

## **Enclave To Exclave: Kaliningrad Between Russia And The European Union**

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The Kaliningrad region compels questions that neither Russia nor the European Union are ready to answer. Russian territory located outside of Russia's contiguous borders, Kaliningrad's unique geographic status stretches both the physical dimensions and conceptual cohesion of the European Union and Russia. When the surrounding countries Lithuania and Poland become EU members, probably in 2004, the 15,100-sq-km region will become a Russian exclave in "Schengenland." The most immediate problem for the territory will be the impact of the border controls, visa regime, and customs agreements that new EU members must enact under the Schengen Agreement.<sup>1</sup> Currently free of visa requirements, Kaliningraders would need Schengen visas for overland transit across Lithuania and Poland in the expanded EU. In addition to isolating with a paper wall the 1.3 million Kaliningrad residents from their own country of citizenship, restrictions on the movements of goods and people would damage Kaliningrad's weak economy, which is propped by small-scale cross-border smuggling and legal trade,<sup>2</sup> and potentially substitute a cordon sanitaire for active solutions to the region's problems.

Russian Deputy Foreign Minister Ivan Ivanov singled out the four main problems of the Kaliningrad territory at a 7 March 2002 meeting with European Commission officials and Polish and Lithuanian government leaders: visas, transit, energy, and fish.<sup>3</sup> He noted that agreements with neighboring countries over fishery quotas address the fish issue; energy supply will be guaranteed by construction of a power-generating station in Kaliningrad as part of a Russian federal program in 2005. Russian Prime Minister Mikhail Kasyanov stated at the meeting that transit is a more difficult question, however, as Poland and Lithuania may impose any transit tariffs independently;<sup>4</sup> additionally, Kasyanov stated, "We would prefer that there was no visa regime for the region."<sup>5</sup>

To the extent that Kaliningrad is not the sum of visas, train tracks, electrical lines, and fish alone, however, the prevailing, shared conceptions of Kaliningrad's space also will shape the outcomes of the upcoming EU--Russia summit in May 2002. From the EU's vantage, Kaliningrad either exists effectively outside of the Union, presenting just another external border and accommodated by existing EU programs and agreements; or, Kaliningrad is a singular case that requires flexible EU policy responses to an exclave in EU space. The Kremlin, however, by asserting the singularity of Kaliningrad and attempting to force unique EU accommodations,

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<sup>1</sup> The Treaty of Amsterdam, which went into effect in 1999, requires EU candidates to adopt the Schengen Agreement, detailed at Justice and Home Affairs Web site <europa.eu.int/scadplus/leg/en/lvb/l33020.htm>. The Schengen Agreement aims at the eventual goal of having a common visa space throughout the European Union.

<sup>2</sup> Kaliningrad citizens travel visa-free to neighboring states and import goods duty-free, for subsequent resale in Russia.

<sup>3</sup> "Kasyanov promises to run the blockade," *Izvestia Press Digest*, 7 March 2002.

<sup>4</sup> *Ibid.*

<sup>5</sup> "Russia and EU Squabble Over Kaliningrad Visas," *Moscow Times*, 7 March 2002, p. 3.

implicitly grants to the territory a degree of regional autonomy and exclusivity that Putin's policies otherwise actively discourage in Russian Federation center-periphery relations. Mired in an alarming array of problems---high unemployment, extensive organized crime, declining public health, pollution, and spavined infrastructure---Kaliningrad may excel only in the export of instability. The surrounding states, the overall European Union, and Russia cannot afford to seal the territory in "hard" Schengen borders, obstructing residents from regional integration and possible prosperity and impeding existing cross-border economic, ethnic, and cultural ties. Accordingly, the outcome for Kaliningrad depends on two propositions for the European Union and Russia each: isolate or integrate.

As a part of (East) Prussia, the Kaliningrad region was German territory for 700 years until the Soviet conquest in 1945, when all the remaining Germans left or were deported. A Soviet mix of peoples from Russia, Ukraine, and Belarus replaced the former residents. The territory became a Russian oblast in 1946, whereupon all place names were russified, German buildings such as the royal castle in the city of Kaliningrad were destroyed, and a Soviet cityscape emerged.<sup>6</sup> The city of Kaliningrad became subsequently a closed military installation; military affairs and security dominated the region's identity, the most westward of Soviet territory. The post-Soviet era brought the role of free-trade zone to the region. Neither the European Union nor Russia has been eager to address Kaliningrad's status once EU accession brings Lithuania and Poland into the Union, however. The European Union hopes to avoid complicated Russian center--periphery politics in determining policy for Kaliningrad, and prefers to play as nation-state in dealing with Moscow under the existing framework of EU-Russia agreements, which are timid on Kaliningrad's status. The Kremlin appears to have never formulated a clear policy for the region.

The approach of EU membership for Lithuania and Poland forces the issue of Kaliningrad upon politicians and policymakers, turning their eyes to the previously politely ignored elephant in the room. Poland and Lithuania must impose entry visas for persons traveling across their territories from 1 January 2003, and for all Kaliningrad citizens from 1 July 2003.<sup>7</sup> Accordingly, Kaliningrad's status confronts Russian and EU officials with a number of challenges regarding border policy, regional integration, and the emerging shape of Russian-EU relations. Kaliningrad, a fragment of history and splinter from various empires, and formerly frozen in Cold War isolation, has emerged thus as a territory, space, and discourse defining Russia's impending collision with an expanding European Union.

### ***I. Kremlin Conceptions***

When a Kremlin official rides a sealed train into Kaliningrad, where exactly is the bureaucrat going? The Kremlin has conceptualized Kaliningrad variously, and to different lasting legacy and effect: Cold War military fortress; post-Soviet peripheral region of ambiguous historical possession, subject to secessionist tendencies or annexation; and free-trade zone from

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<sup>6</sup> For Kaliningrad photos see <[www.galen-frysinger.org/kaliningrad.htm](http://www.galen-frysinger.org/kaliningrad.htm)> or <[www.das-fotoarchiv.com/angebote/kaliningrad/index1.htm](http://www.das-fotoarchiv.com/angebote/kaliningrad/index1.htm)>, or the guidebook [www.inyourpocket.com/Kaliningrad/index.shtml](http://www.inyourpocket.com/Kaliningrad/index.shtml)>.

<sup>7</sup> "Euronegotiator Urges Kaliningrad to Make Use of European Integration," *ELTA Lithuanian News Agency*, 26 October 2001; Richard Lein, "Russia forces EU to tackle Kaliningrad," *Agence France Presse*, 7 March 02; See also "Lithuania Closes Two More Chapters in EU Entry Talks," *RFE/RL Newslines*, 23 April 2002. <[www.rferl.org/newsline/2002/04/3-CEE/cee-230402.asp](http://www.rferl.org/newsline/2002/04/3-CEE/cee-230402.asp)>.

globalization's handbook. Moscow's plans and perceptions of the region are one set of inputs into the equation yielding Kaliningrad's future status in an expanded European Union.

### *Cold-War Fortress*

In the Soviet era the Kaliningrad oblast was highly militarized as the headquarters of the Baltic Sea Fleet and the 11th Guard Army. The forward point against NATO forces in West Germany and the Baltic Straits, Soviet air and naval units could attack targets in Denmark, Sweden, and Germany, and support Soviet forces in East Germany and Poland. There were at least 100,000 active troops stationed in the region during the Soviet era, and the military installations engaged large swathes of the population: engineers, scientists, technicians, and unskilled workers, as well as military families, retirees, and reservists.<sup>8</sup> Closed to foreigners, the military bastion was highly integrated to the Soviet center, particularly with fluid military personnel traveling to the Soviet heartland, and new personnel arriving and rotating through Kaliningrad.

