The Kaliningrad Oblast in the context of EU enlargement

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Last year Kaliningrad became the subject of an international debate involving first of all the European Union, Russia, the USA, and the countries bordering the enclave, Poland and Lithuania. Such keen interest in a small region of less than a million inhabitants was mainly due to the fact that Kaliningrad has found itself in the very centre of two processes which are of paramount importance for Europe: EU and NATO enlargement. If Lithuania becomes a member of those units and Poland joins the EU, this Russian enclave will become an island surrounded on all land borders by a totally different, political, economic and military entity. In the course of the debate many questions were raised about the situation in the Oblast and how it affects neighbouring countries, the real interests and intentions of the parties involved in the debate, and the future of the region.

The authors of this publication are attempting to answer these questions. The first part of this analysis is devoted to presenting the most important internal problems of the enclave, considering their influence on the surrounding world and the consequences of adopting the acquis communautaire in Poland and Lithuania. The second part characterises Moscow’s policies towards Kaliningrad on the one hand, and those of Western countries on the other. Finally, the authors discuss the probable ways in which the situation in the enclave will develop.

1. The Internal situation in the Kaliningrad Oblast and its influence on the surrounding countries

1.1. The political scene

On the regional level, the most powerful authority in Kaliningrad (as in other subjects of the Russian Federation) is the gubernatorial administration. It is responsible for (among other matters) the form and implementation of the budget; it grants licenses for exploitation of natural resources, decides who wins tenders for import quotas, and so on. Thanks to such powers, the region’s main financial resources are channelled to the gubernatorial administration, which in the Russian conditions translates into influence in the internal political scene. The role of the oblast Duma is even less significant than would result from its limited formal powers.
It does not exercise true control over budget expenditure. If necessary, the gubernatorial administration can control all important voting by means of political pressure and bribes (as was readily noticeable after the last regional elections, during the election of the speaker of the local Duma, and while approving the first deputy governor).

The gubernatorial elections in mid-November 2000 brought victory to then Commander of the Baltic Fleet, Vladimir Yegorov, who defeated the region’s previous head Leonid Gorbenko in the run-off. The elections to the local Duma took place at the same time, that brought victory to Yegorov supporters.

The exchange of elites did however have little influence on improving the quality of policy-making in the Oblast. Strong links remain between the authorities and business life in Kaliningrad. The company which enjoys the strongest political influence in the enclave is an oblast branch of the largest Russian oil company, LUKoil. In return for the election support it gave Yegorov, the company got the chance to shape personnel policy within the local authorities (among other decisions LUKoil was a factor in the appointments of the speaker of the local Duma and the first deputy governor). The regional authorities are likewise corrupt, just as they have been for the last few years, and in circles close to the governor there are people with a criminal past who are known to be connected with organised crime.

It should be emphasised, however, that the practise of exercising power over the Kaliningrad Oblast is no different to what is happening in Russia in general. It is peculiar to the enclave that it is a stronghold of the army, which can influence certain decisions taken by the regional administration — with the helping hand of Yegorov and numerous officers connected with the administration and business. At the same time, however, the majority of the officer corps in the enclave and the present commander of the Baltic Fleet, vice admiral Vladimir Valuyev (who took office on April 11th, 2001) seem entirely devoted to Yegorov.

The change in the ruling team has not resulted in any radical improvement in policy-making within the region, but it has in fact brought about some significant changes in relations between the Oblast and Moscow. Although ex-governor Gorbenko tried to avoid entering into open conflict with Moscow, he repeatedly took certain actions in the name of his own narrow interests, which contradicted the federal authorities’ wishes. In contrast to his predecessor, Yegorov on one hand enjoys respect and support in Moscow, and on the other hand is also entirely loyal. This position enables him to efficiently lobby for the interests of the region within federal structures (e.g. Yegorov’s influence manifests itself in the fact that he is, together with German Gref, minister of trade and economic development, the co-author of the government’s programme for the Oblast’s development. For more information on Moscow–Kaliningrad relations, see point 2.1).

The change in elite has brought about much better prospects for developing cooperation between the region and other countries. The new governor is undoubtedly a much more predictable person, and is much more open to international cooperation than his predecessor used to be.

1.2. Economic situation

The last decade witnessed significant change in the character of the region’s economy. Whereas at the beginning of the 1990s goods production (fishing, machine industry, cellulose industry) had played the leading part, making up 56 percent of added value to gross regional product, then in the second half of the decade the services sector (trade, transport, communication) took the lead with a share of 69 percent in gross regional product in 1998. It must be noted that the cause of this trend is not the modernisation of Kaliningrad’s economy, but a drastic fall in industrial and agricultural production in the enclave. The first one dropped by 70 percent in the period 1990 to 1999 (in Russia in general, by 50 percent). The second one in 1999 reached 45 percent of the 1990 level (as opposed to 57 percent in Russia). Negative tendencies are noted also in the extraction of oil (since 1990 it has fallen nearly by 50 percent), which is a principal export good for the region. Although Kaliningrad has the largest amber deposits in the world, amber extraction does not bring too much revenue to the region, because it is for the most part exported illegally. Smuggled amber is so widely available, and its price is so low that this writes off any profitability for legal export of this material.

