their mostly liberal ideas of economic efficiency, bureaucracy and society inclusion. The process of reform design was tightly shielded from publicity and external experts (Barabashev, 2003, p. 174, 179, 209). The issue of changes to the bureaucratic system was not included in the media agenda. However, the possible allies from the expert community, civil society and people in general (with the help of the mass media) could strengthen the positions of reformers significantly, making politicians follow their ideas. Despite some attempts to include representatives of the expert community and civil society, they were highly limited on one hand, and activists were not fully ready to participate on the other. Besides, the reformers’ program was not sufficiently supported by allies of a ‘non-human nature’: early experiences, international practices, and exciting concepts from public administration theory. For example, the Head of the CSR, M. Dmitriev, did not even know about previous reform attempts in 1990s (Sungurov, Tinyakov, 2016, p. 44). The very content of suggestions from CSR experts is incoherent to some extent: many components of the reform were included ad hoc; the Conception itself was a mix of outdated new public management concepts and modern public governance theory (Osborne, 2007). All these failures made it impossible to acquire the full support from politicians (namely the president and prime minister) for the suggested reform project.

In the same time, opposing groups from the conservative part of the federal bureaucracy and regional bureaucracies were formed. These groups were slightly more successful in their manipulation of officials’ interests to realize their own (as less uncomfortable changes as possible). They emphasized the lack of finances

and need for strong state control which resulted in reducing some aspects of the suggested reform, e.g., deregulation of the economy, public participation and extension of public administration transparency. Under the influence of the conservative ‘siloviki’, an almost military hierarchy of civil service was adopted (Interview with M. Dmitriev, Moscow, 2013).

Though we showed that there was a slight difference in how successful the interests of opposing groups were mixed and complied with those of the political elite, we must note that neither group made strong enough alliances with actors of ‘human nature’. Neither liberal reformers nor their conservative counterparts invited external experts to the deliberative process or organized significant public support of their positions. In terms of P. Sabatier we can conclude that neither group created an advocacy coalition in the full meaning of this concept. The result was a compromise version of the reform conception where a lot of the initial ideas of reformers were included but in a trimmed version. Therefore, the structure of the actors and their strategies on the federal level of the design process made the content of the reform logically incoherent from the very start. In other words, we can claim that in this case 1) a more inclusive management regime in a given policy subsystem would make the conception of the reform more consistent, and 2) the engagement of a broader set of actors would facilitate the initial ideas of reformers (given that the community is interested in their implementation).

Administrative Reform in the Republic of Karelia

The benefits from expansion of the circle of reform participants on a regional level can be illustrated with a case of changes in the administrative system in the Republic of Karelia (one of Russia’s regions). From the beginning of the regional stage of the administrative reform, Karelia was one of leaders of its implementation (Kulakova, 2009). Since the end of the 2000s, the reform dynamics have slowed down and the issue almost vanished from the official agenda.

Our respondents – public officials and representatives from the expert community and civil society – connected this trend with the replacement of the former Head of the Republic (a man of local origin, S. Katanandov) by the federal appointees. There was a system of close and often informal bounds with the local community during Katanandov’s term in office: “our own small polity” (Interview with O. Reut, Petrozavodsk, 2013), “all of us use informal contacts, of course” (Interview with E. Tsumarova, Petrozavodsk, 2013), “my student became the Head of the Republic – Katanandov Segei Leonidovich” (Interview with A. Shishkin, Petrozavodsk, 2013). According to respondents, these linkages with the community contributed to vivid discussions with the engagement of a broad circle of local experts (from business and scientific circles and civil society), which activated and facilitated the reform process in its early stage. The appointment of those from other regions to the position of the Head of the Republic coincides timewise with the slowdown of changes in the administrative subsystem. Ties with the community were broken, the reform became locked within bureaucracy and reduced to some formal components, and gradually came to naught: “artificiality, inadaptability [of changes]” (Interview with O. Reut), “replacement of terms of civil society

to e-democracy {...} They found {...} an aspect that they understand how to do” (Interview with E. Tsumarova).

This example shows that in a regional dimension also, a more inclusive management regime within one policy can foster the implementation of a reform. The consequences of the logical inconsistency of a mixed and compromised Conception of the Administrative reform for its implementation can be traced by looking at the situation in a cross-regional perspective with some help from quantitative methods.

New Public Management vs. Public Governance in Russian Regions

Before doing this let us briefly remind ourselves of the ideas behind the approaches to new public management and public governance. The former implies that a good state bureaucratic system should be regulated in the same way that the administrative apparatus of a private company is (Osborne, 2007). According to this logic, the foremost criterion of quality is economic (or even financial) efficiency. Those with the same “job description” but lesser costs are always appreciated higher. Another idea in this tradition is the budgeting oriented to the results of one’s activity. The latter approach claims that good public administration should be as inclusive as possible (Osborne, 2007); the extreme point of this is the “governance without government” (Rosneau, Czempiel 1992). There is a lesser focus on finances issue, which makes this approach more flexible and versatile. The key idea here is not the economic efficiency but the orientation of the bureaucratic activity to the public good from the point of view of society (or the local community).