Russia sharply reduced its troops following the USSR's demise, and opened the territory to foreign visitors in 1991. In 1997 Russian Defense Minister Igor Sergeev announced unilateral cuts of ground and naval forces in Russia's Northwest, citing increased stability in the region.<sup>9</sup> The 11<sup>th</sup> Army was dissolved in 1997, and the Kaliningrad military district subsumed into the Leningrad district. Military personnel now amount to 30,000.<sup>10</sup>

Russian politicians and military planners relinquished the vision of Kaliningrad as fortress only slowly through the 1990s, however. Consensus among Western politicians regarding Kaliningrad's military function was slow to emerge as well. Confrontational signals, such as a piece of American draft legislation of 28 March 1995 by Rep. Christopher Cox (D-California) calling for the Kaliningrad oblast to be made into a demilitarized zone, and its administration transferred to an international body, disturbed the Russian Ministry of Foreign Affairs, provoking retranchement of military interests in Kaliningrad. The Russian Foreign Ministry countered Cox's proposed legislation: "the Kaliningrad region is a component, inalienable part of the Russian Federation."<sup>11</sup>

Accession to NATO by Poland, Hungary, and Czech Republic in 1998, as well as the impending membership of the Baltic States in 2002, further stoked Kremlin fears regarding hard-security issues in the Baltic littoral. "The expansion of the NATO zone of responsibility to the East will create a situation similar to what we had during the Cold War, when the confronting groups of forces were deployed against each other and were maintained at a high level of combat readiness for attack," Col. Gen. Igor Rodionov, then Russia's defense minister, told a meeting of NATO defense ministers in Bergen, Norway, in September 1996.<sup>12</sup> In June 1999 the Russian

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<sup>8</sup> Richard J. Krickus, *The Kaliningrad Question* (New York: Rowan & Littlefield, 2002) p. 42.

<sup>9</sup>"Sergeev Confirms Yeltsin's Pledge to Reduce Troops in Northwest," *RFE/RL Newslines*, 4 December 1997. <[www.rferl.org/newslines/1997/12/041297.asp](http://www.rferl.org/newslines/1997/12/041297.asp)>.

<sup>10</sup> Alexander Sergounin, "Russia and the European Union: The Case of Kaliningrad," The Center for Strategic and International Studies: *PONARS Policy Memo 172* (October 2000). <[www.fas.harvard.edu/~ponars/POLICY%20MEMOS/Sergounin172.html](http://www.fas.harvard.edu/~ponars/POLICY%20MEMOS/Sergounin172.html)>.

<sup>11</sup> "Foreign Ministry Bridles at U.S. Legislation," *RFE/RL OMRI Daily Digest*, Vol. 1, No. 131, 7 July 1995. <[www.rferl.org/newslines/1995/07/1-rus/rus-070795.html](http://www.rferl.org/newslines/1995/07/1-rus/rus-070795.html)>.

<sup>12</sup> In Stanley Kober, "Kaliningrad," *CATO Foreign Policy Briefing No. 46*, 11 February 1998. See article also for a Western analyst's argument against NATO expansion.

military held the maneuvers "West 99" in the Baltic Sea region, involving about 10,000 troops from northeastern Russia.<sup>13</sup> Plans for the NATO strategic exercise "Strong Resolves 2002," to be undertaken in Poland and Norway close to the Russian border, again alarmed Russian military leadership: "It is a source of wonder that the most extensive NATO exercises to be carried out on the Russian border in the last decade should practice missions of an exclusively offensive nature," said the commander of the Russian Baltic Fleet, Adm Vladimir Valuyev.<sup>14</sup>

Russia's military leadership may be expected to react negatively to such exercises. "The Defense Ministry still exerts considerable influence on Russia's foreign policy," write one Russian journalist, "the General Staff still clings to the rhetoric of the early 1990s, considering NATO as the most obvious potential enemy."<sup>15</sup> Yet even as the West seeks to assure Russian leadership of NATO's nonaggression, the hearts and minds of Russian military leadership remain wary---a drag upon defusing Kaliningrad's position as strategic sore point on both Russian and NATO maps.

Surrendering Kaliningrad to broader, non-military uses required Russian politicians and planners to exit the Soviet imperial framework and adjust to trends confronting governments worldwide: the fading of the Cold War's East-West dichotomy and statist vision of conflict whose urgency has diminished much through the 1990s. Although assertions of Kaliningrad's strategic significance---or threat---on the military chessboard of Europe still persist, their actual exigency is increasingly difficult to extract from the retrogradation of Russian security interests, nervous noise from neighboring states, and Western alarmism. In January 2001 Western news reports announced that Russia planned to transfer nuclear weapons to Kaliningrad---a move denied by the Kremlin and never verified as fact.<sup>16</sup> This apparent Russian missile deployment to counter NATO enlargement caused apprehension throughout the West. With tensions rising surrounding the supposed deployment, US Secretary of Defense Donald Rumsfeld described Russia as "an active proliferator," selling dangerous technology to governments hostile to the United States, prompting his Russian counterpart Igor Sergeev to denounce the accusations as "rubbish."<sup>17</sup> The Russian defense ministry's head of international relations General Leonid Ivashov announced that "the rhetoric of the new [US] administration is acquiring anti-Russian overtones and smacks of Cold War rhetoric."<sup>18</sup> Polish Defense Minister Bronislaw Komorowski and Lithuania's president Valas Adamkus pronounced concern, with the former stating that "The accumulation of military arms, among them weapons capable of delivering nuclear warheads, in the region since 1990 is disproportionate to the defensive needs of the region."<sup>19</sup>

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<sup>13</sup> "Yeltsin Plays Down Western Threat, Warns of Regional Conflict," *RFE/RL Newsline*, 2 July 1999. <[www.rferl.org/newsline/1999/07/020799.asp](http://www.rferl.org/newsline/1999/07/020799.asp)>.

<sup>14</sup> Vladimir Nuyakshev, "Russian Baltic Fleet commander voices concerns over NATO exercises," *ITAR-TASS*, 10 March 2002.

<sup>15</sup> Vadim Soloviev, "Alliance within an Alliance," *Nezavisimaya Gazeta*, 16 March 2002, p. 10.

<sup>16</sup> Bill Gertz, "Russia Transfers Nuclear Arms to Baltics," *Washington Times*, 3 January 2001, p. 1.

<sup>17</sup> "Russia urges Washington to cool its rhetoric," *Agence France Presse*, 16 February 2001.

<sup>18</sup> Bernard Besserglik, "Russia accuses US of waging propaganda war," *Agence France Presse*, 16 February 2001.

<sup>19</sup> Michael Mrozinski, "Poland fears it may be on a nuclear front line," *Agence France Presse*, 5 January 2001.

An EU delegation traveled to Kaliningrad to discuss regional issues and the alleged missile deployment in early February 2001. Anna Lindh, foreign minister of Sweden and then holder of the EU presidency, told reporters she had raised the missile issue with Foreign Minister Igor Ivanov, summoning denials in response.<sup>20</sup> The *Washington Times* claimed that US intelligence had conclusive satellite evidence that apparently disproved President Putin's similar denials.<sup>21</sup> The entire incident ultimately revealed the anxieties underlying the Kaliningrad question: a few news reports from one publication (of uneven credibility) generated rounds of official inquiries and declarations, even as both the US and Russian administrations denied the reports' factuality. Cold War confrontation does not fade as easily in practice as in theory.

Putin has made it clear that he is opposed to NATO in the Baltic States. Russia's prerogative for assertiveness persists: Foreign Minister Ivanov said in early March 2002 that Russia has no plans to reduce its military presence in Kaliningrad. "We will always keep as many troops as we need here for our own security . . . it is unacceptable if a good thing [EU membership] for one group become a source of trouble for another."<sup>22</sup>

### *Secession and Annexation*

The Kremlin fear of losing Kaliningrad to secession or annexation emerged in the early 1990s to compliment and then gradually replace anxieties surrounding hard-security issues of geopolitical conflict. Parties in states neighboring Kaliningrad made competing claims on the Russian territory. Groups in Lithuania and Poland called for the annexation of Karaliaucius and Krolewicz, respectively; the "re-Germanization" of Königsberg was likewise proposed. Krickus describes that in June 1995 an émigré organization (comprised of rather senior citizens) in Berlin proclaimed the "Freistaat Preussen" (Free State of Prussia), while German ultranationalists announced that East Prussia should be returned to Germany. In Lithuania Conservative politicians and former residents called for the return of the region "Lithuania Minor" (Mazoji Lietuva), approximately between the Pregal and Nemunas rivers. Lithuanian parliamentary chairman and leader of the Lithuanian independence movement Sajudis, Vytautas Landsbergis, asserted in 1995 that Kaliningrad's legal status as Russian territory was in fact never resolved after World War II, expressing a position usually confined to history hobbyists.<sup>23</sup> Lithuanian parliamentary speaker Romualdas Ozolas's stated that Kaliningrad oblast was the "fourth Baltic republic" on 13 December 1997, prompting the Russian Foreign Ministry characterization of the statement as "unexpected, unprovoked, and illogical."<sup>24</sup> Poland has not produced movements that claim Kaliningrad territory, due to general fears that any changes in boundaries might spawn competing claims on territory awarded to Poland at the end of World War II, such as the two-thirds of East Prussia granted to Poland under the Potsdam agreement

The national governments of Germany, Lithuania, and Poland disavow any claims on Kaliningrad. Furthermore, Kaliningrad's legal status as an "inseparable integral part of Russian

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<sup>20</sup> "EU party travels to Kaliningrad," *Associated Press*, 15 February 2001.