Negative opinion about this situation cannot be altered by the facts that last year the Oblast recorded a substantial increase in real income of the inhabitants in relation to 1999 (26.8 percent, compared to an average increase in Russia of 12.7 percent), and that inflation over the same period was lower than the nationwide figure (17.5 percent in Kaliningrad, 20.2 percent in Russia). The administration of the former governor can be only partially blamed for this state of affairs. For instance, it took up huge foreign loan but the money was not well spent; consequently the Oblast’s overall debt today amounts to nearly 1.3 billion roubles,
and servicing the debt will involve more than 58 percent of the regional budget in 2001. The bad economic situation is, first and foremost, due to the economic slump throughout the Russian Federation and also to the lack of any plan for regional development on the federal level. Another major factor that affects the enclave’s economy adversely is the region’s separation from its motherland. This fact means an increase in the costs of goods transport between the enclave and the rest of the country, which in turn lowers the profitability of production in Kaliningrad, and adds to the very high prices of goods transported from other regions of the Russian Federation.

In order to solve the problem of high transport costs, a Free Economic Zone was established in the enclave in 1991. Introducing the possibility of duty-free transport of goods to Kaliningrad was supposed to lower the prices of goods imported from abroad, and at the same time it has limited expensive supplies (burdened by transit costs) from other regions of the Russian Federation. However this preferential economic treatment, granted by a directive issued by the Council of Ministers and then confirmed by a presidential decree, was eliminated step by step. In this case, the only way to regain preferential customs treatment was to push an appropriate law through parliament. The Act on the Special Economic Zone, which is still binding, was signed by the president in 1996. By virtue of this act the Oblast was granted the right to import raw materials and semi-finished articles from outside the Russian Federation without customs duties and border taxes. If a product is processed in the Oblast to such an extent that it can be regarded as ‘made in Kaliningrad’ (30 or 15 percent depending on the product’s category), it can then be transported, duty-free, to other regions of Russia. It is worth mentioning that the act does not provide for any special tax breaks in the Oblast’s territory, apart from those applied in the rest of Russia.

The existence of the SEZ has not ensured the enclave any great interest from foreign investors. This is demonstrated by the relatively small level of foreign investment in the Oblast: US$16 million in 1995, US$23 million in 1996, US$11 million in 1997, US$39 million in 1998, US$18 million in 1999 and US$19 million in 2000. Among the largest investments in the Oblast, the construction of the „Kaliningradskii Delikates” enterprise is worthy of mention; it processes meat imported from Lithuania; construction of a factory that produces car parts from imported components (from the Czech firm Brisk) and an assembly plant for KIA and BMW cars.

The Special Economic Zone has not however led to the expected economic breakthrough in the region as exhibited by adrop in foreign trade turnover over the last few years. Exports from the Oblast amounted to US$425.7 million in 1997, US$312 million in 1998 and US$285.7 million in 1999; imports to the Oblast reached US$1.3 billion in 1997, US$1.1 billion in 1998 and US$761 million in 1999. The positive effects of setting up the SEZ are seriously limited by the lack of a law on private ownership of land, weaknesses in the banking system, and most of all by the unstable legal situation. Furthermore, the SEZ’s present structure has been heavily criticised by federal officials for being conducive to duty-free transport of goods to Russia (which means that the State Treasury loses out), and not giving a stimulus to high-quality production for export.

A strong barrier to the development of both the free economic zone and the Kaliningrad economy as a whole is corruption among state officials and frequent financial abuses.