The final version of the official Conception of the Russian Administrative Reform is borrowed from both of these concepts. As we showed earlier, this “borrowing” was not based on any coherent framework of understanding of the administrative system. We decided to trace how regulations resulting from both traditions were reflected at the stage of regional implementation of the reform. To analyze this we built simple binary regression model representing the relationship between changes in regional political regimes and dynamics of inefficient expenditures on the functioning of regional public executives. The period of consideration began in 2008 – the full-fledged start of the reform in the regions – and ended in 2012. We included data from all the regions which existed in 2008 except those that had changed their territorial borders (a total of 79 regions).

Using a variable of inefficient expenditures, we tend to reflect the ideas of the new public management approach. Dynamics was measured as the difference between values at the end of a considered period and at the start of it. Data were collected from the official national statistical service (Rosstat) and from regional budgets. Inefficient expenditures on public administration were calculated accordingly with official formulae used by the Department of the Economy (Monitoring Yugra):

$$EA_{reg} - \frac{EA_{total}}{EXP_{reg} \times EXP_{total} \times K},$$

there EA stands for expenditures on the functioning of the regional government and executive branch of authority in the budget of region (reg) or as the sum of the budgets

of all Russian regions (total); EXP stands for overall volume of regional expenditures in the budget of one region (reg) or as the sum of the budgets of all Russian regions (total); K stands for coefficient of scale, which in turn is calculated as following (the smaller a region is, the more it is penalized for extra expenses; this makes a final value weighted):

$$0,7 + 0,5 \times \frac{AVG Population}{REG Population}.$$

The dynamics of regional political regime change was also measured as the difference between values at the end of considered period and at the start of it. This variable to some extent describes the dimension of public governance. To measure this parameter, we use the rating of democracy in Russian regions designed by experts of the Russian Carnegie Center (Petrov, Titkov, 2013). Experts evaluate the annual level of democracy in Russian regions by looking at the following components: 1. formal political arrangements; 2. the extent to which the elections could be called democratic; 3. level of openness of political life; 4. political pluralism; 5. independence of media; 6. level of corruption; 7. economic liberalization; 8. civil society; 9. quality and changeability of elites; 10. local (self-)governments (ibid.). Despite it being clear that not all of these components are directly related to the concept of public governance, we could see some intersection here. Moreover, some sub-parameters exactly reflect the ideas of the inclusiveness of the decision-making process (3, 4, 6, 8, 10). Taking into account the lack of more precise evaluations in the context of our interest and having no task of exact operationalization, we make an assumption that more democracy means more opportunities for the public to participate in decision-making (not necessarily vice-versa, though). This engagement of the community is the core of the public governance approach, which makes it possible for us to use the democracy rating as a decent approximation to measure this direction of the administrative reform.

The results of the analysis are presented in a regression model with dynamics of inefficient expenditures as a dependent variable in a table below:

Table

Interrelation of dynamics of inefficient public administration expenditures with changes of regime. Binary linear regression

Coefficients:				
	Estimate	Std. Error	t value	Pr(> t)
Intercept	-4.987	56.843	-0.088	0.930321
Regime change	194.848	54.102	3.601	0.000566 ***
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1				
Residual standard error: 497.8 on 75 degrees of freedom				
Multiple R-squared: 0.1474, Adjusted R-squared: 0.1361				
F-statistic: 12.97 on 1 and 75 DF, p-value: 0.0005658				

This simple model demonstrates with a high level of statistical significance that a change in the level of democracy in Russian regions is closely related to a change in the amount of inefficient expenditures on public administration. There is a direct relationship between these variables: each point of the democracy rating improvement costs about 195 million rubles of inefficient expenditures on public administration. Substantially, this dependence could mean that democratic institutions are expensive to maintain. In the context of our interest, assuming that democracy facilitates public governance mechanisms by its definition, we can see here clearly the contradiction between the managerial and public governance components of Russian reform. That means that in Russia's case aiming for cost-efficiency in public administration does not correspond with the initial ideas of more participation by the public in decision-making and in the evaluation of bureaucracy activity. We cannot argue that this is true for every possible case; however, we show that to mix these paradigms with no coherent logical basis is, at the very least, useless (if not harmful).

Indirectly this contradiction is confirmed by M. Dmitriev (for the time being, one of the leading experts in the topic of the Russian administrative reform) who claims that the cost-efficiency of a process in the administrative system is inversely related to the extent of difficulty (M. Dmitriev's report on Modern trends in the Russian Administrative reform, 9th June, 2017). Nevertheless, at the same time both features can contribute to the quality of the result if the process is not simplifiable. One of the suggested modern responses is the procedure of automatization. If the process is expensive and difficult, it cannot be simplified without a loss in the quality of its result, but it is possible to algorithmize at least some part of it, and these algorithms could often be executed without human intervention (M. Dmitriev's report, 2017). This solution has both advantages and disadvantages. On the one hand, it reduces costs and the chance of human error; on the other hand, there is less space for the discretion that is sometimes needed in individual cases. However, the procedure of automatization is a clear step toward the convergence of cost-efficiency with difficult and often costly to maintain processes of broader participation (including procedures of participatory governance and co-production of public services) and accountability.

This statement leads us to the claim that the set of actors working on reform conception and especially its implementation must be enlarged even more. The introduction of these kinds of technological innovations will require among other things trustworthy consultancy from experts in the IT and other related spheres. At the implementation stage, these types of specialists will be needed for the development of concrete software decisions. Therefore, we are again at the point where a more inclusive reform process and a more open managerial regime will support the logical cohesiveness of the reform and the quality of its implementation.