<sup>21</sup> "Scientists pinpoint Russian nuclear arms in Baltics," *Washington Times*, 15 February 2001.

<sup>22</sup> "Russian foreign minister: EU expansion should not create new barriers," *AP Worldstream*, 6 March 2002.

<sup>23</sup> Krickus, p. 68.

<sup>24</sup> "Russian Official Says Kaliningrad is not 'Fourth Baltic Republic,'" *RFE/RL Newslines*, 15 December 1997. <[www.rferl.org/newsline/1997/12/3-cee/cee-151297.html](http://www.rferl.org/newsline/1997/12/3-cee/cee-151297.html)>.

territory” was settled by the German reunification treaty of September 1990, signed by the Soviet Union, United States, Britain, France, GDR, and FDR.<sup>25</sup>

Through the 1990s, however, the Kremlin perceived threats to Russian cohesion everywhere: direct separatism in Chechnya; supposed creeping Chinese annexation of areas in the Russian Far East; migration of ethnic Kazakhs to the southern Urals area; unrest in Dagestan; ethnic Armenians moving to the North Caucasus (Krasnodarsky krai); and, broadly, the Russian Federation regions growing restive and too politically emboldened under Yeltsin.<sup>26</sup> The titular ethnic leadership in Tatarstan and Bashkiristan, among others republics, pursued international ties and political paths independent of Kremlin channels. The Russian Duma and Latvian and Estonian governments engaged in long-running disputes over Latvian claims to Russia in the south of Pskov and Estonian claims on the Pskov region. Estonia and Russia settled the dispute in late 1997 (a full year after initial agreements were signed);<sup>27</sup> Latvia and Russia resolved their border in late 2000.<sup>28</sup> Lithuania signed the first border treaty among Baltic States with Yeltsin in 1997,<sup>29</sup> but nationalists in the Russian Duma refused to ratify the document in a likely attempt to block Lithuania’s membership in NATO. The Russian politicians even made counterclaims on Lithuania’s “Memel” region (Klaipeda), which had been transferred to Soviet Lithuania in 1945. The claims of Latvia and Estonia on Russian territory were resolved due to EU pressure, despite the refusal by nationalist showmen in the Russian Duma to ratify settlement proposals.

The expansion of NATO and the EU, predicated in part by new members’ resolution of outstanding border disputes, in fact cemented Baltic borders. Russian politicians nonetheless tied the risk of Kaliningrad’s annexation to NATO expansion. Sergei Glotov, a member of the Russian Duma’s anti-NATO group, asserted in 1997 that Poland had doubled its military personnel in the region near Kaliningrad since 1994 to 22,000, while Lithuania had concentrated 3,000 troops on its border with the enclave.<sup>30</sup>

The emerging Russia-NATO partnership should go far in meliorating Kremlin concerns for Kaliningrad’s security. Based on the mutual recognition established in the Russia--NATO Act of 1997, and aimed at improving the Russia-NATO Permanent Joint Council (PJC), British Prime Minister Tony Blair proposed the idea of a NATO “Council of Twenty,” to be discussed at the Russia--NATO summit in May 2002. Government representatives, foreign and defense ministers, and heads of the Twenty’s states would gather in Brussels every two weeks.<sup>31</sup> The broad split in Russian foreign policy between those seeking integration with the West and others supporting isolation, however, finds apt expression in that the Kaliningrad of Russian--NATO negotiations is supposedly more a free-trade zone than military outpost.

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<sup>25</sup> Valentin Romanov, “Kaliningrad as Integral Part of Russia,” *International Affairs* 6 (1995), pp. 43-44.

<sup>26</sup> See Graeme Herd, “Regional Meltdown?” *The World Today*, October 1998.

<sup>27</sup> “Border Agreement with Estonia Almost Ready,” *Baltic News Service*, 20 November 1997.

<sup>28</sup> “Latvia, Russia, Belarus initial border intersection agreement,” *Baltic News Service*, 30 October 2000.

<sup>29</sup> “Lithuania, Russia to Sign Border Demarcation Accord,” *RFE/RL Newswire*, 24 October 1997. <[www.rferl.org/newswire/1997/10/241097.asp](http://www.rferl.org/newswire/1997/10/241097.asp)>.

<sup>30</sup> Stanley Kober, “Kaliningrad,” *CATO Foreign Policy Briefing No. 46*, 11 February 1998. <[www.cato.org/pubs/fpbriefs/fpb-046es.html](http://www.cato.org/pubs/fpbriefs/fpb-046es.html)>.

<sup>31</sup> Vadim Soloviev, “Alliance within an Alliance,” *Nezavisimaya Gazeta*, 16 March 2002, p. 10.

### *Free-Trade Zone*

Contemporaneous with conceiving Kaliningrad as stalwart bastion against Western military forces, or peripheral territory vulnerable to annexation or secession, however, the Kremlin enacted legislation granting the oblast status as a free economic zone (FEZ) in September 1991. Kaliningrad thus obtained an economic mandate inimical to central military command and checks on minatory neighboring states: attracting the investment of foreign and Russian companies in production facilities aimed at the Russian or export market.

Kaliningrad's attempted trajectory from military bastion to node in globalization's network, however, did not result in any clearer conception of the territory's identity, mission, or purpose. In fact, the fate of Kaliningrad's special economic zone illustrates the ambiguities and conflicts surrounding the oblast's status, especially as the overall urgency of hard-security issues diminished through the 1990s.<sup>32</sup> As these issues receded, the problems surrounding the special economic zone came to light. The Kremlin in fact shut down the FEZ in 1995, a victim of modest success and a subsequent political conflict whose driving force remains unclear to observers today. The FEZ's successor, the special economic zone (SEZ), was implemented in 1996. Although technically still in effect, the SEZ has been much reduced in scope by various pieces of Kremlin legislation. Moreover, from inception the SEZ has been hampered by confused lines of accountability and decision-making between the local government and Moscow, disputes with international organizations, and failure to reform institutions and achieve an attractive investment climate. Although ostensibly representing the future of Kaliningrad, the SEZ instead reveals the shortcomings of current policy.

Kaliningrad was established officially as a free-trade zone under the advocacy of Yuri Matochkin, the representative of Kaliningrad in the Supreme Soviet of the USSR. In the Soviet era, the most important industries were connected with ocean fishing (third in size in the Soviet Union after Murmansk and Vladivostok), offshore oil resources, and amber reserves (the largest in the world).<sup>33</sup> When Kaliningrad was cut off from mainland Russia in 1991, it was removed from delivery routes of raw materials and finished products, as well as its main export market. New transport and customs fees raised prices in the region. To compensate for these disadvantages, Kaliningrad was established as a free economic zone. Russian politicians also hoped to make profitable use of the region's cold-water port; proximity to increasingly prosperous neighbors; and the multilingual, competent labor resources from the military and industrial sectors.

Local goods in Kaliningrad were exempt from export tariffs under the FEZ, and imported goods that remained in the region were exempt from customs duties. The FEZ achieved a modest amount of foreign investment: \$10 million in 1994 and \$27 million in 1995.<sup>34</sup> The South Korean car manufacturer KIA Motors launched the conversion of the Yantar military shipyard into an automobile plant in 1997, and AGA, a Swedish medical and industrial chemical firm, took a large stake in a major Kaliningrad acetylene and oxygen plant in July 1993. In March 1995, however, the zone's customs exemptions were eliminated.

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<sup>32</sup> Ingmar Oldberg, "Russia's Baltic Regions Between Moscow and the West: The Roots of Regionalism," *Södertörns högskola*, November 2001, p. 6. <[www.sh.se/statsvetenskap/larare/dokument/olaf\\_wp/oldwp14.pdf](http://www.sh.se/statsvetenskap/larare/dokument/olaf_wp/oldwp14.pdf)>.

<sup>33</sup> Oldberg, p. 12.