Another considerable problem that limits the chances for development in the Kaliningrad Oblast is the poor condition of the road infrastructure in the enclave itself and the lack of well-developed transport connections with neighbouring countries. There have been proposals to develop international connections, but they do not seem to be very rational. In its report „The European Union and Kaliningrad”, published 17 January this year, the European Commission recommended that the following steps should be considered: extending the Tallinn–Riga–Kaliningrad road (the Via Hanseatica) by a section to Gdańsk, and constructing a branch of the Helsinki–Tallinn–Riga–Kaunas–Warsaw route (the Via Baltica) to Kaliningrad (for more information on the EC Communication see point 2.2). In Moscow, in turn, a project is being considered to introduce a sea link between Petersburg and Kaliningrad, which would lower the present costs of personnel and goods transit through the Baltic States. This would also facilitate communication with the enclave after Lithuania and Latvia’s introduction of visas for Russians. The anticipated traffic flow on the new sections will not, however, balance the costs incurred. We should take into consideration the fact that other regions in Russia export their goods to the West through the Baltic ports on one hand, and through the territory of Belarus and Ukraine on the other. So, from the perspective of central Russia, Kaliningrad has lost its transit significance for many years. The visa regime that will be introduced in the near future on Kaliningrad’s borders with Poland and Lithuania will make the region even less attractive for foreign hauliers as well, who will undoubtedly choose routes going through the open Polish-Lithuanian border.
Regarding energy supply, the consequences of Lithuania’s integration into the EU may well be noticeable in Kaliningrad. Lithuania is currently considering two plans for getting connected to the European power engineering system: by frequency converter stations on the border with Poland (in that case Lithuania would keep the present voltage parameters in the network, which are identical to those in Russia), or by means of switching over the whole power engineering network to western European voltage. Adopting the latter solution will mean that electricity can no longer flow to Kaliningrad from other regions of Russia (presently its main suppliers are power engineering plants in the Leningrad and Voronezh Oblasts) via the Lithuanian network (as of now up to 90 percent of electricity used in the enclave flows through Lithuanian territory).

1.3. Social situation

The poor economic situation is largely responsible for numerous social problems in the enclave. Last year the average monthly income per capita in the enclave amounted to 2200 roubles (US$78), whereas at the same time the cost of a basket of basic foodstuffs amounted to around 770 roubles (the nationwide average in Russia was 752 roubles). Average income in the enclave is thus not only several times lower than in Lithuania (US$268), or in Poland (US$437), but is even lower than the average income in Russia (2508 roubles, currently US$88). Besides, there is a huge differentiation in the financial situation of the people throughout the Oblast. More than half of the population live in the capital, where wages are the highest; at the end of last year they reached 3000-3500 roubles per month. At the same time, wages in the rest of the enclave, which is suffering from the decline in industry and a crisis in agriculture, do not exceed 900 roubles (in cities) or even 600 roubles (in rural areas). It is, however, difficult to assess the real situation of the Kaliningrad community because almost every inhabitant of the region benefits from unofficial and, of course, untaxed, business activity. For many of them, particularly outside the centre, non-licensed amber extraction, or minor smuggling of alcohol, cigarettes and petrol through the border is often the only livelihood.

The poor financial situation among most of the enclave’s residents, and the permanent under-financing of the national health service are also the reasons for low health immunity in the region. In this context it is very difficult to stop such diseases as tuberculosis or influenza, which also affect population in Ukraine, Belarus and Lithuania, from spreading further into the Russian enclave. In the Kaliningrad community of less than a million people, as many as 3788 cases of HIV have already been detected, which is bound to evoke grave fears when compared to the data on the situation in Poland (7000 cases from 38 millions inhabitants). The lack of development prospects and job opportunities for young people also contributes to the widespread problem of drug addiction.

The bad social situation in the region is not only an internal problem of the enclave but also a threat to the neighbouring countries. From the Polish or Lithuanian perspectives, the most serious problem is the organised crime flourishing in Kaliningrad.

One of the main sources of profit in criminal circles is extortion from local and foreign businessmen operating in the Oblast; organised criminal activity also deals with prostitution and smuggling. The differences between Kaliningrad and the neighbouring countries in the prices of goods and services encourage people to take advantage of the situation and make handsome profits. The most frequently smuggled goods are alcohol and cigarettes, and also to a lesser extent fuel (in 2000 the value of these goods smuggled from the enclave to Poland was estimated at around US$200 million). Kaliningrad also illegally exports arms and drugs, but it is difficult to determine the scale of this activity.

1.4. Transit and cross-border traffic

In the context of the Oblast’s sparse population, passenger traffic on the Kaliningrad border is relatively heavy. In 2000 the border of the enclave was crossed 8.5 millions times in passenger traffic; 3.6 millions crossings on the Lithuanian side and 4.4 millions on the Polish side. (The remaining 0.5 millions crossings are accounted for by people travelling by plane).

These high rates of border crossing mainly result from what is called ‘ant trade’, that is, the phenomenon of repeated carrying of relatively small amounts of goods by the same persons in order to sell them for a profit on the other side of the border. It is estimated that around 90 percent of crossings on the Polish-Kaliningrad border are related to such business, and the same goes for 80 percent of crossings on the Lithuanian-Kaliningrad border. Some crossings on the enclave’s border with Lithuania concern people who are travelling via Belarus and Lithuania from and to other regions of the Russian Federation. Because of poor plane links between the enclave and the rest of the country (there are around a dozen flights a month, but there is no knowing whether
the number of flights will not be limited or even eliminated altogether, due to wear and tear on the fleet), the main means of transport for Russian citizens going to and coming back from Kaliningrad is by train.

