Chapter 9
Conflict as a Form of Governance:
The Market Campaign to Save
the Karelian Forests

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Introduction

Globalization is changing the traditional ideas and conceptions of the world order and overall global governance through multiple stakeholder involvement in both public and private policy making. The compression of time and space, the increased density of global networks, as well as the increased speed of information dissemination, flows of capital, goods and technologies lead to transnationalization of the global economy and have dramatically changed global patterns of production and consumption. In these processes, NGOs are essential in setting agendas for innovative global policies and private regimes (Meidinger 2003).

Although the role of NGOs and environmental movements has been addressed by many globalization scholars, the literature contains very few examples of efforts to apply a contemporary sociological understanding of time-space compression and a network-and-flow perspective to the analysis of NGO cross-border activities. In this paper, I analyze a deliberately initiated transnational conflict, 'a market campaign', which NGO networks use all over the world in order to force business actors to change their practices. A market campaign is usually related to the behaviour of multinational companies in both producing and consuming countries and pertains to the process of production and management of natural resources. The campaigns are typically initiated against corporations with a highly visible brand in cases where their operations violate internationally accepted rights of workers or destroy the environment and natural resources. Such conflicts are commonly organized by civil society actors to change the behaviour of not only forest-producing companies, but also companies in industries such as oil, textiles, bananas, and coffee. In this type of conflict, market forces and consumer preferences are used by campaign organizers to influence companies' behaviour.

The impact of NGOs on the practices of commercial firms during the past two decades has been so significant that some writers (Bernstein 2001; Cashore et al. 2004) have identified them as a new social force, which they call 'market-driven governance systems'. I look at NGO-led market campaigns, despite their
being conflicts, as another form of governance that makes business practices more environmentally friendly and helps promote and construct environmentally friendly niche markets. In the same vein, Meidinger (2003a; 2003b) uses the case of forest certification programmes to argue that global civil society organizations act parallel to government and market institutions that create transnational norms and global governance systems. The outcome of their market-constructing role is contingent on its timing, socio-political context and interaction with various stakeholders in a particular field.

I am using as an example the market campaign that was initiated by NGO networks to save old-growth forests in the Republic of Karelia in the Russian Federation. Russia is interesting in this respect, as it represents a rapid transition from an extremely static form of governance to multi-stakeholder governance of natural resources with significant involvement of transnational actors.

The chapter is based on field research conducted between 2001 and 2006, in the late stages of the conflict. Qualitative methods, such as semi-structured interviews (N=52) and participant observation were used. The interviewees comprised NGO representatives in both Moscow and Karelia, representatives of governments at different levels in Petrozavodsk, Kostomuksha (Kostamus) and Kalevala (Uhti), and stakeholders of Kalevala National Park, including people living in the park (see the map at the beginning of the book).

Theoretical Approaches

I analyze the consumer boycott organized by NGOs using the contemporary sociological understanding of space and time. Communication technologies allow sociologists to make the distinction between the space of place and the space of flow. The Internet and other technologies create special spaces of flow which allow actors to ignore geographical distance and to interact simultaneously (Castells 1996, 412). Unlike Castells, I do not draw a strict distinction between the space of place and the space of flow. I understand the transnational space as being more extensive then the Internet or the spaces provided by other communication technologies. I see it as a space of decision making that is not permanently localized in a concrete geographical setting. International conferences, UN or European Union bodies, NGO networks, business networks and corporate headquarters all belong to transnational spaces. By the space of place I understand a concrete geographical setting in which actions are taken by concrete actors. The actors involved are usually not single organizations, but entire networks that extend both throughout the country and across borders; thus, there is always a span from concrete localities to transnational spaces.

The new understanding of space triggers a new understanding of time (Urry 2000, 107). Communication technologies make information available both instantaneously and simultaneously across the globe. However, the day-to-day practices of people continue to occur in clock time. Both times co-exist and are relevant for contemporary sociological analysis. Transnational networks operate in both clock time and timeless time.

In the course of a market campaign, NGOs operate both in spaces of place and in transnational spaces, although their role is different in each of these spaces. One of the focuses of this paper will be the tensions and interactions between the space of place and the transnational spaces that appeared during the market campaign analyzed.

In conceptualizing the role of NGO networks in the space of place and in transnational spaces, I draw on the theory of organizational isomorphism (DiMaggio and Powell 1983) and path dependence (Arthur 1994). The theory of organizational isomorphism is based on three types of institutional influences to adopt an organizational innovation: coercive, mimetic, and normative (DiMaggio and Powell 1983). According to the literature, coercive pressures are created by actors (usually government agencies) who have the legal authority to oversee and regulate important aspects of human or organizational behaviour. In my work, it is not governments, but non-state actors and especially NGOs that played such a coercive role in discouraging the logging of old-growth forests through a consumer boycott.

Normative influences are created by actors whose social status puts them in a position to endorse and bestow legitimacy on a particular standard or practice, and thus sway other actors to adopt it. The characteristic feature of such systems is their reliance on normative appeals to consumer preferences and their use of market mechanisms to bring about the adoption of environment-friendly standards and technologies by commercial firms. Therefore, for the purpose of the present analysis, I treat these conceptualizations of the role of NGOs as a special case of normative isomorphic pressures exerted by influential, organized global NGO networks. NGOs use market campaign to build new values and, on that basis, consumer preferences. Simultaneously, other NGOs create alternative supranational regulatory systems, such as FSC certification, which are also based on new norms. To force multinational corporations to take paths to certification, more radical NGOs organize consumer boycotts and less radical ones promote certification systems using both coercive and normative adaptation systems.

Mimetic tendencies result from a desire to succeed in a competitive environment, which prompts actors to adopt solutions that have given their competitors an advantage. Decision makers find it beneficial to adopt solutions developed and tried by others. Due to this mimetic form of adaptation, more and more companies have taken the FSC certification path.

Another incentive to adopt a new practice results from changes in the structure of transaction costs. Since such costs usually constitute a significant share of the overall costs incurred by organizations in attaining their goals, eliminating or reducing the costs is a powerful economic incentive for rational actors. Transaction costs are often reduced by adopting standards and solutions developed by other organizations in a particular field or geographic area. This increases the likelihood that a newcomer to that field or area will adopt the standards and practices developed by organizations already operating there, a process known as path dependence (Arthur 1994).
Transaction cost considerations are also the key factor affecting the supply side of market-driven governance systems (normative influences affect the demand side). Consumer pressure may create substantial transaction costs for a producer and a distributor by limiting the marketability of products that are objectionable to some consumers. Of course, the adoption of standards or production technologies that are consistent with consumer preferences also represents a transaction cost, but that cost is often outweighed by benefits in the form of greater marketability of the product. A distributor can easily pass that cost on to the producer by purchasing only from those suppliers who meet the standard and to the consumer in the form of a mark-up for offering a ‘socially responsible’ product. A producer, on the other hand, must weigh the cost of implementing the standard demanded by a particular market against the cost of finding an alternative market. The latter may be prohibitive if the product is bulky or otherwise difficult to transport, or if demand for the product depends to a great extent on diverse consumer preferences. In such situations adopting the standards demanded by consumers in the existing market niche may be a less costly option.