<sup>34</sup> Krickus, p. 48.

Different commentators attribute the FEZ cancellation to different reasons. It is unclear which factor, or combination of factors, drove the policy change. Some commentators believe that the FEZ cancellation was due to an accidental presidential decree from the Yeltsin staff. Others cite conflict between the Russian administration and the International Monetary Fund, whereby IMF guidelines required the Kremlin to cut expenses such as revenue losses due to the customs exemptions of the FEZ. Still others point to opponents of the FEZ in Moscow, who criticized the smuggling and tax dodging produced by the FEZ.<sup>35</sup> Moscow-based economic barons in some cases were opposed to the FEZ. BMW car dealers in Moscow, for instance, sought to eliminate Kaliningrad's free-trade zone status: thanks to customs concessions the BMWs manufactured in Kaliningrad were less expensive than those on sale in Moscow, thus enabling Kaliningrad dealers to undercut Moscow prices. St. Petersburg lobbyists also exerted influence in the Duma to cancel the FEZ, as the zone drained business from St. Petersburg's port. Political concerns also dictated the FEZ's demise: some politicians in Moscow feared that the zone encouraged separatism in Kaliningrad.

The Russian State Duma re-established Kaliningrad as a special economic zone (SEZ) in 1996; the SEZ officially continued until 1999, when it was placed into legal limbo by the Russian Duma, and much reduced by legislative limitations. Under the SEZ legislation, if the value of products increased by 30% (15% for electronic goods) in the Zone, they would be exempt from customs duties, in an attempt to attract processing and assemblage factories. Consequently, imports increased more than in any other region of western Russia, representing in absolute terms 10% of the total in 1990 and 60% of the freight to the Baltic area in 1997.<sup>36</sup> Unfortunately imports included basic foodstuffs as well---before the August 1998 ruble devaluation, Kaliningrad was 80 percent dependent on imported food, much of it coming from Poland and Lithuania.<sup>37</sup> Imports continued to exceed exports, and bad management and bureaucratic confusion triumphed.

Government-backed economic zones usually involve a specific industry target, whether machine tools, pharmaceuticals, automotive components, or electronics. The Kaliningrad government provided neither this degree of focus nor essential support measures, such as ready-for-occupancy factories, employee training, or grants for marketing.<sup>38</sup> The SEZ's status regarding international organizations is likewise uncertain: The Commission of the European Communities' 2001 report to the EU Council, "The EU and Kaliningrad," noted that the "SEZ may have trade distorting effect through subsidies incompatible with the PCA [Partnership and Cooperation Agreement] and WTO rules. . . . and, if necessary, [it should] be adapted to bring into line with Russia's international obligations."<sup>39</sup>

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<sup>35</sup> Krickus, pp. 48-49.

<sup>36</sup> Oldberg, p. 12.

<sup>37</sup> Lyndelle D. Fairlie, "Will the EU use Northern Dimension to solve its Kaliningrad dilemma?" *COPRI Working Paper*, 1999, p. 5. <[www.copri.dk/publications/WP/WP%201999/21-1999.doc](http://www.copri.dk/publications/WP/WP%201999/21-1999.doc)>.

<sup>38</sup> Pertti Joenniemi, Stephen Dewar, Lyndelle D. Fairlie, "The Kaliningrad Puzzle: A Russian Region within the European Union," *COPRI Working Paper*, 2000, p. 17. <[www.copri.dk/publications/WP/WP%2000/6-2000.doc](http://www.copri.dk/publications/WP/WP%2000/6-2000.doc)>.

<sup>39</sup> "The EU and Kaliningrad," *The Commission of the European Communities' 2001 Report to the EU Council*, COM (2001) 26 final, Brussels (17 January 2001) p. 7.



The SEZ has not found success over its three-year official existence and ongoing extension period. Designed to appease Moscow's fears of separatism in the region, the SEZ did not grant Kaliningrad the right to develop commercial relations with foreign governments, which had to be sanctioned by the Russian Foreign Ministry. Due to federal-level failures to provide proper incentives and local administrative mismanagement, the inadequate legal system, lack of investor protection, weak property rights legislation, and an anti-business tax environment bedevil the SEZ in particular. The governor of Kaliningrad at the time, Vladimir Gorbenko refused to provide KIA Motors with the duty reductions that had been promised originally, and the Koreans halted the project. Volkswagen officials ruled against a major investment in Kaliningrad as well.<sup>40</sup> A positive trade balance of \$37.4 million in 1992 was converted to a deficit of \$828.1 million by 1997. According to Vladimir Nikitin, Chairman of the Kaliningrad Oblast Duma, the purchasing capacity of Kaliningraders is one of the lowest in the entire Russian Federation, with average wages for the period of 1996--2000 falling to 32 USD per month.<sup>41</sup> At the end of 1999 the cumulative FDI during the decade (around \$67 million) to comparable regions and states breaks down in the following per-capita comparison: Kaliningrad - \$70 (1999); Novgorod - \$128 (1997); Russia - \$63 (1998); Lithuania - \$563 (1999); Poland - \$260 (1998); Hungary - \$1,667 (1999).<sup>42</sup> Indicative of the decade's negligible progress, in 2001 Boris Nemtsov recommended the Kremlin should "do with Kaliningrad what the Chinese have done with Hong Kong"---supposedly the goal of the FEZ project in 1991.<sup>43</sup>

The Russian federal government moreover threatens to abolish the SEZ. The Ministry of Finance attempted to cancel the SEZ in early 1997, but was blocked by lobbying. In fact, between June 1992 and January 1996, there were ten interventions that reduced, eliminated, or restored concessions to the original FEZ. In July 1999 the federal government vowed in its Letter of Commitment to the IMF to "do everything within its power to ensure that a federal law eliminating excise and VAT exemptions or goods imported to Kaliningrad is adopted by end-1999."<sup>44</sup> The IMF was so concerned for loss of revenues that it wanted the SEZ shut down. The SEZ remained in effect after 1999, although exists on thin ice: should the Russian federal government follow through on all pledges to the IMF detailed in the 1999 Letter of Commitment, the SEZ would be cancelled.

### *Conclusions*

In opening Kaliningrad's borders with Lithuania and Poland and experimenting with degrees of free-trade promotion, the Kremlin departed from conceiving Kaliningrad strictly as a military outpost. Yet in failing to promote economic prosperity and bring foreign investment via free-trade zones, the local and federal governments have not established a new role for the oblast. On a rhetorical level---encompassing Kremlin conceptions, shared priorities, and the

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<sup>40</sup> Krickus, pp. 96-97.

<sup>41</sup> Vladimir Nikitin, "Kaliningrad Chance: Realization of the Pilot Region Concept," *Lithuanian Foreign Policy Review*, Vol. 2, No. 6 (2000), p. 2. <[www.lfpr.lt/0002.phtml](http://www.lfpr.lt/0002.phtml)>.

<sup>42</sup> Pertti Joenniemi, Stephen Dewar, Lyndelle D. Fairlie, "The Kaliningrad Puzzle: A Russian Region within the European Union," p.16.

<sup>43</sup> Robert Cottrell, "Call to make Kaliningrad mirror Hong Kong," *Financial Times*, 14 February 2001, p. 8.

<sup>44</sup> Pertti Joenniemi, Stephen Dewar, Lyndelle D. Fairlie, "The Kaliningrad Puzzle: A Russian Region within the European Union," p. 17.

prevailing discourse on Kaliningrad---Russian politicians and policy makers largely have rejected Cold War appraisals of Kaliningrad in favor of prospects for trade and investment. On a policy-making level, where decisions regarding Kaliningrad's future are implemented, Russian politicians and policy makers have failed to initiate or establish a clear path for the region, however. Much of the conflict surrounding Kaliningrad's future, particularly the free-trade zone's revocation, reinstatement, and ongoing legal indeterminacy, stems from Kaliningrad's status in the center-periphery power dynamics of the Russian Federation.

## *II. Center And Periphery Struggles For Kaliningrad*

Even as the Kremlin has conceptualized three scenarios for Kaliningrad---fortress, vulnerable peripheral region, and free-trade zone---to no definite outcome, governance of the territory has been contested between the Moscow center and Kaliningrad periphery as well. The struggle between federal and local administrations for control of the region contributes to the territory's uncertain status: not only are the kind of decisions for determining Kaliningrad's path up for grabs, but the right to make them is contested as well.