There is also fairly heavy goods traffic on the enclave’s border. Due to its small area and low industrial potential, Kaliningrad is dependent both upon goods imported from abroad and goods transported from other regions of Russia. The highest trade turnover in Kaliningrad Oblast is recorded with Germany (US$343.7 millions in 1999, of which US$134 millions comes from import from Germany). Next comes Poland (US$209.6 millions in 1999, including US$114.3 millions from import from Poland), then Lithuania (US$75m in 1999, including US$65m from import from Lithuania)
. These countries mainly provide food-stuffs and processed manufactured goods. The enclave, in turn, mainly exports raw materials, including oil and cellulose. Most goods come to the enclave from other regions of Russia via Lithuania and Belarus (around 5 millions tonnes of goods reach Kaliningrad this way annually)
. Also, between 80 and 100 percent of electric current and raw materials for the power engineering reach the Oblast via Lithuania, Belarus and Latvia
. Military transport constitutes one particular type of transit. Soldiers and supplies for the Russian units stationed in the enclave are transported across the Lithuanian-Kaliningrad border. What the transports contain and the way the content is transported is governed by detailed Lithuanian regulations.

Poland and Lithuania’s accession to the European Union will oblige them to introduce visas on the border with the Kaliningrad Oblast, which will have a significant influence on cross-border traffic, and consequently on the situation in the enclave’s border areas as well. The structure of passenger border traffic presented at the beginning of this section clearly shows that introducing visas will mainly hit the minor smugglers. Limiting the ‘ant trade’ will undoubtedly deprive some inhabitants in the enclave itself and in the Polish and Lithuania border areas of their income. Eliminating minor smuggling will also probably result in a significant drop in the production of alcohol and cigarettes in the enclave (it is estimated that the amount of alcohol produced for export is exactly the same as the amount that is consumed annually by the inhabitants of Kaliningrad), and this will in turn result in a drop in the Oblast’s budget revenues from excise duty. It seems, however, that only a small number of people may directly suffer from elimination of the ‘ant trade’. The total number of people who live off such trading on both sides of the Polish-Kaliningrad border is estimated at around 15 000
, so even after we add their families, agents and producers of smuggled goods to the total, this is still not a significant figure.

Limitations to cross-border traffic, moreover, may make trade between the enclave and neighbouring countries plus other regions of Russia difficult. From the Polish and Lithuanian perspectives, once the visa requirement is introduced, a drop in trade turnover with the Kaliningrad Oblast will not be of much importance. Trade turnover with the enclave only amounts to 0.3 percent of Polish trade exchange
, and 2 percent of Lithuanian trade exchange
. We may also see some positive after-effects of the Schengen accord, such as the limiting of illegal imports of alcohol, cigarettes, fuel, drugs and arms to Poland. Visas may also make people from the border areas look for more civilised ways of earning their living. Besides, the disappearance of the ‘ants’ from border checkpoints will facilitate trade operations for large enterprises, because waiting time at the border will become shorter. We should also bear in mind that anormalisation of the situation on our eastern border may accelerate our accession to the Schengen area.

1.5. The Kaliningrad enclave’s military potential

The armed forces in the Kaliningrad Oblast, which since the beginning of the 1990s has been generally acknowledged as the most militarised area in Europe, have undergone fundamental reorganization. The Baltic Fleet (which is composed of all units stationed in the Oblast) is currently one of the best regarded organisational and training operation units of the Russian army. It has remained probably the only structure in the Russian Federation’s Armed Forces of this level which has adapted to Russia’s new economic and geopolitical situation. To a great degree, the Baltic Fleet owes its current shape to its long-time (1991–2000) commander, and current regional governor, Vladimir Yegorov. The force’s potential has been maintained at a comparable level for several years, and will probably not undergo any substantial change over the next few years, though further reductions have been announced. These must however be linked with the liquidation of so-called ‘empty positions’ (in the military hierarchy), which is currently being conducted in the Russian army under the banner of reform. In Admiral Yegorov’s opinion, Russia

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is not interested in building up its armed forces in the region ‘from either an economic or a military point of view.’

All military units of the Russian Armed Forces stationed in the Kaliningrad Oblast in operational terms create the Baltic Fleet and are subordinated directly to its commander, who is at the same time the commander of the Kaliningrad Special Defence District. The commander of the Baltic Fleet is directly subordinated to the chief of staff of the Russian Armed Forces and to the minister of defence (at last, if the Navy is concerned – to its commander). This situation puts the commander of the Baltic Fleet in a privileged position towards the commanders of other military districts and fleets. It is an unique case in the Russian army.