Changes in behaviour may also be prompted by an increase in the transaction costs of the ‘old’ way of doing business. In my view a market campaign against a firm significantly increases the transaction costs for the company of continuing business as usual, whereby it may prefer to change practices and take the FSC certification path. The more companies there are taking the certification path, the lower are the transaction costs for other companies to join. Therefore, a market campaign against a firm that increases the transaction costs of continuing the environmentally harmful practice helps to break down ‘old’ path dependence. Companies then prefer to change practices, adopt environmental policies, and get FSC certified. For the newcomers, FSC certification involves high transaction costs, but after adopting the practices these costs decrease. The greater the number of companies that become FSC certified, the better the new path dependence mechanism works.

I see an NGO-driven market campaign not only as a form of governance, but also as a conflict that is deliberately initiated to contribute to desirable social changes. Social changes are expected in both transnational spaces and the spaces of place. In order to produce desirable social change all conflicts have to be managed by the stakeholders such that positive conflict potential increases and negative consequences decrease (Gläser 1999; Yasni et al. 2006). The case analyzed below addresses the issues of conflict management in both transnational spaces and the spaces of place and explains stakeholder interaction in the relevant contexts.

**Conceptual Model of a Cross-Border Market Campaign**

The ‘consumer campaign’ to be analyzed here is composed of two conflicts: one in transnational spaces, the other in a concrete space of place (see Figure 9.1). The conflict started with the recognition that an actor (B-p) was involved in a practice that is detrimental to the environment. The NGOs in the space of place (actor A-p) monitored the activity of B-p and informed their counterparts in transnational spaces, actor A-c. The information about wrongdoing was passed across borders, to the consuming countries in particular. Actor A-c mobilized resources and organized a consumer campaign involving consumers (actor C-c), which targeted multinational corporation headquarters — actor B-c. A-c and C-c viewed the behaviour of B-c as detrimental to others. Therefore, they became involved in the conflict, which took place primarily in transnational spaces.

This changes the stakeholder interaction in transnational spaces and makes the transaction costs for doing business as usual too high for the actor B network. Actor B-c faces the consumer boycott, and prefers to force actor B-p in the space of place to change its practice. Again the conflict is shifted from a transnational space to a space of place. In the space of place many other stakeholders are involved in addition to actors B-p and A-p. However, A-p and B-p are essential for the conflict.
to happen. Other stakeholders include local, regional and/or national governments, local citizens and many others who make an effort to manage the conflict.

Further, the dynamics of the interaction of actors can change both in transnational spaces and spaces of places. In transnational spaces the effect of a consumer boycott of one company resonates and usually changes the behaviour of other companies. The ‘old’ path dependence is broken down and companies look for a new way of doing business. In order to avoid future boycotts, companies improve their social and ecological policies, develop programmes that demonstrate their corporate social responsibility, join associations of responsible producers, participate in eco-ratings, improve codes of conduct and certify their forest management practices. By doing so, they create a ‘new’ path dependence that is more environmentally friendly. The greater the number of companies joining the sustainable path, the lower the transaction costs they face. The market campaigns also impact the behaviour of investment bodies that use toolkits and other methods to maintain responsible investments. Responsible investments provide support for the newly established path and decrease the transaction costs of sustainable businesses. More companies join the sustainable business ‘club’, and the ‘new’ path dependence starts to work as a supporting institutional infrastructure.

In the space of place the stakeholder interaction usually changes completely and the outcomes are not always predictable. A company may change its practices and become more socially and environmentally oriented, or it might abandon the area after the consumer boycott, which results in job losses and reorganization of business networks in the area. Consumer boycotts can adversely impact local communities in forest settlements. However, when new business networks come into the space of place or old business actors change their practices, a new path dependence is established and local stakeholders ultimately benefit.

The Context of Transnational Spaces

The transnational space is structured by different kinds of stakeholder networks and their interests. The European Union (EU), for example, represents one of the nodes of governance in that it develops forest conservation policies for Europe and contributes financial support for projects that promote the designation of specially protected areas and sustainable forest management. In line with the above-mentioned policy, in the period 1999–2001 the European Union allocated money in the framework of the TACIS programme for creating four specially protected areas in Karelia, among them Kalevala National Park. This created a favourable context for successfully resolving the issue of preserving old-growth forests after the NGO-led consumer boycott against the logging companies.

From the start, NGOs in transnational spaces were also engaged in designing preservation policies that could affect the Russian environment. In the early 1990s, international environmental organizations, including Greenpeace, began discussing the preservation of old-growth forests on the border between Finland and Karelia. Greenpeace led an effort to propose that the Karelian forests be included in the international UNESCO World Heritage List. The World Heritage Convention was adopted at the General Conference of the UN on November 16, 1972, and the Russian government is among its 168 signatories. The ‘Greenbelt of Fennoscandia’ would have been a joint nomination from Russia, Finland, and Norway and would have included 20 forest massifs along 1000 km of the border region (Greenpeace 2001). In all, the area comprised 1.5 million hectares of forest, some of it virgin. This effort eventually failed, however.

NGO-led consumer campaigns unrelated to the particular campaign to save the campaigns were one of the major strategies of NGO networks. Such campaigns recognized logos, such as Nike or MacDonald’s, and were directed, for example, unsustainable packaging, and so on. In the forest sector, the best-known and significant campaigns were conducted by the Rainforest Action Network, Forest Ethic and Greenpeace to save the Amazon forests. NGO networks targeted not only corporations but also their investors. The most influential campaign was that directed against CITIGROUP and the Bank of New York.

In the early 1990s, environmental NGOs started monitoring the area of old-growth forests in Russia, including Karelia. NGO networks already had extensive experience of organizing similar campaigns. They learned to shape consumer preferences through international information campaigns and to raise international awareness of the importance of old-growth forests.

As a result of multiple campaigns, multinational corporations around the world understood the risk that NGO networks could cause to their business. Many companies have not only become sensitive to NGO grievances, but have started partnering with NGOs in sustainable forest management projects. This trend has led to partnerships such as WWF-Home Depot and WWF-IKEA. Such partnerships have facilitated the creation of environmentally sensitive niche markets and the promotion of forest certification systems.