The Kremlin granted the region the legal right to pursue self-directed trade and economic ties under the FEZ/SEZ codes, as Moscow recognized the need to compensate Kaliningrad for its economic isolation from the Russian mainland. Simultaneously, however, the region lacks the functional autonomy and administrative independence to establish the institutions and policies necessary for attracting substantial foreign investment. In failing to create an attractive investment climate, Moscow is not solely to blame: local Kaliningrad leadership is flawed also. However, the failure to divide responsibility and authority between local government and the federal center contributes to the uncertainty surrounding the status of the SEZ, and overall policy for Kaliningrad. This administrative uncertainty is both a symptom and a cause of the free-trade zone's stagnation. An unclear mandate for making decisions leads to indecisive outcomes, and the absence of clear lines of responsibility, stewardship, authority, or accountability between center and periphery debilitates Kaliningrad's free-trade initiatives.

The Kaliningrad region presented the Yeltsin administration with the risk of separatism on the federation periphery, in non-ethnic form: the region's increasing economic ties to the surrounding countries and international markets, the Kremlin theorized, would empower the local administration to act independent of the Russian center, leading to increased autonomy, and then secession. In contrast, ethnic separatism characterizes Chechnya: a non-Russian population on the federal periphery mobilizing along ethnic and religious lines to achieve independence. Kaliningrad, due to its military role, non-Russian history, and unique geographic situation, has been a particularly urgent question in the 1990s battle to define center-periphery relations in the Russian Federation.

### *Constitutional Questions*

The Russian constitution does not precisely define the rights of the 89 federal regions to pursue independent economic and political ties with other nations. Article 72, paragraph 2, of the Russian constitution notes that all subjects of the Russian Federation (respubliki, krai, oblasti, okrygi) have equal rights in the sphere of international ties (mezhdunarodnyie svyazi) and the formation of external economic ties (vneshne-ekonomicheskie svyazi). As Aleksander Sergunin remarked at the MacArthur Foundation--Tatarstan Academy of Sciences conference, "The Future of Russian Federalism: Political and Ethnic Factors," the constitution does not explicate the

difference between the two kinds of ties.<sup>45</sup> Do "international ties" include the opening of diplomatic representation abroad, while external economic ties are restricted to trade agreements? The proliferation of individual treaties between the Kremlin and regional administrations on local-federal relations (over 40 by 1999) attests to the uncertain legal environment for such questions and the fragmented nature of the Russian federation under Yeltsin.<sup>46</sup>

### *Governing Figures*

The first governor of Kaliningrad Yuri Matochkin (a Yeltsin appointee) pressed Yeltsin to deliver Kaliningrad more autonomous powers, akin to those enjoyed by autonomous ethnic republics like Tatarstan.<sup>47</sup> In 1993 Matochkin proposed along with the Communist chairman of the regional Soviet Yuri Semenov a regional referendum on making the oblast a republic within the Russian federation. This idea was dropped, however, when Yeltsin tightened federal controls Russia-wide in late 1995 under new power-sharing agreements between the regions and the federal center signed between 1994 and 1998. The agreement for Kaliningrad was signed in early 1996. These agreements were the main documents defining the rights and powers of the regions following the Federation Treaty of 1992 and the Constitution of 1993, and preceding President Putin's introduction of the seven federal "super" regions and crack down on regional autonomy in 2000.

The Russian federal government's treaty with the Kaliningrad administration in early 1996 instituted a relatively liberal division of power. The accord granted the region permission to conclude agreements with regions, ministries, and institutions of Russia and other states.<sup>48</sup> However, the federal government retained control of border passages, as well as the right to impose quantitative limits on imports and to restrict the zone regime in order to protect local producers. The region could impose import quotas, but not widen their limits.<sup>49</sup> Prime Minister Viktor Chernomyrdin was charged with reviewing the work of regional administrations, and with taking "serious steps, including dismissal," of those who did not observe presidential decrees. Yeltsin announced that regional administrations would be required to provide weekly reports to the Kremlin on local activities and fulfillment of federal directives.<sup>50</sup>

In October 1996 gubernatorial elections Matochkin surprisingly lost against Leonid Gorbenko, who was supported by Communists in the second round. This defeat signified Matochkin's fall from the Kremlin's grace due to his referendum proposal and the FEZ-empowered regional drift from central control. The Kremlin accorded Kaliningrad only so much autonomy.

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<sup>45</sup> Aleksandr Anatol'evich Sergynin, "Regional'nyi faktor v rossiiskoi vneshnei politike: problemy i perspektivy," *Konferentsiya Budushchee rossiiskogo federalisma: politicheskii i etnicheskii faktory*, 25-26 February 2000. <federalmcart.ksu.ru/conference/konfer1/sergunin.htm>.

<sup>46</sup> Graeme P. Herd, "Russia's Systemic Transformation: Trajectories and Dynamics," COPRI Working Paper, 1999. <www.copri.dk/publications/WP/WP%201999/26-1999.doc>.

<sup>47</sup> Krickus, p. 48.

<sup>48</sup> "Yeltsin Seeks Stronger Regional Ties," *RFE/RL OMRI Daily Digest*, 30 January 1996, <www.rferl.org/newsline/1996/01/300196.html>.

<sup>49</sup> Oldberg, p. 3.

<sup>50</sup> "Yeltsin Seeks Stronger Regional Ties."

If Matochkin favored self-rule too directly---beyond the bounds permitted by the Kremlin---Gorbenko proceeded by more circuitous means. He defended the free-trade zone concept and oversaw the administration of the special economic zone (SEZ), launched in 1996. He also criticized how his administration was denied the ability to set tax rates, and complained about supposedly missing federal transfers to the regional budget. (Kaliningrad is a recipient, not a donor, in the Russian Federation budget.) Gorbenko's administration, however, complied with the center when profitable or necessary. Gorbenko's periodic catering to Kremlin concerns, interspersed with bouts of contentious independence, typifies Graeme Herd's characterization of Russian power relations from June 1996 up to the August 1998 financial crisis, during Yeltsin's second term presidency: ". . . an uneasy balance of power . . . between a strong executive and resurgent elite in the periphery."<sup>51</sup>

Under Gorbenko this "uneasy balance of power" was insufficient for establishing progress or prosperity in Kaliningrad. At odds with the regional Duma, inconsistent in support of aspects of SEZ legislation, and in and out of line with the Kremlin, Gorbenko sent unclear signals to investors and the West, and debilitated initiatives to place Kaliningrad on a more prospective economic path than one relying on amber smuggling.

Gorbenko signed in November 1997 an agreement on a \$30 million loan from Dresdner Bank for developing small and medium-size business and the region's infrastructure. He noted that the loan was the first agreement between a Russian regional administration and a bank, bypassing the center.<sup>52</sup> In a similar vein, Gorbenko reacted to the August 1998 crisis by declaring a "state of emergency" and eagerly taking "full responsibility for political and economic decisions." He would later recant his full responsibility in face of Kremlin criticism, and declare merely an emergency "situation."

In line with federal wishes, Gorbenko supported the federal policy of quotas on duty-free imports in order to protect local producers and preserve jobs<sup>53</sup>---while also contradictorily advocating free market competition in the trade zone. He also delivered above-average votes in the Kaliningrad oblast for the pro-Putin Unity party in the Duma elections of 1999, and likewise in Putin's 2000 presidential election.<sup>54</sup>

By wooing Yeltsin and then Putin, the regional and federal opposition, and international supporters, the Kaliningrad governor ultimately stewed a quagmire of shifting political loyalties surrounding the Kaliningrad administration, capricious policy changes, and low legitimacy in the eyes of foreign investors. The Dresdner Bank loan, seemingly signifying investor confidence in the region, was found by the newspaper *Izvestia* to be something less hopeful: borrowers on the Dresdner Bank fund received a loan through the Baltika Bank in Kaliningrad at a rate of 13.75 percent, with additional interest equaling a total of 20 percent. Russian banks at the time made loans for 12 percent. The article concluded that firms or individuals used the Gorbenko-promoted Dresdner funds in order to launder money from illegal earnings.<sup>55</sup> In February 2000 The Moscow Times reported that Gorbenko granted two Israeli firms a monopoly over Kaliningrad's oil and amber deposits. Alienating the political opposition in Kaliningrad, losing credence among

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<sup>51</sup> Herd, "Russia's Systemic Transformation: Trajectories and Dynamics," p. 4.