The military structures of the Kaliningrad Oblast are organisationally divided into navy and air units of the Baltic Fleet, land forces, marine infantry and the coastal defence of the Land and Coastal Headquarters of the Forces of the Baltic Fleet. The command centre is found in Kaliningrad. During the reforms conducted in 1997–8 most administrative structures were liquidated, and land units reduced by about 40 percent. Since then the potential of Baltic Fleet has been maintained at a relatively stable level. The general manpower of the Russian Federation’s Armed Forces in the Kaliningrad region does not exceed 25000 officers and soldiers.

The navy and air units of the Baltic Fleet are a small group (the Fleet has been de facto reduced to the dimensions of a flotilla, but the name has been retained for reasons of prestige), but a group which still possesses exceptional tactical value. The Fleet’s core is made up of missile crafts, corvettes and mine countermeasures. Principal surface combatants and submarines are used above all as dummy targets in exercises. The ships are relatively new; around 70 percent of them have been in service for less than 15 years. The situation in the Fleet’s air force is similar; the aeroplanes and helicopters are relatively modern and are to remain in service until 2010. The marine component of the Baltic Fleet, after changes in the second half of the 1990s, is defensive by nature; the idea of making a strike at the Danish straits was given up at the same time as most of the large ships were withdrawn. The exercises which have been conducted allow us to suppose that in case of possible conflict the Fleet will aim to paralyse all navigation in the Baltic.

The Baltic Fleet land units are either incompletely manned or cadre. The land forces cannot thus undertake any activity without being supplemented by conscription. From observations of the ‘West-99’ exercises, the conclusion can be drawn that in case of possible conflict its task will be to link up with forces in Belarus. In the years 1999–2000, mechanised and marine infantry units from the Oblast participated interchangeably in action in Chechnya. Land units in the Kaliningrad Oblast have neither material nor a technical base, and are dependent on external supply.

It is suspected that tactical nuclear weaponry is located in Kaliningrad. This possibility was brought to light in January 2001 by media in the US (including The Washington Times). This information was based on a report of US military intelligence. Moscow categorically denied all reports of the deployment of such weapons; the Russian Ministry of Defence and the Command of the Baltic Fleet also issued appropriate statements. It should be highlighted that Russia is not bound by any formal agreement which would prohibit the deployment of nuclear weapons in the Kaliningrad enclave. At the same time, however, the Russian side unilaterally declared its will to create a non-nuclear zone in the Baltic region.

An analysis of unit relocation in the Kaliningrad Oblast starting from the 1960s, and of changes from the first half of the 1990s, indicates that tactical nuclear weapons may have been there the whole time, irrespective of the information from January 2001 — they were most probably never withdrawn from the enclave to begin with. The possible relocation of new tactical nuclear weapons does not, however, pose any great technical problems.

1.6. Environmental pollution

Regarding ecology, the situation in Kaliningrad is very bad. Most pollution, however, generated by the Kaliningrad Oblast afflicts the enclave itself, and does not pose any danger for neighbouring countries. This pollution results from the presence of troops in the region, and the open-cast extraction of amber, peat and brown coal. The decline of Kaliningrad’s industry means, however, that the industry does not play a major role as an source of pollution. It is difficult to evaluate the ecological consequences of the alleged deployment (either now or in the past) of the nuclear and chemical weapons.

The most serious ecological threat — which does not stop at the Oblast border — is linked with sewage discharge into the sea. This afflicts all the countries of the Baltic Sea basin, to lesser (Scandinavia) or greater extent (Poland). After Petersburg, Kaliningrad is the second biggest sea polluter from among the Baltic cities. The city discharges 400 000 tonnes of sewage water into the sea annually, most of which remains in the Vistula Lagoon.
2. The policies of Moscow and Western states towards the Kaliningrad Oblast

2.1. Moscow–Kaliningrad relations

Kaliningrad’s individual geographical situation means that special legal, economic and political solutions, different from those in force in other territories of the Russian Federation, must be introduced here for it to develop. These include such measures as adapting the region’s legislation to the EU’s standards, introducing customs and tax reductions, individual visa regimes and so on. Most such decisions are within the gift of the Russian federal authorities. Until recently, Moscow did not pay sufficient attention to problem of its westernmost region; nor did it have any clear vision for that region’s development. In the past some senior central officials quite plainly exploited the Kaliningrad enclave (against its own interests) as a political pawn against the West; in 1995, for example, when faced with the declaration of Poland’s acceptance into NATO, the location nuclear arms in the Oblast was threatened. However, some very important changes have taken place in Moscow-Kaliningrad relations during the last six months. These were caused above all by two factors; firstly, after the regional government elections in November, a group took charge who were supported by the Kremlin and also loyal to it (see point 1.1). Kaliningrad’s new governor is such an influential person in Moscow that he is able to implement joint federal initiatives for the Oblast. If Moscow succeeds in devising any kind of concrete programme, it can be certain that the Kaliningrad government will not only not sabotage it, but will do all it can to bring such measures about. Secondly, a distinct increase in activities by the European Union towards the enclave has been observed for some time. One expression of this activity is the report entitled ‘The European Union and Kaliningrad’, published by the European Commission on 17 January this year (more about this report in point 2.2).