Forest Stewardship Council (FSC) certification has become one of the most important regulatory forces in transnational spaces for stemming forest degradation. These voluntary, non-governmental global regulatory processes develop stakeholder-based standards and accrediting independent auditors to assess the quality of sustainable forest management. The FSC approach creates standards based on ten principles socially beneficial, and economically viable forestry. If the standards are met, the company receives the internationally recognized FSC certification and access to environmentally sound timber markets, such as those of Western Europe. The company can sell its products for higher prices but has certain obligations toward those local communities near its forests.

NGO networks thus had the institutions in place in transnational spaces to convert harmful companies (Cashore 2002) by discouraging them through
market campaigns from damaging the environment and encouraging them to adopt sustainable forest management through FSC certification. The changes in transnational spaces also shaped the contexts in different localities around the globe, influencing governments, local NGOs and other stakeholders.

The Context of the Space of Place

a) National Context

Russia's forests cover 1.2 billion hectares, 69 per cent of the entire territory of the country. The Soviet regime attempted to expand the forest sector by launching extensive programmes for building pulp and paper mills. Most of the regional forest complexes of the Soviet Union were located in the territory of present-day Russia and the role of the mills was to satisfy the demand for forest products in other regions of the Soviet Union and many other socialist countries. Since the early 1990s, the Russian forest sector has been undergoing profound changes, mostly determined by new patterns of internationalization.

Since the 1990s, Russia's system of forest management has been in a state of constant restructuring. In 2000, President Putin closed the Federal Forest Service and gave its responsibility to the Ministry of Natural Resources. The ministry thus became responsible for both protecting and harvesting forests. The interactions between different divisions of the government were further complicated by shifting jurisdictions. In 2004, after Putin's re-election, restructuring of the ministries continued. In the last eleven years, nature protection units have survived five reorganizations. Not a single new nature reserve (zapovednik) has been designated.

The Forest Code was enacted in 1997, but already in 2002 there was a plan to change it completely. The new code was not enacted until January 2007 because of recurrent delays and disagreements between governmental agencies and civil society institutions. Constant reorganizations and restructuring caused inefficiency in governmental policies and created an institutional void in the governmental regulatory system. To some extent this opened a space for private actors and voluntary regulatory mechanisms to fill.

In the 1990s, after the opening of the borders of the former Soviet Union, an array of actors from transnational spaces, for example, multinational forest companies and international NGOs, entered the Russian political arena. Multinational corporations started buying Russian logging enterprises and building infrastructure to facilitate their entrance into Russia’s economy. NGOs, specifically large transnational environmental organizations, also entered Russia and established active subsidiaries as quickly as commercial interests did. These organizations, bringing with them the flow of money, values, and ideas of nature protection from transnational spaces, officially entered Russia's political and economic spheres. Greenpeace came in 1992 and created a central office in Moscow. Since then, it and other large environmental NGOs have tried to influence government policy, industry, and the environmental awareness of Russian citizens. The expansion of Western environmentalism into Russia since the early 1990s has brought with it ideas and concepts of nature conservation and techniques of natural resource exploitation developed by the science, industry, and the third sector of the US, Canada, and the European countries. In sum, a number of land use issues and opposing interests came into the Russian political arena and built networks with different kinds of Russian actors.

b) Republic of Karelia

The Republic of Karelia is a heavily forested area of Northwest Russia. Since imperial times, forestry has been the republic's primary industry with an orientation towards export (Aitio 2002). In 2006, forest production accounted for 55 per cent of the republic's total industrial production, with 60 per cent of all forest products being exported (Kozyreva 2006). Karelia's border with Finland is 700 km long and forms a large part of Russia's longest land border with Western Europe. While most of the country's forest resources were far to the east in Siberia and less accessible, Karelia offered huge tracts of virgin forest with proximity to the important timber rivers and 60,000 lakes — providing an effective means to transport logs and helping orient the forest sector towards export (Gov. Karelia info 2007).

Under socialism, two zapovedniki were created in Karelia in the 1930s — "Kivach" and Kandalaksha (Kantalahti). These encompassed 19,300 hectares of mostly forested land. In addition, Vodlozero and Paanajarvi National Parks and the region's many nature reserves contain some of the largest tracks of virgin forest in Europe. An area of 404,000 hectares in Vodlozero National Park was nominated for the UNESCO World Heritage List in 1998 but was not included.

Despite Karelia's economic importance, it remained fairly undeveloped up to per cent live in cities and towns (Laine 2002). The Soviets had plans to rapidly industrialize much of the country, and Karelia's forests became an important resource for efforts to enter the world timber market. The forests were exploited rapidly and sold at low prices in Western Europe. Many researchers see this as a strategy of the Soviet government to acquire hard currency, which was much in need at the time (Aitio 2002). As the country became increasingly centralized, economic planning for Karelia became disconnected from the regional level. Quotas were high and labour was often in short supply (Aitio 2002). In addition, processing plants were overwhelmed and thus increasing amounts of unprocessed logs were exported. The central government owned all forests after 1930 and put towards the development of forestry infrastructure in Karelia. In addition, the Soviet Union's economic approach to logging was based on the belief that
increased harvesting means increased profits. This trend accelerated especially in the 1950s with increased large-scale industrial logging and clear-cuts.

This somewhat one-sided economic policy for the region had important impacts on the local level that persist until today. During the 1990s, Karelia experienced an economic downturn and forest production declined nearly 40 per cent (Autio 2002). This downturn somewhat reduced pressure on forests, but the government continued to promote the policy of ‘more harvesting means more economy’. Thus, in the 1990s, faced with increasing economic difficulties, republic officials regarded increased exploitation of forests, especially of old-growth forests, as a necessary and urgent task.

Over 60 per cent of Karelia’s virgin forests were harvested (Yanitsky 2000) in the course of the 20th century. The forest industry was especially interested in logging the old growth in the former military zone, where transnational NGO networks were interested in creating a new Kalevala National Park.

c) Local Context

The territory of the controversial Kalevala National Park represents a forested area that lies partly in the former Finnish border military zone and has only one small village inside it. The same families have lived in this territory for generations; they were relocated to a bigger town during socialism, but returned after the fall of the Soviet Union. Currently there is a small farm inside the park and small-scale tourism with Finland is developing. From the very beginning, local villagers were strongly against logging in the area, yet not interested in federal agencies coming to govern the park and build its infrastructure. The major local stakeholders lived in the villages of Vokonavolok (Vuokkinen) and Kalevala, the small city of Kostomuksha or across the border in Finland, outside of the disputed area. There were no local NGOs participating in the debate on the Russian side of the border, but a number of Finnish civil society groups were involved.

d) The Finnish Side of the Border

There was also a conflict going on in Finland that centred on saving borderland forests. The commercial logging on the Finnish side of the border was much more intense as the Finnish military zone was much narrower than that of the former Soviet Union and thus only small spots of old-growth forests remains. Both international and Finnish NGO networks easily mobilized the local population in support of Kalevala National Park on the Finnish side of the border. As a result, the Finnish Kalevala National Park was formed, consisting of several small specially protected areas (Härkönen 2005, 202–213). People who were mobilized in support of the Finnish Kalevala Park became dedicated supporters of Kalevala National Park on the Russian side of the border; they adopted and understood in full the value of old-growth forests and participated in the actions in Russia organized by NGO networks.