<sup>52</sup> "Kaliningrad to Get German Bank Loan," *RFE/RL Newsline*, 19 November 1997. <[www.rferl.org/newsline/1997/11/191197.asp](http://www.rferl.org/newsline/1997/11/191197.asp)>.

<sup>53</sup> Oldberg, p. 17.

<sup>54</sup> Krickus, p. 201.

<sup>55</sup> Igor Korolkov, "The Kaliningrad Oblast Has Become a Zone of Fear," *Izvestia*, 17 July 1999.

international investors due to corruption and erratic legislation, and angering the Kremlin with insufficient and mercurial shows of loyalty, Gorbenko was targeted by the Putin administration for replacement. Gorbenko lost the November 2000 gubernatorial elections to a military man, Admiral Vladimir Yegorov, Commander of the Baltic Sea Fleet, who enjoyed Putin's support.

The center-periphery struggles over Kaliningrad's autonomy meant that political contests---often underscored by the interests of competing oligarchs---defined the region's path, instead of any coherent vision or coalition of interests seeking to attract investment and improve the lives of Kaliningraders. The internal struggle in Kaliningrad between Gorbenko and the political opposition weakened the region's position vis-à-vis Moscow. In 2000 the Federal State Customs Committee announced that a change in the tax code nullified what remained of the already enfeebled SEZ. The consequence was a 20 percent price increase for consumers in the region. In response, university students protested in January 2001 with signs saying, "Do you want us, Russia?" and "Hands off the special economic zone."<sup>56</sup> The tax changes that would nullify the SEZ were scrapped, but the Gorbenko-induced damage was done.

Governor Yegorov enjoys support in the regional Duma, and Putin's backing. The prospect for coordinated policy thus arises for the first time in Kaliningrad's post-Soviet history. Putin continues to implement further controls: recently appointed deputy presidential envoy to Kaliningrad Oblast, Andrei Stepanov, a Putin associate, announced his main task to be the transfer of control of the Kaliningrad special economic zone (see SEZ below) from oblast to presidential administration.<sup>57</sup>

### *Conclusions*

Kaliningrad's status remains indeterminate to the present day. The Kremlin and local government failed to both reach consensus on what constitutes the correct policy or path for the oblast through the 1990s, and to agree on whom has the right to make such decisions. Kaliningrad has become a negative space defined by the absence of proactive policies for the problems besetting the region: social decay, crime, and corruption. The oblast epitomizes post-Soviet social ills and environmental degradation and threatens to destabilize the region.

A more clear division of responsibility and jurisdiction between local and federal administrations, however, will not correct ten years of post-Soviet decline. In fact, the problems that have arisen throughout the decline only amount to an introduction to the real question of Kaliningrad's status now created by an expanded European Union.

The questions of border controls, Schengen policy, Kaliningraders' ability to travel, and the territory's status in the European Union grow more pressing with the approach of EU membership for Lithuania and Poland. Throughout the 1990s the Kaliningrad and Kremlin administrations were unable to stop the region's decline and implement initiatives for its economic development. If the European Union and Russia fail to find solutions for integrating Kaliningrad with its neighbors and holding constructive dialog on the region's future, the territory will continue to be defined by its problems, and not by its prospects. The costs of ignoring Kaliningrad threaten to be region- and EU-wide, and not merely the burden of 1 million Kaliningrad residents.

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<sup>56</sup> "Kaliningraders Protest Moscow's Policies," *RFE/RL Newslines*, 25 January 2001. <[www.rferl.org/newsline/2001/01/250101.asp](http://www.rferl.org/newsline/2001/01/250101.asp)>.

<sup>57</sup> "Conflict Over Economic Zone Looming?" *RFE/RL Russian Federation Report*, Vol. 3, No. 27 (3 October 2001). <[www.rferl.org/russianreport/2001/10/27-031001.html](http://www.rferl.org/russianreport/2001/10/27-031001.html)>.

### ***III. Free Trade Brings Free Fall***

The opening of borders for visa-free travel between Kaliningrad and neighboring countries, combined with the near-catastrophic collapse of Soviet-era industrial and military complexes, fostered an abundance of social ills in Kaliningrad. Even if the Kaliningrad region was economically sound, the opening of a formerly closed area, centrally planned and provisioned, to the free flow of goods and people places significant stress on the social system. This transition, however, combined with high unemployment and a failure by the Russian government to provide basic social services, has strained seriously the Kaliningrad population's general welfare, public order, and the health of the environment.

"Residents of Kaliningrad are 65 times poorer than EU citizens, and also considerably poorer than people living elsewhere in Russia," notes a World Bank report, "almost one-third of the population lives below the subsistence level."<sup>58</sup> Combined with new levels of mobility for goods and people, the poverty has given rise to increased disease rates. Kaliningrad has the highest rate of HIV infection in Russia and one of Europe's highest HIV rates overall, as well as erumpent rates of tuberculosis and diphtheria.<sup>59</sup> One 1999 report announced that Kaliningrad was experiencing "what many experts say could very well be the world's fastest-moving epidemic of AIDS infection, much like the quick spreads seen earlier in Ukraine and in Belarus."<sup>60</sup> The World Health Organization reports that an estimated 36,000 people with HIV/AIDS live in the city.<sup>61</sup>

With the second highest rate of drug-related crimes in Russia, Kaliningrad leads Europe in confiscated drugs. Death by alcohol poisoning is 70 percent higher than the Russian average.<sup>62</sup> Across the Russian military, nearly every twelfth draftee in the period 1995-97 had tried drugs, with one in thirty a regular user. The concentration of military personnel combined with Kaliningrad's loose borders assists the region in leading the military drug-use trend.<sup>63</sup> As noted by an RFE/RL report, "contaminated needles have always been the most efficient way to spread the AIDS virus. Experts say that the way drugs are prepared in Kaliningrad---often mixed with the users' own blood---has so increased this 'efficiency' that the study of its effects now amounts to a grim scientific specialty."<sup>64</sup>

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<sup>58</sup> "Kaliningrad: Uncertain Future of Russia's Enclave in the Baltics," *Transition Newsletter*, World Bank Group, Fall 2001. <[www.worldbank.org/html/prddr/trans/octnovdec01/pgs41-42.htm](http://www.worldbank.org/html/prddr/trans/octnovdec01/pgs41-42.htm)>.

<sup>59</sup> Angus Roxburgh, "Russia's enclave of grim problems," *BBC World Service*, 15 February 2001. <[news.bbc.co.uk/1/hi/english/world/europe/newsid\\_1172000/1172463.stm](http://news.bbc.co.uk/1/hi/english/world/europe/newsid_1172000/1172463.stm)>.

<sup>60</sup> Lisa McAdams, "East: AIDS And Drugs Afflict Russia And Ukraine," *RFE/RL Feature*, 9 April 1999. <[www.rferl.org/nca/features/1999/04/F.RU.990409114312.html](http://www.rferl.org/nca/features/1999/04/F.RU.990409114312.html)>

<sup>61</sup> Phil Ittner, "Fighting an Epidemic, Behind Bars: HIV-positive inmates struggling to survive in segregated cells of Russia's underfunded prisons," *San Francisco Chronicle*, 16 October 2000. <[www.aegis.com/news/sc/2000/SC001003.html](http://www.aegis.com/news/sc/2000/SC001003.html)>.

<sup>62</sup> Krickus, p. 98.

<sup>63</sup> Sergei Karaganov, "Drug Addiction in Russia: A Threat to the Nation?" *Strengthening Democratic Institutions Project*, John F. Kennedy School of Government, September 1998. <[www.ciaonet.org/srchfrm.html](http://www.ciaonet.org/srchfrm.html)>

<sup>64</sup> McAdams.