* * *

We have shown (above) the possible benefits from the broad inclusion of different types of actors at each stage of the Russian administrative reform. The initial approach of a closed bureaucratic reform designed and implemented

inside the administrative system, by its own forces and under its own control resulted in a logically inconsistent reform conception and its even greater degeneration at the stage of implementation in the regions, where regional bureaucracies had significant discretion in their interpretation of regulations and choice of priorities. Our analysis showed that more open managerial regimes in the administrative policy subsystem would likely secure a logical base for the reform's conception and enhance the quality of its implementation. On the federal level, consistency of the reform could be achieved through more thorough deliberation due to broader participation in general and/or through the organization of public and expert support for the initial ideas of reformers (as soon as they were oriented to the public good). On the regional level, the engagement of the community would again mean deliberation that is more thorough and would impose some incentives for regional authorities to implement reform. Moreover, the drawbacks built into the official Conception resulted in the regions experiencing a contradiction between two of the theoretical sources of the reform. This problem could be at least partly solved by involving actors who are up to this point not directly connected to the sphere of public administration, namely, IT specialists. This again would mean the need for even more expansion of the circle of participants in the reform process.

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MASS MEDIA ATTRIBUTION TO LOCAL GOVERNMENT INFRASTRUCTURE PERFORMANCE

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Abstract

Mass media is a public communication channel for the government, as well as a detector of field situations, program observer, and reporter to the public on government performance. Responsibility attribution theory sees the presence of two types of attributions: causal attribution and maintenance attribution. This study examines the attribution of mass media to the Public Works Department, Tapin Regency, Republic of Indonesia. News coverage was collected from regional and national news sites between 2015 and 2017. A total of 30 news items are relevant for further analysis. Of these, 24 are known to attribute causal responsibilities to non-governmental actors, while 29 provide attribution of responsibility for maintenance to the government. However, only three stories show the government as an active actor solving the problem completely. These results indicate that the mass media are not interested in the results achieved by the government, but only look at the responses given to problems. The media did not report on the progress or performance of the government's response measures. Theoretically, this study has implications on the theory of attribution of responsibility by asserting that attribution also needs to be seen from temporal dimensions. It is important for government to make partnerships with mass media more actively. The originality of this research lies in the use of the theory of attribution of responsibilities in more detail to inform on the improvement of public administration.

Keywords: mass media; government response; attribution of responsibilities; temporal dimension; public relations; causal attribution; maintenance attribution; public works department; knowledge activation; Tapin district.

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Introduction: Public Administration and Mass Media

Mass media is an important partner of the government in terms of carrying out development, especially in the field of public management. The role of the media is important: to socialize the plans, implementation, and results of develop-

ment. The interest of the media in a development sector can strengthen the role of non-governmental actors in development (Wettenberg & Brinkerhoff, 2016) and, therefore, leads to development in a participatory framework, which is more likely to sustain development.

However, recent media developments have resulted in a situation that does not match expectations. The media often generates anti-public sector sentiment by reporting more negatively than positively to the development process. The Pórumnescu study (2016) shows that the more often a citizen reads the online mass media, the more they are dissatisfied with public services and the less trustworthy they perceive the government to be.

Actually the problem lies not in the characteristics of the media, but in the frames created by the media on news and knowledge possessed by the public from non-media sources such as personal experience as well as popular knowledge in the community (Constantinescu, Tedesco, 2007). Of course, the more positive the media attitude toward government, the better the perception in society, because after all, frames created by the media influence public opinion about the quality of government services (Gamson, 1992). The results of news media research repeatedly show results parallel to the public attitudinal survey on various infrastructure issues (Bengston et al., 2005).

In line with this, from the public management side, it is important to look at the news situation created by the media in order to take anticipatory measures to prevent public perception from declining government services. If public perception is good for government services, the government can gain motivation and appreciation from the public, albeit on small matters, thus cumulatively becoming a motivator and a driver of employee job satisfaction, which in turn will improve the performance of public services for the better.

Three previous studies have been conducted to assess the relationship between public management and the mass media. The study by V. Price et al. (1997) was conducted on 135 students who were given news of possible government-funded state budget cuts. The results show that the frames created by the news affect students' opinions about government performance. However, the researchers also found that some students have their own opinions that are original and not based on the opinions given by the mass media.

Research in Indonesia was conducted by H. Ridhahani et al. (2016) by studying the influence of media mass media access to bureaucratic mental revolution commitment in the public service in South Kalimantan with one of the research sites in Tapin Regency. The independent variable is access to mass media coverage of the mental revolution, shown by seven indicators including: frequency of media types accessed in general; frequency of the type of information accessed in general; frequency of accessing information about mental revolution; interest in accessing information about mental revolution; the pleasure of accessing information about mental revolution; duration of access to information about mental revolution and intensity in accessing information about mental revolution. Meanwhile, the dependent variable is the commitment of the public service. The results showed a significant relationship between access to news with the commitment of public services. However, since this study uses only one independent variable,

i.e. the news of the mental revolution, questions arise about the validity of this study and whether or not any other variables affect it.