Conflict as a Form of Governance: The Campaign to Save the Karelian Forests

The old-growth forests were not the only reason for the support of Finnish communities for the Russian Kalevala National Park. The Karelian borderlands are perceived by both Karelians and Finns as culturally close; the local people on both sides of the border share a common language, common traditions, common Karelian-Finnish epic runes and folklore. The Kalevala, the Finnish national epic was collected in the Finnish Karelian borderlands, especially in the area close to the park, and Elias Lönnrot (1802–1884) invented the title ‘Kalevala’ for the poems collected. The first edition of the Kalevala was published in 1835 and the second, with many more runes and songs, in 1835 (Lehtinen 2006, 175). Later on, the name Kalevala was given to the park.

Finnish people were thus eager to preserve old Karelian villages with their traditions and surrounding forests. In their perceptions, if forests were logged around Karelian villages, they would change and lose their ethnic spirit (interview, Finnish ethnographer, 2006). Finnish ethnographers, especially those studying folklore, collaborated with Russian scientists from Petrozavodsk and Kalevala and organized expeditions to Karelian villages to collect songs and describe traditions. Although they did not participate in direct actions, these people were strongly supportive of all kinds of preservation programmes in the area.

Finnish tourist firms developed special trips to Karelian villages, including areas inside Kalevala Park, in order to introduce tourists to Karelian culture and the simple lifestyle, which is still completely not modernized; Finnish people can live in Karelian villages as they might have lived in the last century (interview, Finnish tourist, 2006). The village inside Kalevala Park is a special attraction as it is home to a family whose ancestors were rune singers; their house is like a open-air museum in which people live and demonstrate old traditions, including animal sacrifice, that date from pagan times and were still common in remote Karelian villages in the nineteenth century. Both culture and pristine nature are advertised on such trips. Currently, a new tourist route called ‘the Blue Road’ is being discussed that would link cultural places in Sweden, Finland and Karelia. Kalevala National Park is on the route, between the other stops in the village of Vokonavolok and Kalevala.

All these projects, although not directly related to the preservation of old-growth forests, constituted the context in the space of place for the success of a NGO-led market campaign organized in transnational space.

The Karelian Old-Growth Forest Market Campaign

The international NGO-led market campaign took place in the period 1995–2006 with the aim of saving the old-growth forests in the Republic of Karelia. This campaign was organized by Greenpeace and the Taiga Rescue Network in conjunction with Russian NGOs (the Forest Club), in particular the Centre for

\[1\] The road is described as blue due to the many lakes along the way.
Biodiversity Conservation (CBC) and the Socio-Ecological Union (SEU). It also included the Nature Protection Corps, which began as student groups in Russian universities in Soviet times and involved students in combating illegal poaching and logging of Christmas trees. The campaign included numerous publications, videos, conferences, and protests. Using satellite images, the Forest Club inventoried and mapped virgin forests in the region. They investigated the timber sources for publishing houses in England, the Netherlands, and Germany, and requested that they boycott the logging of Karelia’s old-growth forests. This culminated in 1996 in a series of publicized protests both in the forests of Karelia and at the pulp and paper mill of the large Finnish logging company Enso (Yanitsky 2000). This led to Enso’s announcement of a moratorium on logging on three important sites in the disputed forests in Karelia. In 1997, several companies, both Finnish and Russian, joined the moratorium.

The Forest Club’s message was manifold: they listed companies logging the old-growth forests, as well as the buyers in Europe that accepted wood from these companies. They implored the European public to boycott products made with Russia’s old-growth wood. Companies logging old-growth forests in Karelia were breaking no laws or norms of the Russian Federation; however, NGOs were trying to enforce new informal global environmental rules and values beyond the control of any one state.

With the Russian government, the NGOs tried to initiate a process of creating a specially protected natural area in order to preserve the old growth forests. This last effort also witnessed the introduction of nature protection measures created in transnational spaces, including national parks, and UNESCO World Heritage Areas created by the UN.

After 11 years, the conflict was resolved with the victory of the environmental organizations. This was a transnational conflict based on the core belief of environmental organizations that the old-growth forests throughout the world needed to be preserved.

Latent Stage: The Foundation for Kalevala National Park

In 1995, in Kostomuksha Nature Reserve, environmental NGOs from 10 countries, including representatives from Canada, Sweden and Finland, held a meeting dedicated to the preservation of old-growth forests. At this meeting the Forest Club was formed, comprising representatives from the NGO Social Ecological Union, Greenpeace, Nature Protection Core and the Karelian student organization SPOK. The Forest Club started developing criteria for identifying old-growth forest and mapping the existing old-growth forest landscapes. It also started to monitor logging and cross-border trade operations in the area (interview, director of the Kostomuksha zapovednik, 2006). In 1996, together with the Russian NGOs Socio-Ecological Union and the Centre for Biodiversity Conservation, Greenpeace created maps of virgin forests along the Finnish border.

Escalating the Market Campaign

In parallel with the effort to negotiate the creation of the national park, the Greenpeace network and Russian Forest Club started their market campaign. They informed companies in Great Britain and Germany about the actions of their suppliers from Sweden and Finland who were logging in Russia in the areas close to the future park. The maps of old-growth forests were presented to publishing companies and governments, including those of Karelia and Finland, as well as timber producers and consumers. Direct actions began in 1995 and the Finnish company Tehdaspuu was one of the first to break off its relations with a logging company working in the disputed ‘green belt’ in Karelia (see Figure 9.2, marker
2) However, in early 1996 the Karelian government supported continued logging in the area, citing economic interests (Yanitsky 2000). The next year, the chair of the government, V. Stepanov, issued the following statement:

The government of the Republic of Karelia has to evaluate the actions of various ecological NGOs as interference in the internal affairs of Russia that is aimed at undermining both the Karelian and Russian economies and that violates the basis of the boundary policy of the Russian Federation (see Yanitsky 2000, 242).

Peak of the Conflict

A series of protests in August 1996 brought the area greater publicity. Members of Greenpeace blocked Finnish harvesters in the Kostomuksha district of Karelia and staged a protest a few days later in Finland at the pulp and paper mill of the Finnish company Enso (currently Stora-Enso) (Yanitsky 2000).