The change of leadership in the enclave, and also the EU’s growing interest in Kaliningrad, have inclined Russia to intensify its activities towards this region. Above all, Russia has defined its interests regarding Kaliningrad in respect to the on-going process of European integration. At a meeting on 8 March with EU representatives in Stockholm, the head of the Russian ministry of foreign affairs Igor Ivanov asked for Kaliningrad’s interests to be taken into consideration during the expansion of the EU. To this end, in his opinion, a special agreement should be signed with the EU which would (among other things) guarantee freedom of movement for goods and people between the enclave and the rest of the country, favourable conditions for co-operation in the border area, the maintenance of current fishing quotas for Kaliningrad fishermen, energy supply via other countries’ territory, the enclave’s inclusion into EU aid programmes, and so on. During the above-mentioned visit, Ivanov also criticised any attempts at conducting international policy with the ‘omission’ of the federal centre’s involvement. It seems that this latter remark was provoked by the recent revival of direct relations between Kaliningrad and Vilnius. Moscow's antipathy was also aroused by the visit of EU representatives to Kaliningrad on 15 February this year; the Russians finally succeeded in extorting an unofficial character of their stay in the enclave.

Considerably more severe Russian opinions were expressed in the document Moscow sent in mid-2001 to Brussels and Vilnius, according to information given by the Lithuanian media and confirmed by the Lithuanian minister for foreign affairs. This document has not so far been officially published. Russia apparently demands the maintenance of visa-free movement after Lithuanian accession to the EU. They also demand that rail transit through Lithuania, Latvia and Estonia take place without border checks, and also that Russian planes be given permission to use the Lithuanian air corridor and land at Lithuanian airports.

Along with attempts to define and publicise Russian expectations regarding the Kaliningrad Oblast, Moscow has taken up work on creating a complex strategy for solving the enclave’s problems. Such a programme was put forward by governor Yegorov and the minister for trade and economic development German Gref at a session of the Russian Federation government on 22 March this year. In this statement, they proposed a transformation of the Oblast’s economy from a net import basis, based on duty-free import of raw materials and semi-manufactured articles, to a production export basis. According to this idea, Russian (and especially Western) investors should produce high-quality goods cheaply in the enclave, which would then be sold on in Western Europe. In these authors’ opinion, to attract capital to the region all the Special Economic Zone regulations from 1996 must be introduced (currently only 4 out of 21 are in operation). These should be supplemented by clear instructions for conducting economic, investment and banking activity. One suggestion was to simplify the procedures for certifying planning and registration of businesses and organisations (the so-called ‘one-window’ principle).
The plan’s authors indicate the necessity to limit the number and duration of state controls on business, of building a second line of gas pipeline, power plant and so on. The introduction of this proposed project, however, seems improbable, for reasons including a lack of funding and lack of determination on the part of local and federal government elites. But even if this plan is realised, it will not happen quickly, since the concept has not so far won formal acceptance from cabinet, and the decisions taken at the government session are of a merely introductory nature.

A solution to the Kaliningrad problem is undoubtedly important for the Russian government. The apparent growth of Moscow’s interest in the enclave over recent months seems however to be only partially caused by any desire to improve the situation there. It cannot be ruled out that Kaliningrad is just being used by Moscow as an excuse for continuing dialogue with the EU, and for initiating solutions in this way which are both convenient for Russia and which could be accepted within the process of European integration (for example regarding visas, trade exchange and so on). In this context the Kremlin’s actions concerning Kaliningrad must be seen as being partially subordinated to more general goals of Russian foreign policy.

2.2. Policy of Western countries towards the enclave

The policy of Western countries has an important influence on the Kaliningrad Oblast’s internal situation, and this influence will probably continue to grow. Poland and Lithuania, joining the EU, and Baltic states joining NATO, will turn Kaliningrad into an island surrounded by a political, economic and military entity entirely different from the Russian one. The policy of Brussels and of candidate states is dictated by fear that this difference may become a source of danger. The EU is also treating the talks on Kaliningrad as an opportunity to exchange opinions with Russia on many questions connected with the integration process.