S. Iyengar's (1989) study addressed this issue by examining the effect of the attribution of responsibilities brought by the media to public opinion on issues of poverty, crime, racial inequality, and terrorism. In this study, Iyengar also used control variables such as political party, liberal-subjective orientation, information, and socio-economic status. The attribution of responsibilities from the media is known to have a significant effect on public opinion, indicating that the media is capable of influencing public opinion.

The relationship between government and society can be analyzed with New Public Management (NPM) theory, developed in the 1980s and 1990s. The theory generates a boost for governments to exit contracts or privatize public services. According to NPM theory, contract companies chosen by market mechanisms can be more efficient and can increase public satisfaction (Wang et al., 2014). Governments need to reduce or rationalize ministries or agencies and submit part of the public services on a contractual basis (Thomas, 2014). Because of this liberating nature, NPM is seen to be based on neo-liberalism.

However, NPM does not merely entrust itself fully to market mechanisms. Basically, the design of public management involves a balance between stakeholders, especially governments, the private sector, and society, just like the old theory of traditional public administration. The difference lies in the larger portion of private and community involvement. Traditional public administration theory results in too much of a government. The government only involves the private sector and the community if it is not able to fulfill the job and the government remains dominant to ensure proper rules and procedures are followed (Wang et al., 2014, p. 160). But even the government cannot guarantee whether the right rules and procedures, which they believe in, will be able to produce optimum results. Therefore, they need to be involved more in public management. Here is the difference between NPM theory and traditional public administration. The purpose of balance design among stakeholders is no longer to play by the right rules and procedures but to help determine and meet agreed performance targets (Wang et al., 2014). That is, the main objective is not on compliance with predetermined rules and processes, but on the ultimate goals expected by both government and the private sector and society. This requires a common interest and cooperation in achieving collective goals based on trust and incentives (Wang et al., 2014).

In addition to efficiency, an important concept that is carried out by NPM is transparency. Transparency is seen as an antonym of corruption. This is because transparency allows the private sector and the public to observe and analyze how the government manages public issues (Ballesteros, 2012). Moreover, transparency also facilitates and accelerates coordination among fellow government agencies. Transparency also drives efficiency because by knowing what is and has been done, others do not need to measure the same thing. Lack of transparency facilitates corruption because supervision is at a minimum.

The efficiency and transparency at the core of NPM is the foundation for the opening and involvement of the private sector and the public in public man-

agement. One of the private parties that need to be involved is the mass media. The mass media enables efficiency in the delivery of government plans, programs, and performance information. The mass media also allows transparency by asking questions that are considered unclear and have not been presented well in government reports. Because of the nature of NPM as the underlying theory of stakeholder involvement in public management, NPM theory is used in this study as a grand theory. This research focuses on mass media as a stakeholder in NPM and this makes the theory about media to be a middle range theory in this research.

The critical theory of mass media is part of a critical theory that studies the relationship between the role of an institution or organization within the culture of a society. In general, critical theories argue that an institution or organization plays a role beyond its formal role expressed in the documents of the organization. This hidden role is basically an attempt to construct or represent a particular reality based on assumptions and interests. In the context of mass media, this means that the role of the mass media is not merely the sender or reflector of information, but also has the role of constructing or representing the reality of the information it conveys (Hamot et al., 1997).

Correspondingly, the critical theory of the mass media focuses on the interests, assumptions, and basic approaches used by the media in constructing or representing that reality. The mass media is observed as an institution with hidden assumptions, containing irrelevant information conveyed along with relevant information, having biases in the news, confusing facts and opinions in the news, and striving to influence society through its message conveyed with these characteristics (Ibid., 1997).

While all mass media will not be separated from hidden assumptions, biases, and interests, critical theory leads to whatever assumptions, biases, and interests that the media needs to advocate in order to have a positive effect on the relationship between society and government. According to Ridhadhani et al. (2016), this ideal function includes: (1) as the light of society, that is, the role to educate and change the mindset of the community to be more advanced, (2) as information media, that is, disseminator of information for society for the delivery of knowledge to existing conditions and problems, and (3) as entertainment media, namely the role to provide entertainment to the public.

The critical theory of mass media becomes the theory that specifies stakeholders in NPM theory, ie mass media. This specification in turn emphasizes the role of mass media in society, particularly in conveying information about government performance to the public. In the process of delivering this information, there are biases that deviate from the ideal role of the mass media as stakeholders should encourage government efficiency and transparency.

The knowledge-activation model (Price, Tewksbury, 1997) argues that in making decisions, human beings use three considerations, namely the current situation, older remembered knowledge, and basic knowledge. The current situation comes from the context, and can be news from the mass media, but can also come from the direct experience and experience of others who are shared socially.

From the current situation, the individual selects the feasibility of the attributes of the situation to be used as a consideration. This feasibility is called applicability. In addition to applicability, individuals also have accessibility, which is nothing but the store of knowledge they have in their mind. Accessibility can be temporary, which fades over time as there is no need for use in evaluation, or constant (chronic), which continues to exist in the mind of a person as a basis.

Chronic accessibility, temporary accessibility, and applicability are then used for activation of the human mind when it feels necessary or aroused to give an opinion on something. Activation of thinking selects which of the applicability and accessibility elements are relevant and then used to come up with the conclusion of an opinion on a problem.