De-escalating

This led to Enso’s announcement of a moratorium, beginning January 1, 1997, on logging on three important plots in the disputed forests in Karelia. Enso promoted creation of a working group with NGOs and governmental representatives to discuss conservation issues and further inventory old-growth forests in Karelia (Lehtitie 2006, 187). In 1997, several companies joined the moratorium, including UPM-Kymmene, MoDo, Vapo, Kuhmo, Polkky, and Ladenga (Yorobiy 1999). Greenpeace made agreements with a local forestry unit (lespromkhos) stating that the latter would not lease the territories; however, it was already nearly impossible to find a willing lessee. Soon after this, a working group was formed to set guidelines for dealing with the virgin forests and for making future decisions on the issue. This group included environmental NGOs, government officials, and industry representatives. The Karelian government joined the group but again stated its opposition to the environmental NGOs when the chair accused them, in a letter to the deputy chair, of illegal acts aimed at undermining the Karelian economy (Yanitsky 2000) (see Figure 9.2, marker 3).

Period of Stagnation and Subsequent Resolution

In 1997, the Karelia Science Centre began preparing detailed justifications for the specially protected area of Kalevala. By 1999, there was no logging going on in the old-growth forests and the first round of justifications was finished. In the framework of the EU TACIS grant, a decision was made to establish the park on 95 thousand hectares. At the end of the project in 2001 the park had still not been designated, but the equipment for the park had been bought from grant money. A municipal agency, ‘Kalevala Park’, was established to manage the area during the transition period with the idea that when the park was set up the equipment would be forwarded to the federal administration of the park (interview, former director of municipal agency, 2006). In the framework of the Dutch-Russian programme Matra in 2002–2003, 1500 signatures were collected from Karelian citizens in support of the future national park and a set of recommendations was developed for park development.

Negotiations related to the park took place in parallel on different levels of governmental structures with deadlocks and delays due to conflicts between different kinds of state agencies. In 2001 an agreement on the park was negotiated on the level of municipalities; however, on the level of the Republic of Karelia the government agreed to a park with an area of 74.4 thousand hectares only (Yanitsky 2000). On August 6, 2002, the government finally issued a decree establishing the park and the requisite documents were submitted to the federal authorities. The period 2002–2006 was a stagnating stage in Karelia, as the decisions had been forwarded to Moscow.

In Moscow, the Kalevala Park documents were received just when state agencies were being restructured, and began their journey from cabinet to cabinet and from one agency to another. When the documents reached the stage of environmental impact assessments, it turned out that the procedure was not provided for in the state agency’s budget, so Greenpeace contributed $5000 towards making the assessment, as designation of the national park was essential for the ‘happy end’ of the market campaign (interview, local governmental representative, 2006). Such intervention seemed a bit ridiculous – a radical environmental organization taking financial responsibility instead of a government. Finally, it was only in November 2006 that a positive decision was made on the federal level to set up Kalevala National Park and to allocate money for its infrastructure (see Figure 9.2, marker 4).

The maps of old-growth forests created by NGOs became a regulatory guideline for business operations. The Segezha pulp and paper mill rejected a lease for IKEA, a subsidiary of IKEA, signed an agreement with environmental organizations on a moratorium on logging old-growth forests in the area of the park. Following these informal agreements the total area proposed from the very beginning – 95,000 hectares – has now been preserved.

Stakeholders Involved in the Conflict

This conflict is about natural resources, yet all economic, social, cultural and natural considerations come into play. The conflict can be described as a multi-frame the stakeholders of the Karelian Old-growth Forest conflict into two groups: stakeholders of the space of place, who have a stake and interest in the
contested territory of Kalevala Park (both in Finland and Russia), and stakeholders in transnational spaces, who have a stake in what is happening globally with old-growth forests and for whom the particular territory of Kalevala Park is one example of a location where a global preservation policy has to be implemented.

Stakeholders' Interactions in the Space of Place

On the Level of the Karelian Republic: Karelian Government Agencies

The conflict involved many stakeholders. However, despite the fact that the conflict occurred mostly between NGOs and logging companies, after the moratorium on logging in the area the major arena of negotiation was left only to three major stakeholders – governmental agencies, scientists and NGOs – which were constantly blaming and shaming each other.

The Karelian government agencies and their supporters had several points of disagreement with NGOs:

a) Economic Concerns and Job Loss  The Karelian government stressed the financial importance of the republic’s forest sector to the economy. One respondent said,

I worry that if a specially protected area is created in Karelia, Russians will lose jobs. That’s why in preserving old-growth forests we need to think about people. In Kalevala there are 150 people working in forestry. If these operations are discontinued, what will these people do? Who will create new jobs? (interview, Karelian governmental representative, 2002).

Another official said,

Maybe they [environmental activists] are good and want to do good, but if we do as they want, there can be negative results, especially for our economy (interview, staff in Karelian Ministry, 2002).

They argue that Karelia already has a high percentage of officially preserved territories compared to other regions of Russia. My informants were supportive of protection in general and described it as positive, but they were reluctant, based on economic concerns, to increase the amount of protected area. One said,

I say to the Finns, ‘Why don’t you create specially protected areas in other regions of Russia? And when they have the same percentage of protected area [as Karelia] then we can talk about new specially protected areas here’ (interview, Karelian Ministry head 2002).

b) Financial Concerns  Government officials also complained that pressure from the international community was not supported enough by financial help for creating the specially protected areas. According to one respondent, the chair of Karelia’s government wrote to the heads of various European countries requesting such funds (interview, head of Karelian Ministry of Natural Resources, 2002). He said, ‘many didn’t even reply. Some replied and said “we can’t help you.”’ After a national park is designated and officially signed for, there are necessary expenditures, such as for tourism infrastructure. Concerning this, the respondent said,

A huge sum is needed from the budget. In Karelia now, salaries are so low and there are unemployment problems. There’s no oil and no gas, unlike in Komi. We are concerned . . . Who will invest all of this money?

The government claims to be in a bind, without enough money to fulfill the requests of the international community.

On the local level, the following statement by the town administration of Kostomuksha supports the same point:

The town administration recognizes well the historical and cultural importance of this part of Karelia, but due to the critical situation in both Karelia and Russia, there are no funds for financing nature protection activities, or other important social expenditures.