Until recently, the impression could have been gained that the EU is more interested in Kaliningrad’s development than Russia is. This happened especially during Finland’s presidency (in the second half of 1999). Finland promoted the idea of the ‘Northern Dimension’, which served (and still serves) to draw European countries’ attention to questions of social, economic, transport and security problems in the north-eastern part of the continent. However, so far it has only managed to co-ordinate the activities of individual governments in the above-mentioned area to a small degree, and has not created any process for financing any possible programmes at all. Sweden’s presidency of the EU in the first half of 2001 also led to agrowth in Brussels’ interest in the Kaliningrad Oblast. On 17 January this year the European Commission’s communication „The European Union and Kaliningrad” was published. At a political level, this had the aim of presenting Brussels’ good will to solve the Russian enclave’s problems and persuading Russia to take a positive outlook on the process of accepting new members into the EU. Meanwhile in its essence the communication describes all Kaliningrad’s basic problems, and presents suggestions for their partial or total elimination. This therefore includes discussions on questions of tariffs, visas, transit via Lithuania (including energy supplies), the construction of transport corridors, environmental pollution and so on. The document’s tone is unusually friendly towards Russia, and demonstrates the Union’s positive attitude to finding specific solutions for the enclave (such as those regarding visa questions, though in the report there is no concrete plan for dealing with it).

On the other hand, however, the European Commission clearly stated that it will not agree to any special associate status, economic union or visa-free regime for the region. The report’s authors also dismissed any suggestion of starting an individual Union fund for the enclave.

It seems that Brussels’ attitude is dictated by a desire not to set precedents or negotiate overly favourable arrangements with states (and especially provinces of states) which are not — and will not, in the foreseeable future, become — EU members. In this situation it cannot be expected that the fifteen member states will agree to sign any individual agreement with Moscow concerning the enclave (see point 2.1), the basis for any Russia-EU undertakings will rather be formed by the „Partnership and Co-operation Accord”[12]. Meanwhile, governments of individual EU members conduct their own projects with Kaliningrad. Most involved in helping the enclave are Denmark (which over the last ten years has assigned over EUR 10 millions to aid projects), Sweden (EUR 4 millions), and Germany (over EUR 1 million). Projects financed by these states include modernising the water and waste water management in Kaliningrad, building houses for officers returning to the reserves etc. [14]; however they have not included the most important problems from the enclave’s point of view, namely the modernisation of transport and industrial infrastructures.
The Kaliningrad Oblast does not only enter into international discussion in the context of the European integration process. Recently several incidents have taken place when the area was exploited in contentions which have nothing to do with either its own situation or EU expansion. One example may be the article published in February this year in the London Sunday Telegraph\(^4\), which concerned German chancellor Gerhard Schroeder’s supposed agreement with President Vladimir Putin on reducing Russian debts in exchange for awarding German companies specific licences to do business in Kaliningrad, which would include giving them ownership of state firms. Such an accord seems entirely impossible, considering the basic foreign policy assumptions of both Russia (including the integrity of the state, of which the case of the Kuril Islands is the most glaringly obvious) and Germany (which is aware that any inclinations to domination, even if only economic in nature, in the former East Prussia would be a breach of the post-war order, and would bring forth strongly negative reaction from both other Western countries and the USA).

In this context, the Sunday Telegraph article must be seen as a conscious manipulation of concealed political forces on the ‘old continent’, which is aimed at disrupting the good intentions and reliability of Berlin’s policy towards Moscow, and at the same time at suspending any rapprochement between these two capitals. Such a manipulation is undoubtedly in the interests of both France and England, who wish to prevent Germany and Russia from becoming excessively close.

3. Conclusion; attempts at prediction

The analysis of Kaliningrad’s internal and international situation as presented above leads us to describe two hypothetical scenarios for the development of future events:

1. Kaliningrad as a European advance post in Russia – the enclave achieves a certain autonomy from Moscow, and enters into close co-operation with its neighbours and the European Union. Legal and economic solutions are gradually introduced there which are close to those existing in surrounding countries. The enclave’s internal situation gradually improves.

2. Kaliningrad as an underdeveloped island – the region is treated by Moscow similarly to the rest of the Russian regions; its opportunities to act independently are very limited, and as a consequence the socio-economic distance between the enclave and its neighbours grows, which leads to deepening isolation. The enclave’s economic situation is worse than that in the majority of the Russian Federation.

At the present moment, neither of the current scenarios can yet be ruled out. However, a range of factors indicate that pessimistic turn of events seems to be significantly more likely. Events in the region during the past decade are in favour of the second scenario described: an above-average fall in living standards (in comparison to other regions of the Russian Federation), together with a growth in social problems, indicates that Kaliningrad has lost much more by its division from the rest of country than it has been able to benefit from its closeness to Western Europe. The initiatives taken so far which were aimed at breaking the region’s isolation (above all the introduction of Free Economic Zone and then the Special Economic Zone) did not bring the expected result. This is demonstrated e.g. by the fall in recent years of indicators of trade turnover between the Russian enclave and other countries.