An example process is about road damage in an area. In this situation, road damage becomes applicability. This road damage can come from the experience of seeing alone, hearing from others, or obtaining it from the media. This new knowledge is then paired with old knowledge (accessibility). When the person is asked for their opinion on the performance of a government institution for such road damage, the individual activates accessibility and applicability, selects what is relevant, then expresses his opinion. This opinion can be in line with the media, especially if the person has absolutely no prior accessibility. Or, this opinion may differ from the opinion of the media if the old knowledge has different facts and is more dominant than the point that the media is trying to make. As a result, while the media say that the institution is performing poorly, people who have previous experience of the institution performing well – and this experience is more dominant – are more likely to state that the institution is performing well.

The knowledge activation model asserts that one does not merely make public performance opinions based on media coverage. However, the media will have a big impact because the media has a wider range of knowledge. News about road damage in one particular place delivered by the media can be richer in information than the experience of seeing directly or hearing from others. Moreover, the media can be the sole source of knowledge for a person when the problem is reported beyond the reach of personal or others' experiences, such as the coverage of the situation in another country.

In a situation without accessibility, a citizen is forced to rely on the knowledge of the mass media and this is the important role of the mass media in shaping one's opinion. S. Iyengar puts forward the theory of attribution of responsibility for situations like this. According to Iyengar (1991), in a situation of no accessibility, one's opinion is influenced by the statement given by the media about who is responsible for something. Attribution theory of responsibility assumes that everyone tends to exaggerate the role of a party in a situation. This tendency generates polarization of who is responsible for the problem, referred to as causal responsibility, and who is responsible for problem solving, referred to as the maintenance responsibility. Iyengar's research (1989) shows that parties who are perceived to be the cause of the problem will be perceived negatively by the community, while the parties who are viewed as a solution to the problem are perceived positively by society.

This theory implies that media coverage of a problem will trigger a person to find out who is responsible for the problem and who is responsible for problem solving. If the mass media mentions a government institution as the source of a problem, for example the cause of road damage being ignored and not addressed, then society will perceive that institution to be performing negatively. Meanwhile, if the institution is declared as the source of the solution of the problem, such as reporting on the repair of damaged roads, then society will perceive the institution positively. Cumulative positive effects can be achieved if there is more news about how the institution runs or solves the problem than how it actually becomes the source of the problem. Cumulative negative effects will occur if, on the contrary, more news about the institution ignores road damage or corruption or so on. This statement is an empirical statement and therefore can be examined. This research is aimed at examining empirically the situation in the community in an area of Indonesia.

The originality of this research lies in empirical proof of the conceptual account of knowledge activation theory combined with attribution theory of responsibility. Both theories have never been combined before in one study so this study contains originality in this aspect.

Research Methodology

This research uses a qualitative approach. A qualitative approach is ideal for exploring complex topics (Miles, Huberman, 1994) and this research can be said to be complex because it involves aspects of news readings that reveal hidden elements, as opposed to the elements seen in the news. Truly so, complexity is reduced by referring only to the problem of attribution of responsibility in the news narrative.

The focus of this study is on public service and mass media. In particular, the public service in focus is the Tapin Regency Public Works and Spatial Planning (PWSP) Service Office, South Kalimantan. The PWSP in Tapin Regency is one of the government agencies which provide public services to the community in Tapin Regency, South Kalimantan. This service is important for improving the quality of road and drainage infrastructure in the area. The mass media here acts as a detector of the situation in the field, program observers, and at the same time reports to the public on public performance. Therefore, it becomes important to see a balance between these functions. If the mass media too build up a negative perception of the government, then this becomes an important public management problem to overcome. In line with this, this study seeks to learn how the PWSP's service is perceived by the mass media and how to improve the perception of the mass media to support the program of Tapin Regency PWSP Service.

Meanwhile, the focus of mass media is directed to the news made by the mass media on the public services provided by the Tapin Regency PWSP Service. The focus on every news item is to find the attribution of the responsibilities given by each piece of news to the source of the causes and solutions. The PWSP service is then positioned in the news, either as a cause or as a prob-

lem solver. The sample for the analysis in this research is news from the mass media about the PWSP Service which disseminated online. Each news item contains two units of analysis: the attribution of responsibility and the attribution of problem solving.

Data collection was done online. Researchers used the Google News search engine to find news with the keywords “Public Works Department” along with “Tapin Regency”. The term “Public Works” was used because in general society and media are more familiar with PWSP Service under the name of Public Works Department. This is evidenced by the use of the phrase “Dinas PUPR (PWSP)” “KabupatenTapin (Tapin Regency)” only found two news items, while the phrase “Dinas PU (Public Works Department)” “KabupatenTapin” obtained 52 news items. The amount of 52 news items is considered to be enough to be able to conduct a qualitative analysis.

Data analysis is done by a descriptive and qualitative method by searching for words that show the actors in the news. The role of these actors is then examined within the framework of whether the actor is responsible for the cause or for the solution. In accordance with the theory of attribution, the PWSP Service must be one of these roles. Qualitative analysis is then done to weigh the weight of the responsibility assigned by the media to the PWSP Service in each news item.