One of respondents from science also agreed, saying,

We have two functioning parks and if it were not for international projects like TACIS, the parks would sit on the budget and nothing else. The TACIS programme significantly increased the salaries for the administration of protected areas, but such support is impossible to get permanently (interview, scientists, 2002).

c) Issue of Sovereignty  The government of the Karelian Republic tried to see this issue as a domestic problem, and felt that environmental activists from outside of Karelia and Russia had unjustly interfered in the republic’s issues. For the Russian government, the overwhelming interest of European NGOs and European governments in Karelia’s forests was not readily explicable. In my interviews with government officials, I heard various assessments: NGOs are saboteurs trying to undermine Russian forestry for the benefit of Scandinavian competitors, or NGOs are exaggerating the urgency of protecting Russia’s virgin forests and biodiversity, both of which currently abound. Whatever the discourse was, a prevalent accusation made by all government officials was that Europe had logged nearly all of its own

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2 Letter from the mayor of Kostomuksha to the Taiga Rescue Network, 1996.
old-growth forests and was thus creating a double standard by forcing Russia to preserve those which remain.

An independent scientist agreed with this last sentiment, saying,

[Kalevala Park] will have significance for all of Europe. They've cut everything on their territories and we will preserve on our territory. In their own country they use forests like orchards, with trees in rows, and on our territory they want to use it for recreation so that they can see wild nature and have fun (interview, scientist, 2002).

d) Ability to Compromise  The government accused environmental activists of not compromising. One government official said,

We always go from compromises to understandings. But our opponents also need to compromise and understand.... It doesn't always happen though, and we are blocked and not understood. We are not understood by Greens (Interview, state committee 2002).

In addition, many officials were suspicious of the NGOs' goals. One respondent said,

Sometimes we think that in the bottom of their hearts they have their own interests.... Greens sent us maps coloured in green and they absolutely don't want to explain why these forests are virgin. They say just ‘from satellite pictures’. We can conclude that they are acting in somebody's interest (interview, state consultant 2002).

About the maps he also said,

Whenever an enterprise here begins to work in international markets, its territory is always coloured by Greens.

e) Lack of Science Behind the NGO Position  Government officials claim that much of the NGO position in this conflict was not backed up by science, or that it was based on incorrect science.

f) Value of Old-Growth Forest  One official argued with the science of preservation in general,

They [NGOs] say don't touch the forests, they belong to the planet. But if the forest becomes older and older then tomorrow they will take all our oxygen and we will not get it back. This is what happens with old-growth forests (interview, Karelia Ministry of Natural Resources, 2002).

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Another official argued for the benefits of forest management over total preservation,

In Europe there are no virgin forests, but I don't think this is bad. You must be very careful when dealing with old-growth forests. If they are not taken care of, they'll become problematic areas. Forests that are not taken care of - when you don't cut sick plants - become problems for forestry. When forests are old it is like in life when old people are alone. Sure I don't mind if old people exist, but it is bad when they are alone. You need young people to help them. If young people don't care about the old, they will die. A forest is like a living body and if it is not revitalized it will become older and diseases and pests will spread and this is bad (interview, state consultant, 2002).

On the Level of the Karelian Republic: The NGO Network

The NGO network that had a stake in setting up Kalevala National Park operates partly in transnational spaces and partly in the space of place. The Forest Club and Greenpeace participated in local direct action, worked with the Russian government on the federal level, and took the lead in the Internet consumer campaign. Only a few NGOs in Karelia, SPOK being the most active, interacted intensely with governments on the level of the republic. The major disagreements were both conceptual, especially regarding the preservation of old-growth forests, and procedural, related to the interaction itself.

a) Old-Growth Forests have a Planetary Value  The Forest Club, led by Greenpeace, has tried to establish the concept of a virgin forest both in the legislation of the Russian Federation and in the awareness of industry and the public. The goal is to convince stakeholders in the forest that virgin forests have a value in the West and therefore must be preserved in Russia. The attempt to import this idea into Russian industry and government has not proceeded smoothly, because Russia, unlike Western Europe, contains vast stands of virgin forest and old-growth forest landscapes are not that unique.

b) Soviet Mentality of the Russian Government  Environmental NGOs see the mentality of the Karelian government as harmful to the population and the republic's economy. Our respondents said that government officials still have the mentality from Soviet forestry that 'more logging equals more money'. The NGOs criticize this viewpoint and the lack of sustainable forest management in general. One informant said,

They [Karelia's government] have never made an assessment of how many forests are left; they live under the illusion that there are still plenty and that's why our forest resources have become weaker and weaker (Interview with NGO CBC representative, 2002).
c) Lack of Effective Forest Policy

Both independent scientists and environmentalists alike see a problem with the republic's forestry strategy, and so feel that even if the old-growth forests are logged and not preserved, they will not bring economic benefits to the republic.

d) Government is Corrupt and Represents Industry Interests

Some NGO representatives see close connections between the government and forest producers as a reason why the government wants to allow old-growth forests to be logged (interview with CBC coordinator, 2006). In addition, one respondent further criticized the head of the republic and Karelian politics in general as corrupt:

> Decisions there are made by a very narrow circle of people close to power, and they make them without any logic ... the Karelian government is a museum of socialism (interview, Greenpeace 2002).

e) Government is not Doing its Job

NGOs in Russia frequently must do technical work in place of the government. A SPOK activist said,

> In the West ... you spread knowledge about the problem and immediately the public begins to participate. The authorities get kicked and then they understand the problem well and begin to do something ... there is no action from Russian power structures. ... To achieve something here you need first to make a big noise, and then secondly you need just to do everything yourself, instead of the government. And then you will achieve results (interview, NGO SPOK).

In both the government and NGO narratives, it seems that there were many gaps in communication between the two parties. The impossibility mentioned by NGOs of arranging a meeting with high-level government officials is one illustration. All of our NGO informants explained this by saying that the government is simply unwilling to cooperate with them. In the years of dispute over this issue, representatives of the environmental position were unable to meet, even once, with the governor of Karelia, Leonid Katanaev. One respondent said,

> They tried very much to arrange meetings. And when the meeting was set up, they [the Karelian government] send only assistant governors who were available at that moment. This came to no agreement. They came to the meetings and were saying 'yes yes' and shaking their heads. Or they would show up and say that they cannot have the discussion today. Sometimes they were just silent and said nothing. Sometimes they said simply 'we don't support the issue'. But a meeting was never arranged with Katanaev himself, whose status allows him to say either yes or no. This is just not understandable (interview, NGO SPOK, 2002).

Similarly, environmental activists failed to meet with the head of the republic's Ministry of Natural Resources, another government official with many responsibilities linked to nature protection. About him one of my informants said:

> It is absolutely impossible to reach him or arrange a meeting. He does not talk with representatives of NGOs. It is his principle. He doesn't even say hello. His vice chair is polite and he always says that he cannot solve the problem because he has no power or because he does not have his own personal opinion. So it is impossible to have a normal conversation with them (interview, Greenpeace 2002).