Moreover, “a recent EU report estimated that illegal activities such as trafficking in drugs, cars, amber, and human beings provides up to half of the enclave's wealth.”<sup>65</sup> In 1995 the Russian newspaper *Argumenty i Fakty* reported that nearly a ton of amber was smuggled out of Kaliningrad every day, citing total losses from amber smuggling running as high as \$1 billion.<sup>66</sup> “Organized crime is prevalent in Kaliningrad,” notes Janes, “[Kaliningrad] is an entry point for stolen goods emanating from Germany, the narcotics trade is flourishing, and the Russian mafia exercises a high level of influence.”<sup>67</sup> Whether drug addiction, HIV, or crime, the remark of one inmate quoted in the press reveals the fundamental difficulty for Kaliningrad: “AIDS has spread here because of the change in the way of life in Russia . . . . On the other hand, how are we supposed to live? Separated from the rest of the world?”<sup>68</sup>

Fostered by visa-free borders, the traffic in drugs, prostitution, and disease flows out of Kaliningrad as well. Lithuania and Poland struggle with Kaliningrad's objectionable exports. The main border crossings between Lithuania and Kaliningrad are at Nesterov-Kybartai, Sovietsk-Pagėgiai, and Nida on the Curonian Spit; border checkpoints with Poland are at Mamonov, Bagrationovsk, and Krylovo. The Lithuanian port city Klaipėda has the highest incidence of AIDS in Lithuania, which Lithuanian authorities attribute to the flood of prostitutes from the Kaliningrad territory. Lithuanian authorities also cite Kaliningrad as a source of much of the drugs and illegal weapons in Lithuania.<sup>69</sup>

The Kuronian and Vistula lagoons that sit upon Kaliningrad's Baltic coastline are ecologically stricken. The small size, shallowness (less than three meters in depth), and unrestricted flow of polluted waters from the river Pregel contribute to the Vistula lagoon's complete loss of capacity as a water purification system. One expert notes that Kaliningraders consequently suffer from a high incidence of gastro-intestinal diseases such as dysentery, hepatitis, and stomach ulcers. “About 40 percent of Kaliningrad's contaminated water comes from municipal water companies.” Although industrial pollution has dropped somewhat in Kaliningrad due to plant closings and recession, the continued pollution of land—and thereby water—through the use of mineral fertilizers and pesticides continues unabated; agriculture occupies 55 percent of Kaliningrad's land.<sup>70</sup>

### *Regional Vectors*

Kaliningrad's problems of crime, health, and environmental decay do not exist in isolation, but travel along existing vectors of cross-border trade and commercial integration. The

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<sup>65</sup> Jeremy Bransten, “Russia: As EU Prepares For Expansion, Kaliningrad Worries It Could Find Itself Orphaned,” *RFE/RL Feature*, 31 January 2002. <[www.rferl.org/nca/features/2002/01/31012002092040.asp](http://www.rferl.org/nca/features/2002/01/31012002092040.asp)>.

<sup>66</sup> “Mobs Steal Tons of Amber,” *RFE/RL OMRI Daily Digest*, Vol. 1, No. 190, 29 September 1995. <[www.rferl.org/newsline/1995/09/1-rus/rus-290995.html](http://www.rferl.org/newsline/1995/09/1-rus/rus-290995.html)>.

<sup>67</sup> “Central Europe Risk Pointers - Kaliningrad Oblast,” *Janes Online*, 18 February 2002. <[www.janes.com/security/international\\_security/sentinel/europe/central\\_europe/kaliningrad\\_oblast.shtml](http://www.janes.com/security/international_security/sentinel/europe/central_europe/kaliningrad_oblast.shtml)>

<sup>68</sup> Ittner.

<sup>69</sup> In Krickus: John Kramer, “The Politics of Corruption,” *Current History* (October 1998) pp. 329-34.

<sup>70</sup> Helena Kropinova, “Environmental Issues of the Kaliningrad Region,” in *Kaliningrad: The European Amber Region*, ed. Joenniemi and Prawitz, p. 103.

Kaliningrad region depends on transit for economic survival. One report notes, "Regional power engineering is totally dependent on imported fuel (mainly from Russia). Structurally, oil and coal account for 80 percent of the fuel imports and their delivery is costly, complicated and dependent upon external political factors."<sup>71</sup> The shuttle trade that sustains many Kaliningraders adds to cross-border traffic. Testament to the interlinkages between Kaliningrad and neighboring states, both Lithuania and Poland mobilized teams to monitor instability in Kaliningrad following the August 1998 financial crisis in Russia. According to the Lithuanian President's Office, the team received information from the Lithuanian consulate in Kaliningrad "and other sources," while exploring avenues for humanitarian aid to the region. Lithuanian Foreign Minister Algirdas Saudargas said "appeals have been received at other levels regarding aid to hospitals and other institutions," and the Lithuanian government put aside possible humanitarian aid to Kaliningrad worth \$1.25 million.<sup>72</sup> Polish Interior Minister Janusz Tomaszewski proposed food aid to Kaliningrad following the August crisis as well, including meat, grain, potatoes, and honey. (The Polish officials stated, however, that they sought in return access to Russian archival materials in order to determine the fate of Poles repressed on Soviet territory.)<sup>73</sup>

Lithuania and Poland are the leading initiators of joint ventures with the Kaliningrad region, with 411 for Lithuania and slightly more for Poland. Lithuania's Chief Euronegotiator Petras Austrevicius noted that Lithuania made foreign direct investments in Kaliningrad totaling \$3.9 million in 2000 (79.8 % of all investments), with the bilateral trade in the first half of 2001 exceeding last year's levels by 25 percent. In 2000 Lithuania established 32 new enterprises in the Kaliningrad Region.<sup>74</sup> Although not enormous, these numbers attest to the functional levels of investment and economic activity that tie Kaliningrad to the surrounding states.

### *Conclusions*

The multiple threats of disease, crime, and environmental problems stemming from Kaliningrad, as well as instability due to the region's economic crisis, jeopardize the progressive goals of EU expansion. A grim catalog of post-Soviet problems, Kaliningrad's troubles are serious enough for the local administration. An even greater danger arises, however, if Kaliningrad, continuing to decline relative to its neighbors or in absolute terms, becomes quarantined by surrounding states. Such a scenario is plausible by the neighboring states appealing to the Schengen regime or legal justifications. Should Kaliningrad's situation truly devolve into uncontrolled criminality and rampant spread of communicable diseases, there would be no mechanism quickly available to implement in coherent response. Graeme Herd notes, "As

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<sup>71</sup> Pertti Joenniemi, Raimundas Lopata, Vladas Sirutavičius, Ramūnas Vilpičauskas, "Impact Assessment of Lithuania's Integration into the EU on Relations Between Lithuania and Kaliningrad Oblast of Russian Federation," *Lithuanian Foreign Policy Review*, Vol. 2, No. 6 (2000), p. 9. <[www.lfpr.lt/0002.phtml](http://www.lfpr.lt/0002.phtml)>.

<sup>72</sup> "Lithuania Forms Team to Monitor Kaliningrad Situation" *RFE/RL Newslines*, 14 September 1998. <[www.rferl.org/newsline/1998/09/140998.asp](http://www.rferl.org/newsline/1998/09/140998.asp)>

<sup>73</sup> "Poland to Offer Food Aid to Russia," *RFE/RL Newslines*, 14 September 1998. <[www.rferl.org/newsline/1998/09/140998.asp](http://www.rferl.org/newsline/1998/09/140998.asp)>

<sup>74</sup> "Euronegotiator Urges Kaliningrad to Make Use of European Integration," *ELTA Lithuanian News Agency*, 26 October 2001; "Lithuania's Co-operation with the Kaliningrad Region of the Russian Federation," *Ministry of Foreign Affairs of the Republic of Lithuania*, February 2000. <[www.urm.lt/data/5/EF159562\\_kalin.htm](http://www.urm.lt/data/5/EF159562_kalin.htm)>.



with Kosovo in the Balkans, Kaliningrad will be the touchstone for the new European security order in the region. Its fate is inextricably linked to regional stability, with an ever-present danger that both Moscow and Brussels [will] fail to co-ordinate policies and strengthen their strategic partnership.”<sup>75</sup> The coordination of policies, however, will only emerge from flexibility and openness on behalf of the European Union and Russia. Among the possible combinations of isolationist and integrationist stances, however, constructive, strategic partnership is not assured.

#### ***IV. Russian--Eu Interactions And Outcomes***

As early as January 1999 Kaliningrad officials called for Russia to begin negotiations with Lithuania, with Valerii Ustyugov, chairman of Kaliningrad oblast's legislature, foreseeing the danger of an economic blockade should EU membership for Poland and Lithuania result in their closing of borders with Kaliningrad.<sup>76</sup> With little accomplished on resolving border policy for Kaliningrad, in March 2002 Russian Premier Kasyanov argued that “one should not turn Kaliningrad into a European ‘dead-end zone.’”<sup>77</sup> This prohibition dominates Russian thinking, or at least official statements, on Kaliningrad's future status. There are few policy prescriptions or proposals, however, aside from statements that the 30-day visa-free travel that Kaliningraders enjoy in traveling to Lithuania and Poland should continue, and that a special arrangement for Kaliningrad should emerge in EU expansion. The response of the European Union, explored below, is not more dynamic. If sealed in the hard borders of the Schengen regime and denied customized policies for counteracting crime and environmental decay, however, Kaliningrad may destabilize the Baltic region.