Media Attribution to Public Works Performance

Of the 52 news stories found, 30 are relevant to the PWSP Office of Tapin Regency. Of these 30, 28 came from the Banjarmasin Post, while one came from Malang Today and one from Tempo. Six of the news items were from 2015, 12 from 2016, and 12 from 2017. The biggest news portion is the coverage about the heavily damaged road, which featured in 13 news stories, while eight were about broken bridges. The rest were news about narrow roads, prone trails, market access, homecoming and backflow, houses in danger of collapsing, damaged waterways, avalanches, floods, and the beauty of green space.

From the 30 headlines, 18 talked about the planning stages of development, such as the road maintenance or road inspection by the PWSP Office. There are nine stories about the development process, i.e. measures such as bridge iron security or site reviews. There are only three news items that show the results of development such as the completion of road construction or road improvements.

Meanwhile, when viewed over time, positive development outcomes tend to increase more sharply than negative development news (development issues). In 2015 there were four news stories about roads and bridges while in 2017 there were six. On the other hand, in 2015 there were only two positive news stories while in 2017, six items (or 50%) were positive news.

The majority (24) of the news stories attributed road users and bridges to causal responsibility. Other responsibilities appearing in the news were about contractors, nosy people, market traders, truck riders, tourists, and House members, as well as related agencies. There is only one piece of news that

implies that the PWSP Service is responsible for the cause, from a report from 5 July, 2017 entitled “Bupati Urges Offices to beautify Rantaubaru”. The use of the word “urges” implies a causal attribution to the services because the word “urges” means the preceding has actually been ordered but not or not yet optimal. Included in the offices urged was the PWSP Office. Indeed, if only seen from this aspect of causal attribution, the PWSP Office is in a safe situation because it is hardly considered a cause of the problems faced by society regarding development.

Since only one causal attribution is given to the PWSP Service, 29 other news items automatically attribute the maintenance responsibility to the PWSP Office. This is a favorable finding because it means that the public appreciates the PWSP Service. But this should be supplemented with more news content.

When viewed from the news content, it was found that 21 of the 30 news stories emphasized the problem and only nine emphasized the solution to the problem. That is, even though the PWSP Office is positively attributed, the problem persists. This means that the PWSP Office is not fully described as a problem solver. They are only expected to be problem solvers and have responded with a promise to solve the problem. Of the 30 news stories, the news explicitly speaks of the PWSP Office's active action so the problem is lost to only three pieces: the news about the PWSP Office building an access road to Margasari's new market, the PWSP Office repairing Antasari Bridge, and the PWSP Offices that paved the way with Hotmix asphalt. The rest is about the PWSP Office responding and promising to get off to the field, hoping to pave the way, will prioritize it in the next fiscal year, and so on. The following table details the role of PWSP in each news item.

The interesting thing found in these news items is that there is gender bias in three of the stories. In the report about the bad condition of Gadung-Masta road (Banjarmasin Post, 31 December, 2016), it said that motorists find it difficult to cross, especially women. It also said that every female rider who carries passengers is forced to ask her passenger to go on foot and, after successfully passing the muddy road, the passenger then gets back on again. In the news story of October 1, 2016, women even became part of the headline: “Streets Like an Offroad Track, Women Off Their Bikes”, even though the photo shows a mother riding a motorcycle, not guiding it on foot. This news comes from the same street – Gadung-Masta street. Meanwhile, in one letter, a reader complained about Bintahan Road being too narrow; it was stated that mothers who delivered their kids to kindergarten fell from their bike every month because of the muddy road.

The existence of gender bias in news and public reports on road use has scientific justification. A. Morgan and F.L. Mannering's (2011) research as well as previous researchers confirm that there is a gender difference in the risk of road accidents. These gender differences stem from behavioral and physiological differences between male and female drivers. Because it is scientifically justified, the existence of gender bias in the news is actually positive in terms of showing public and media awareness of the vulnerability of women as victims of damaged road conditions.

Table 1

Role of PWSP Service in Mass Media Coverage

News No*	Media	Date	Problem	Causal Resp.	Maintenance Resp.	Focus	PWSP Attribution	Stage	PSWSP as Primary Source
1	BP	05 -1-15	Broken water channel	Contractor	PWSP	Problem	PWSP firmly terminates the contract	2	Yes
2	BP	02 -3-15	Road damaged heavily	Road Users	PWSP	Problem	PWSP will coordinate it with province authority	1	Yes
3	BP	30 -3-15	Road damaged heavily	Road Users	PWSP	Problem	PWSP said this is the authority of National Road Office	1	Yes
4	BP	05 -10-15	Road damaged heavily	Road Users	PWSP	Problem	PWSP said the road already budgeted and will repaired this year	1	Yes
5	BP	11 -11-15	Market Access	Market Traders	PWSP	Solution	PWSP creating access road to Margasari new market	3	Yes
6	BP	22 -12-15	Road damaged heavily	Road Users	PWSP	Solution	PWSP flattened the road with hotmix asphalt	3	Yes
7	BP	18 -1-16	Road damaged heavily	Road Users	PWSP	Problem	PWSP will try to repaired the road	1	Yes
8	BP	01 -2-16	Road damaged heavily	Tourists, House members	PWSP	Problem	PWSP tried to flattened the road	1	Yes
9	BP	10 -3-16	Houses threatened to topple	Road Users	Regency Disaster Mitigation Agency and PWSP	Problem	PWSP hoped to response fast	1	No
10	BP	12 -4-16	Roadslide	Road Users	PWSP	Problem	PWSP said the road already repaired several times and will repaired again	1	Yes