Many environmental activists at the late stage of negotiations saw miscommunications with the Karelian government as a big hindrance to the creation of Kalexva National Park. The local administration in two regions, scientific organizations, the local forest management unit (leskhoz), and industry had agreed to the creation of the park; however, Governor Katanaev did not sign the proposal. This would have been the final step in Karelia towards the park's creation. Attempts to contact the government and find out what was causing the hold-up met with delayed and vague responses. One of our informants said:

> For each letter, according to the rules, they [the Karelian government] have a whole month to respond, so they wait the whole month and then send a letter ... After a month we get responses like, 'yes, we wrote to Katanaev and he will analyze the situation and reply to the government and to you and explain what exactly is going on' ... but nobody does anything. Everybody just has correspondence and nothing is done (interview, SPOK 2002).

In the late stages, Karelian government officials worked together with representatives of science and the environmental movement in a working group on this issue; however, our NGO respondents felt that this cooperation was not genuine. One of the informants explained governmental delays in decision making by saying:

> The decision is not made because their ideology is to measure things in cubic metres. It is real big money and what exactly they can get from the park is unclear (interview, Karelia Scientific Centre 2002).

Local Stakeholders of the Space of Place

On the local level the key stakeholders on the Russian side of the border were local administration, the local forest management unit, the local community, the Kostomuksha natural reserve, scientists from the Karelian Scientific Centre of the
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company and logged. They did not mind the creation of the national park or ceding the land to federal jurisdiction, but they were against having the responsibility of managing the area during the stagnation of the long-term moratorium (interview with director of local forestry unit 2006). Their major frustration was related to the fact that forest companies signed informal agreements with NGOs on moratoriums in the areas of old-growth forest on the territories of their leases using Greenpeace’s maps as common law (interview, forest unit employee 2006). They blamed both NGOs and companies for neglecting governmental agencies in such decisions. They viewed NGO direct actions sceptically and believed that the NGOs were interested in conducting such actions not to save the forests, but because they were receiving money from the West (Interview, director of local forestry unit 2006).

From the very beginning, the Kostomuksha Nature Reserve supported both the preservation of old-growth forests and the creation of new specially protected areas. They provided support for NGOs, for example, by hosting the NGO international conference that took place in 1995. At this conference the goal of preserving old-growth forests was articulated and the Forest Club was formed. The Kostomuksha Nature Reserve also participated in the research conducted in the Kalyevala National Park in order to provide a scientific basis for the creation of the park. The Karelian Scientific Centre of the Russian Academy of Sciences followed up the research done by the Kostomuksha Nature Reserve and supported the establishment of the park in the Kalyevala area.

In the 1990s, logging companies were strongly against establishing new specially protected areas in the border regions in Karelia. These areas with massive old-growth forests became accessible for logging operations after the fall of the Soviet Union; previously the land was part of the military zone along the border. This land became desirable for lease by Russian, Finnish and Swedish firms, but they were faced with a consumer boycott. This case saw virtually no interaction between NGOs and industry beyond the consumer campaigns of the 1990s. All international companies working in the disputed old-growth forests of Karelia abandoned their leased territories. No company, Russian or foreign, would apply to log these forests, and so NGOs had no further business with industrial stakeholders on the local level, except those who had leased the land around the moratorium zone.

In 2005–2006, the logging companies that had leased the land around the Kalyevala Park area completely changed their attitude toward the old-growth forests, taking the path of FSC certification with compulsory preservation of high-value conservation forests, especially old-growth. The big companies, such as Swedwood Karelia (a subsidiary of IKEA) and the Segezha pulp and paper mill made an agreement with the Forest Club on a moratorium on logging of old-growth forests and on buying wood from old-growth forests (Interview, SPOK 2006). These informal agreements between companies and NGOs made the total area removed from commercial use, including Kalyevala National Park, 95,000 ha (the officially designated park on the governmental level is 74,500 ha). Therefore,
the total amount of land now set aside is that originally proposed by environmental NGOs in the early 1990s, although the area was diminished by governmental decree.

Interaction of Stakeholders in Transnational Spaces

In transnational spaces large transnational environmental NGOs with their transboundary networks have tried to stop the Finnish and Swedish logging industry from destroying the old-growth forests and to influence government policy in Russia by forcing the government to establish a new national park. The case demonstrates that their interaction with multinational corporations proved to be more successful than that with Russian governmental agencies. The Taiga Rescue Network (with its major office in Sweden) and Greenpeace were the key actors in transnational spaces that brought the message from the Russian Forest Club to the stakeholders in transnational spaces. They were the key players in organizing the consumer boycott against logging of old-growth forests in Karelia. By encouraging European buyers to boycott products from Russian old-growth forests, Greenpeace effectively eliminated the threat of logging by forcing business actors to change practices. As in most Greenpeace-led campaigns, the media were essential for shaping the issue in transnational spaces. Through the media Greenpeace used the ecological sensitivity and environmental conscience of European buyers, appealing to their values in order to mobilize consumers to participate in a boycott. Values based on discourses in transnational space addressing biodiversity conservation and old-growth forests preservation have been used as an instrument for purposefully escalating the conflict with the aim of social change.

In the beginning, the conflict was barely recognized by business actors in transnational spaces. The logging companies were not aware of the problems involved in their activities. The Finnish and Swedish companies operated legally and their subsidiaries came into the country by invitation of the Karelian government and officially leased the territory. They never expected the conflict to happen. However, after media reports and direct actions, multinational corporations with subsidiaries in Russia reacted relatively fast by establishing a moratorium in the disputed area. Many of the business partners of Russian logging companies in early 2002 asked their Russian suppliers to get FSC certified. This request had a multiplier effect and was directed not only toward companies in Karelia, but many others in Northwest Russia.

The European Union, with its TACIS grant programme, was another important stakeholder of transnational spaces. In the framework of the Convention on Biodiversity Conservation, the European Union established the priorities for the TACIS programme, which channelled money into countries of Eastern Europe and Central Asia. Money for the establishment of protected natural areas along Karelia’s border with Finland came from the TACIS programme in 1999–2001.

TACIS gave the Karelian government 3.5 million dollars to establish two new national parks, one of them Kalevala, and to build a tourist and nature protection infrastructure for the two already in existence. There were many tensions and miscommunications between the actors in transnational spaces and actors from the space of place, especially representatives of the Karelian government, in the framework of this transaction. According to our informant, Karelia has acquired a negative image in the international community from this controversial issue and its handling of it. He said,

In Europe Karelia is a scandal region where no one can agree on anything. They only have conflicts there and scandals (interview SPOK 2002).

The case demonstrates the lack of communication between the TACIS programme and Russian governmental officials and scientists. The lack of communication affected negotiations in Russia and by the end of the grant period none of the planned parks had been designated; only related research had been carried out.