The opportunity to change Kaliningrad’s critical situation lies above all in Moscow’s hands. Until recently the federal authorities did not display any great interest in the enclave, and the activities it undertook were partial and inconsistent. Despite recently visible growth in Moscow’s interest in Kaliningrad, it seems unlikely in the long term that the Kremlin will agree to any meaningful legal autonomy for this province (currently tendencies to the unification of legislation predominate in Russia). However, even if the Kremlin devises a coherent strategy for Kaliningrad, and decides to allow the introduction of solutions concerning the region’s specific needs, the undemocratic and non-market processes of political and economic life in the Oblast will remain a barrier to its strengthening economic and political cooperation with neighbouring states and the EU. These processes include pervasive corruption, the authorities’ links with criminal structures, non-compliance with the law, and inefficiency at the judiciary level (the courts are corrupt and de facto dependent on executive authority). It is hard to imagine that in a situation where such processes are the norm throughout the whole country, they could be eliminated in just one of its regions.

The rather unfavourable outlook confronting the region at this time may be somewhat eased by international aid (especially from the EU). Such support will not change the vastly different situation in the enclave, but it may however significantly ease certain negative economic, ecological or social phenomena. One factor...
which may facilitate collaboration between the region and the Union may be the enclave’s new governor, who in contrast to his predecessor is open to any international contacts. Wiping out the negative processes in Kaliningrad is not only in the Oblast’s own interests, but also those of the Union itself. This is because the growing distance between this region and the countries which surround it is linked with the growth in the threat which the enclave poses for its neighbours (mainly as a result of its spreading social problems). It must however be stated that with regard to the enclave’s small size, even these increasing threats will have a rather small significance.

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6. “Kaliningrad byl, est’ i budet rossiyskim”, interview with V. Yegorov, Nezavisimaya gazeta, 20 March 01.
9. „Rossiyskiy statisticheskiy ezhegodnik”, p. 555. The jump in investment in 1998 was caused by the construction of aBMW assembly plant in Kaliningrad.
10. Data from the Trade Consulate of the Republic of Poland in Kaliningrad.
12. „Rossiyskiy statisticheskiy ezhegodnik”, p. 579.
17. Data from the Ministry of Economy of the Republic of Poland: www.mg.gov.pl
18. “Earning Power…”
20. A. Zaytsev, „Desant obladministratsii v Pravdinske”, Kaliningradskaya Pravda, 28 February 01.
23. „523 ofiary AIDS w Polsce”, Rzeczpospolita, 22 May 01.
24. Estimates of General Consulate of the Republic of Poland in Kaliningrad (figure according to Polish prices).
25. Data from the General Consulate of the Republic of Poland in Kaliningrad.
26. Data from the General Consulate of the Republic of Poland in Kaliningrad.
27. According to the estimates of the General Consulate of the Republic of Poland in Kaliningrad.
Y. Manevskaya, „Granitsa kak seysmograf”, Kaliningradskaya Pravda, 24 February 01.

The Trade Consulate of the Republic of Poland in Kaliningrad, P. Joenniemi and others, „Impact assessment of Lithuania’s integration into the EU on relations between Lithuania and the Kaliningrad Oblast of Russian Federation”, Institute of International Relations and Political Science, Vilnius, October 2000. A significant role in German-Kaliningrad relations was played by investment in a BMW assembly plant.

Data from the Ministry of Transport of the Republic of Lithuania.

A. Khlopeckii, op. cit., p. 32.

Calculation made by the General Consulate of the Republic of Poland in Kaliningrad.


Data from the Customs Department in the Ministry of Finance of the Republic of Lithuania.


For more on possible location of nuclear weaponry in the region, see: M. Menkiszak, A. Wilk, „Taktyczna broń jądrowa w Kaliningradzie”, CES Materials, 9 January 01, www.osw.waw.pl.


M. Menkiszak, „Trudne sąsiedztwo: problematyka bezpieczeństwa w stosunkach Polski z ZSRR i Rosją 1989–2000”, Warszawa 2000 (photocopy); it must be noted parenthetically that similar votes could provoke Lithuania’s integration with NATO in the not too distant future.


See among other the Russian Federation’s minister of foreign affairs Igor Ivanov’s speech in Kaliningrad, on 8 March 01: www.strana.ru/print/984748597.html.


As Chris Patten mentioned during his February visit to Russia, Baltic News Service, 15 February 01.

„The European Union and Kaliningrad”, Annex III.

During the EU-Russia summit in Paris (30 October 2000), the parties also declared a joint financing of a plan to modernise border crossings.

„Germany in secret talks with Russia to take back Kaliningrad”, Sunday Telegraph, 21 February 01.
The Baltic Region

Kaliningrad region’s border crossings

1 – Gronowo, 2 – Bezledy, 3 – Goldap, 4 – Ramoniskiai, 5 – Kybertai, 6 – Panemune, 7 – Nida