News No*	Media	Date	Problem	Causal Resp.	Maintenance Resp.	Focus	PWSP Attribution	Stage	PSWSP as Primary Source
11	BP	19 -4-16	Flood	Road Users	PWSP	Problem	PWSP asked to deepen the river and added new water tunnels	1	No
12	BP	21 -6-16	Backflow road traffic	Road Users	Police and authorities	Solution	PWSP coordinated with police and related authorities	2	No
13	BP	23 -6-16	Damaged bridge	Road Users	House members, PWSP	Problem	PWSP will send a team to the site and the renovations will be budgeted next year	1	Yes
14	BP	10 -7-16	Damaged bridge	Truck drivers	People, PWSP	Problem	PWSP inspect the bridge	2	Yes
15	BP	13 -9-16	Road damaged heavily	Road Users	PWSP	Problem	PWSP renovating and will be finished if there is a budget allocation this year	2	Yes
16	BP	01 -10-16	Road damaged heavily	Road Users	PWSP	Problem	PWSP promised to renovate the road this year	1	Yes
17	BP	30 -12-16	Road damaged heavily	Road Users	PWSP	Problem	PWSP promised to renovate the road although the road is a national authority responsibility	1	Yes
18	BP	31 -12-16	Road damaged heavily	Road Users	People, PWSP	Problem	PWSP promised to renovate the road if there is a budget	1	Yes
19	BP	11 -1-17	Narrow street	Road Users	PWSP	Problem	PWSP will prioritizing it in the next year budget	1	Yes
20	BP	19 -1-17	Road damaged heavily	Road Users	People, PWSP	Problem	PWSP didn't know the existence of the hole and will inspecting it	1	Yes
21	BP	04 -3-17	Road damaged heavily	Road Users	Police, PWSP	Problem	PWSP hoped to renovate the road	1	No
22	BP	08 -3-17	Damaged bridge	Nosy people	PWSP	Solution	PWSP securing the steel of the bridge	2	Yes

News No*	Media	Date	Problem	Causal Resp.	Maintenance Resp.	Focus	PWSP Attribution	Stage	PSWSP as Primary Source
23	BP	17 -4-17	Damaged bridge	Road Users	People, PWSP, Regency Disaster Mitigation Agency	Problem	PWSP inspecting the location	2	Yes
24	MT	18 -4-17	Damaged bridge	Road Users	District Head, PWSP, Regency Disaster Mitigation Agency	Problem	PWSP hoped to renovate the bridge	1	No
25	BP	19 -4-17	Damaged bridge	Road Users	Police, PWSP	Solution	PWSP create a police line to securing the bridge from people access	2	Yes
26	BP	29 -4-17	Damaged bridge	Road Users	People, PWSP	Problem	PWSP visiting the location of destroyed bridge	2	Yes
27	BP	08 -6-17	Damaged bridge	Road Users	People, PWSP	Solution	PWSP coordinated with provincial government to renovate the road and bridge	2	Yes
28	Tempo	09 -6-17	Dangerous road	Road Users	Police, Transportation Agency, PWSP	Solution	PWSP asked to fill the holes	1	No
29	BP	13 -6-17	Road damaged heavily	Road Users	People, PWSP	Solution	PWSP renovating the road	3	Yes
30	BP	05 -7-17	Green Open Space Beauty	Related agency	Tapin Regent	Solution	PWSP urged to act	1	No

Information: * see Reference section for complete source details;

BP = Banjarmasin Post,

MT = Malang Today,

Stage = (1 = Planning, 2 = Process, 3 = Result)

Mass Media Ignorance on Development Results

At the beginning of his reign, President Joko Widodo implemented the Mental Revolution by asking the national mass media to report on more positive aspects of the nation's development and achievements (Metro TV News, 9 February, 2016). This has been welcomed by the national mass media, as evidenced by the many positive achievements and development events for the nation and country. However, the results of this study reveal that the spirit of the Mental Revolution has not been followed by the local media. The majority of the news presented (21 of 30 news items) discuss problems faced by the community in regards to development, from damaged roads to homes threatened with collapse. However, it is evident that there has been a positive development with more positive news regarding solutions by 2016.

It is understandable that in the current information technology era, local mass media can only work on local news to gain a competitive advantage. When focusing on local news, even just on a few perforated roads, is necessary for local media to have unique news that is not owned by competing media. This should be positive because it gives the impression that the mass media is concerned with the condition of the community in the region, although perhaps the real reason is simply to get the unique news that can only be reached by the mass media, which in turn can be commodified as a product that generates economic value.

Of course, the mass media can claim that they are trying to convey that which the government cannot reach. If people want to obtain positive news about the development and achievement of a government agency, they can refer to the site of the relevant agency. On the websites managed by the Public Relations Service, we found positive news about the construction of roads and so forth. But if this is the case, surely we cannot find any positive news in the local mass media news. Things like this are not found in the above results. Some of the news was really positive, stating that a road had been repaired or that the PWSP was willing to repair the road even though it was not authorized or not yet budgeted. That is, the mass media can actually lift positive news in the same amounts but with negative news. For example, from the news about problems faced by the community, they can also make news about progress or completion of the solution to the problem. News about damaged roads in one particular place, for example at Parigi Bridge, Tapin, could be offset by news about the PWSP Office that has finished repairing the bridge so that the public can pass without any misgivings. But this is not the case. From the data, we do not see the existence of any continuity of news from the moment the problem is proposed, processed, and finally solved.