Conclusion and Implications

In the market campaign, NGOs operated bottom up from the space of place to transnational spaces. Accordingly, the Karelia old-growth forest case can be divided into two phases by time: the conflict that resulted from the consumer campaign in transnational spaces took place earlier than the conflict in the space of place. In the escalating stage, the space of place was used only for short direct actions with the aim of getting images delivered to transnational spaces. The acute phase at the peak of the conflict was quite short (1995–1997) compared to the long stagnant conflictive stage in Karelia afterwards. When access to the natural resource was restricted by a moratorium on logging in the Kalevala area, the conflict shifted overwhelmingly to the space of place and continued there for almost a decade (1997–2006).

The information campaign in the transnational space was essential for transforming business practices. In the course of the market campaign, NGOs in transnational spaces used both normative and coercive pressures to foster change in corporate behaviour and to institutionalize the new practice. Without the belief that the ancient forests are of planetary value, it would be not possible to mobilize consumers to boycott the logging companies. Simultaneously, NGOs applied coercive pressures by naming, shaming and blaming the companies that were responsible for destructive activities in the old-growth forest in Karelia, and introduced new values while appealing to consumers at large. Before the NGOs started the campaign there was no international awareness about old-growth forests. This awareness was accelerated when organizations like Greenpeace started their information campaign. By doing so they institutionalized new consumer preferences based on ecological standards and facilitated the future change in companies'
path dependence. It is important to notice that the information campaign took relatively few resources compared to its significant outcomes. Only four NGO representatives in Moscow and one in Karelia were needed to frame and deliver the message to the transnational NGO networks who conducted mobilization in transnational spaces.

Both normative appeals to consumers and coercive pressures on the logging companies resulted in increased transaction costs for the companies in doing business as usual, prompting them to change their practices. Currently all European companies that are involved in wood trade in Russia are aware that there is a possible threat to their image if they buy wood harvested from old-growth forests. They request transparency from Russian companies on the origin of the wood. Many companies in Northwest Russia took the forest certification path in order to gain legitimacy in the European market. In 2006 Russia took the second place worldwide after Canada in the amount of land where forest management is FSC certified.

Maps of the old-growth forests created by the coalition of NGOs were used as a tool for land use decisions and preventive measures. They became an informal law for logging companies, and compliance with this law became a kind of licence to operate in Russia. Companies that leased areas containing old-growth forests made informal agreements with NGOs and established voluntary moratoriums in these areas even though Russian governmental agencies were pushing them to pursue logging (interview, Swedwood, 2006). My case study has demonstrated that the institutional change occurred first in the transnational spaces and later in the space of place. As a result of the campaign the logging companies in Russia were forced to make changes in their operations, as their business network requested them to do so.

As a result, the market campaign to save Karelian old-growth forests had a significant overall impact on the space of place and on forest management in Russia. In the 2000s, logging companies went through profound restructuring. Almost all small logging enterprises became subsidiaries of large multinational holding companies that have a recognized image in the international arena. These large holding companies recognized the risks related to logging of old-growth forests and contributed to the institutionalization of new practices.

For the Republic of Karelia, however, the effect was twofold. On the one hand, on the positive side, there was no negative impact on local communities. This conflict took place in areas which were not heavily populated by local people. Those who were employed by logging companies continued with their jobs in places close by, but where forests were not old growth. On the other hand, the market campaign resulted in long-lasting misunderstandings between regional stakeholders, especially between NGOs and governmental agencies, as there were not any effective procedures for conflict management. This case helped to shed light on the difficulties and complications of bringing global practices of sustainable forest management to Russia. The situation was not recognized by governmental agencies in the beginning as a threat to doing business as usual. NGO influences were not known in Russia, where, in a young and newly established democracy, policy making still maintained a traditionally strong top-down approach. Because of institutional instability and turbulence and endless reforms it was not possible to designate the park until the year 2006. During the period 1997–2006 it was not possible to carry on commercial logging, either, or to build tourist infrastructure; in sum, it was economically unfeasible to keep the territory unused. The local state forest management unit was forced to do maintenance work, such as fire protection, without any economic rewards. Even those financial flows that were coming from the transnational spaces in the form of TACIS grants were not used properly. Instead of implementing the new park in the space of place, the funds were used only to do related scientific research and even the equipment that had been bought for the park was kept frozen. However, these financial flows alleviated the tensions that occurred between the stakeholders in the space of place, getting local governmental agencies to favour the park. What was peculiar in this particular case was that Kalevala Park represented a contested issue not only for Russian stakeholders, but for Finnish stakeholders as well. The participation of Finnish stakeholders in both debates and protests contributed significantly to the successful outcome.

This case demonstrates the asymmetry in the institutional development of stakeholders in transnational spaces and spaces of place. When NGOs operate bottom up and direct their grievances to the actors in transnational spaces, stakeholders in transnational space react in the way NGOs expect them to react. When the transaction costs of doing business as usual are greater than making changes, companies implement changes. Change in business practices then move forward and are implemented in the space of place, in Russia. However, the market campaign in transnational spaces does not target national governments. Governmental agencies continue to operate according to the old path dependence and, even worse, in the situation of institutional turbulence, become a significant barrier to implementing innovative institutional changes.

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Chapter 10

Transformation of Nature Management in Pomorie: Fishing Villages on the Onega Peninsula of the White Sea

Antonina A. Kulyasova and Ivan P. Kulyasov

Introduction

In this chapter we analyze the transformations that have taken place in the nature management institutions of Pomor fishing villages on the Onega Peninsula of the White Sea. We focus on changes in traditional nature management practices, primarily with regard to fishing, as this is the main source of employment in these areas and brings about the development of a certain type of culture. We look at social institutions in the Pomor villages from a historical viewpoint, as well as analysing their current situation.

In order to analyze the institutional forms of organization with regard to fishing in Pomor villages, we apply the theory of path dependence, first formulated in the mid-1980s in the work of Douglass North (North 1990). This theory was then developed in the work of such authors as Klaus Nienol, Bob Jessop and Jerzy Hausner (Hausner, Jessop and Nielsen 1995), and also Oliver Williamson (Williamson 2000).

Through their work, the researchers put forward two approaches: on the one hand, social institutions characteristic of a particular society tend constantly to replicate themselves over the course of the society's development, thereby hindering both their own transformation and the emergence of new institutions.

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2 The historical territory of Pomorie comprises territories of Russian North in the Onega, Dvina, Sukhona, Mezen, Pechora, Kama and Vyatka river basins, which have a specific culture. In our days a smaller territory is more often regarded as Pomorie - the coastal territory of the White Sea and Barents Sea in the Arkhangelsk Region, Karelia Republic and Murmanak Region. The Pomor cultural-ethnic group is identified on the basis of the territory they live in and traditional economic practices such as deep-sea and coastal fishing, seal hunting, river and lake fishing and forest hunting. Fishing still remains the main economic activity of the Pomor people; most of the money they earn comes from fishing.