As a result, the role of mass media only goes one way, that is, from society to government, but not vice versa. In order for channels to be reciprocated, the government must open its own communication channels in the form of news submitted by their respective PR. For example, the Tapin District PWSP Office used their site to deliver news about a well-executed program. Unfortunately, this is not as effective as the mass media. The mass media has a broad consumer base because it is profit-oriented. From a NPM perspective, mass media has better efficiency

and effectiveness than government sites. If positive news is only given by the official website, then there will be the impression that this is just a one-sided claim. For example, the public complaints about road damage in front of the regent's house were disclosed by the Banjarmasin Post on December 30, 2016, but the completion of the road repair process was not found in the Banjarmasin Post, yet the improvements have been made and were submitted through the PWSP Office website on 5 April, 2017.

This becomes a further problem when the media often use superlative words in delivering the news. Some superlative phrases have been found in the stories stated above. Among these superlative phrases include the “urges” (Banjarmasin Post, July 5, 2017), “many bridges were destroyed” (Banjarmasin Post, July 10, 2016), “for months but no improvement” (Banjarmasin Post, December 30, 2016), “the police are restless and anxious” (Banjarmasin Post, March 4, 2017), “ragged bridge” (Banjarmasin Post, Oct. 1, 2016; Banjarmasin Post, June 23, 2016), “weeping in fear” (Banjarmasin Post, March 10, 2016), and “always just get blank promises” (Banjarmasin Post, February 1, 2016). It is understandable that the use of superlative phrases is directed to attract the attention of the reader. But if this applies to the reporting of the solution to the problem, it certainly will give great attention to the reader as well.

The attribution theory of responsibility affirms that the government will be perceived positively by society if the media attributes the public service as a solution to the problem they faced with. This research indicates that the government, in this case the PWSP Office, is already attributed positively. However, this attribution is weak because most attributions are provided only at the planning stage, such as a promise to fix or a preliminary review of damaged roads or bridges. In order to increase government attribution, the PWSP Office needs to act more proactively by inviting the mass media to attend when a project has been completed, especially those media that had previously preached about the problem. In this way, there will be a continuity of news between the early problem and the settlement of the problems undertaken by the PWSP Office. Furthermore, this will improve the positive image of the PWSP Office in the eyes of the people of Tapin Regency.

This effort should also support the PWSP Service activities, especially in the IT field, by publishing performance indicators and PWSP Office achievements on the website. In addition, road lists and bridges programmed for improvement need to be disclosed to the public, either through the media or on the PWSP Service website so that the public can get a clear picture of the performance of the PWSP Office as well as shape expectations of what roads or bridges will be repaired immediately. This will meet the transparency criteria demanded by New Public Management.

Another strategy is that the PWSP Office needs to actively communicate with surrounding communities when visiting sites with road and bridge damage problems so that the surrounding community knows what progress is going on and what steps the government is working on. The inspecting party shall be provided with knowledge or information on the budget and program schedule to be undertaken by the PWSP Office so that the community will acquire experiential knowl-

edge that can be used to weigh up their opinions regarding the problem of road damage. Without experiential knowledge, people can only rely on mass media that can preach a problem in excess and cause a lack of confidence in the government.

Challenges Required for Government to Improve Public Perception through Mass Media

This study implies the need for the PWSP Office to be more transparent in showing the work program and its performance in the community so that the community can obtain experiential knowledge that can be used to weigh up their opinions related to the problem of road damage. This is in line with the theory of knowledge activation which states that the basis of human reasoning lies in the aspects of empirical experience and media coverage. The knowledge of the PWSP Office directly and quantitatively enables communities to weigh up qualitative news that can be biased when coming from mass media coverage.

Another implication is that the PWSP Office needs to partner with the mass media more closely so as to convey the progress and the achievement of the project. Without closer cooperation, the media only becomes a channel from society to government, not from government to society. With only one path from society to government, the government will be perceived negatively as media news tends to show the problems that the government has not yet completed in the field. This does not mean that this path is disconnected, as the media runs and facilitates the government's task of detecting problems occurring in the field. If the media only transmits information from government to society, it can be viewed as a propaganda tool. That is, there must be a clear and gradual flow from society to government and from government to society.

The third implication is more related to the Problem of the PWSP Service itself. In some news, the PWSP Office is talking about fixing a road or a bridge if the available budget is available. Therefore, the public and the media need to know what the budget is, what its allocation is for capital expenditure, and which bridges or roads are planned to be fixed within the budgetary year.

Implication for Attribution Theory of Responsibility

This research has implications on the theory of attribution of responsibility by providing qualitative characteristics of the theory. The attribution of responsibilities given by the theory does not rely on whether responsibility is causal or maintenance. This study implies that the attribution of responsibilities is not only necessary to distinguish between who is the cause of the problem and who is the problem solver, but also implies that the problem solvers need to be differentiated between, i.e., the different problem solvers in the planning / preparation stage, the implementation stage, and the result stage.

This research proposes that the attribution of care in the theory of attribution responsibility will have the greatest positive effect when the attribution actors are at the outcome stage of the project, rather than at the implementation stage or at the planning stage.

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