The European Union's public position has been unequivocal: European Commissioner for External Affairs Chris Patten said in March that the EU “cannot override its basic rules, including the so-called ‘Schengen’ regulations imposing strict border controls on non-members of the EU.”<sup>78</sup> To the extent that the European Union seeks to maintain a uniform internal space via the European Monetary Union (EMU), Schengen accords, and customs union, the admission of Kaliningrad disrupts the EU area. European Commission officials assert that Kaliningrad can be accommodated within the EU Partnership and Cooperation Agreement with Russia.<sup>79</sup>

Patten's remarks reiterate the EU position that Kaliningrad is a complicated case, but not cause for unique solutions. Likewise, EU Enlargement Commissioner Gunter Verheugen remarked during a March 13 debate in the European Parliament that discussion with Russia over Kaliningrad “involves more than arranging a transit system and the visa question, for which we are striving to arrive at a accommodation in the framework of the existing Schengen rules,” but all solutions must take place “within existing fora.”<sup>80</sup> In 1999 the EU Ambassador to Lithuania, Henrik Schmiegelow, stressed at a conference on the Kaliningrad region that borders do not

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<sup>75</sup> Graeme Herd, “Europe and Russia: Competing for Kaliningrad,” *The World Today*, December 1999.

<sup>76</sup> “Kaliningrad Officials Call for Talks with Lithuania,” *RFE/RL Newslines*, 21 January 1999. <[www.rferl.org/newsline/1999/01/210199.asp](http://www.rferl.org/newsline/1999/01/210199.asp)>.

<sup>77</sup> “Russia, EU Publicly Clash Over Kaliningrad's Future Status,” *RFE/RL Newslines*, 7 March 2002. <[www.rferl.org/newsline/2002/03/070302.asp](http://www.rferl.org/newsline/2002/03/070302.asp)>.

<sup>78</sup> *Ibid.*

<sup>79</sup> “Moscow talks aim to ease Kaliningrad's economic plight,” *European Voice*, March 2002.

<sup>80</sup> “Enlargement: January 2004 Target Date Becomes Early 2004,” *European Report* 2668, 16 March 2002, V.2.

always represent dividing lines in the European Union, citing Nordic countries by example. Yet he noted that EU applicant countries must comply with the rules of accession, and that the European Union had to protect its external borders against crime and corruption.<sup>81</sup>

Although Patten welcomes Russia into partnership with the EU via the Northern Dimension Initiative,<sup>82</sup> he is unwilling to adjust to Russian demands about visa and transit issues once the EU expands around Kaliningrad: indeed External Affairs may be the wrong EU arm for the job. Kaliningrad will be an internal matter for the European Union, regardless of EU policy sections, once Lithuania and Poland become members. Moreover, common EU external policy demands the increasing integration of EU space, toward shared foreign policy and defense agendas. The push to integrate EU space more deeply in order to project force akin to a nation state may disturb security-minded Russian politicians, who will perceive EU expansion as a threat.

### *Potential Paths*

The Russia and the European Union address each other as subjects in some kind of dialogue over EU enlargement, but the status of each participant in the dialogue is ambiguous. The Partnership and Cooperation Agreement (PCA) between the European Union and Russia is the defining document for the two entities. It seeks to encourage political, commercial, economic, and cultural cooperation, mainly through the instrument of TACIS aid (Technical Assistance to the Commonwealth of Independent States). In a 1998 report to the European Union, the PCA was characterized as providing “the overall framework for EU-Russia relations and the basis for EU’s comprehensive policy towards Russia.”<sup>83</sup>

The EU Common Strategy for Russia was added in 1999, and speaks of the country’s “integration into a common European economic and social space,” while Russia’s Strategy for the Development of Relations with the EU from later in the same year looks forward to the “construction of a Europe without dividing lines.”<sup>84</sup> Both entities are not nation states, of course, but the status of Kaliningrad revolves around this term. The European Union is willing to consider special arrangements for Kaliningrad if the territory is granted more autonomy by Russia<sup>85</sup>: to the extent that Russia reduces its sovereignty over the territory and---at least in its view---behaves less like a nation state, Kaliningrad faces better prospects. Yet to the extent that the European Union moves to a common front in external affairs, and becomes more like a nation state (relatively speaking), it is less willing to accommodate Kaliningrad, or any aberrations in the uniform EU space.

Russia’s conceptions of Kaliningrad are based on divergent views of surrounding territory: “fortress” implies geopolitical hard-security issues, “annexation” or “secession” implies

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<sup>81</sup> “Transfrontier Cooperation in the Kaliningrad Region and Baltic Sea Area : The Role of the EWI Centre on Transfrontier Cooperation,” EastWest Institute, Kaliningrad, Russia, 28-29 October 1999.

<sup>82</sup> “The Limits of Europe,” *The Economist* (print edition), 17 March 2001.

<sup>83</sup> Lyndelle D. Fairlie, “Will the EU use Northern Dimension to solve its Kaliningrad dilemma?” *COPRI Working Paper*, 1999, p. 4. <[www.copri.dk/publications/WP/WP%201999/21-1999.doc](http://www.copri.dk/publications/WP/WP%201999/21-1999.doc)>.

<sup>84</sup> Peter Pomeranzen, “EU and Russia: Actors in Search of a Policy,” *Moscow Times*, 11 March 2002, p. 10.

<sup>85</sup> “Moscow talks aim to ease Kaliningrad’s economic plight,” *European Voice*, March 2002.

creeping soft-security dangers, and “free-trade zone” signifies global openness to capital. Each step marks the diminishing role of territoriality. Yet even as the sense of territory diminishes, the persistence of geography affects Kaliningrad’s status: is the area inside or outside of the EU? The distinction is not merely semantic for Kaliningraders, who wish to maintain their cross-border ties to neighboring states. For citizens in the overall region, the numerous social and ecological problems in Kaliningrad, threatening cross-border contamination of the entire region, require action appropriate for problems that are considered inside the EU proper.

If considered outside of the European Union, Kaliningrad is eligible only for TACIS funds, and not PHARE. The former funds are significantly less than the latter: for example, Poland receives 450 million euros per year through PHARE, and Russia receives around 100 million through TACIS.<sup>86</sup> If Kaliningrad is effectively “inside” the European Union, then Kremlin and EU officials should be able to achieve at minimum a continuation of the current visa regime for Kaliningraders traveling to Lithuania and Poland. To integrate Kaliningrad to neighboring EU members in a broader sense, the endeavor requires consideration under EU “community matters” or “intergovernmental cooperation” pillars, not “external relations.” Although neither the ambiguity of historical legacies nor the complexity of competing interests permit a predetermined outcome for Kaliningrad, the potential paths include the following:<sup>87</sup>

	Russian isolation	Russian integration
EU isolation	A Isolation, Isolation	C Integration, Isolation
EU integration	B Isolation, Integration	D Integration, Integration

For the European Union, isolation indicates the lack of political will to intervene beyond standard aid to non-EU or pre-accession states as Kaliningrad falls behind neighboring states in standard of living, and disease, crime, and general social ills increase---these are internal Russian problems, to be contained by a “hard” border around Kaliningrad. In conjunction, Russia outright may reject direct foreign aid and a perceived loss of sovereignty over Kaliningrad (A), in effect dooming Kaliningrad to isolation from Russia proper and EU neighbors, turning the territory into a semi-hermitic experiment in social decay. Or, Russia may seek foreign direct assistance that is not forthcoming (C), perhaps because EU officials would be unwilling to expand from existing technical assistance programs, designed without specific concerns for Kaliningrad’s “island” status. The European Union would find spending taxpayers’ money on Russia, a country far from achieving successful democracy or market economy, politically odious. The (C) outcome would likely (or hopefully) be a short-term development, however, as it would arise when Kaliningrad’s decay becomes so dire as to compel the Kremlin to request EU aid.

For the European Union, integration may occur on two tiers: standard responses to non-EU territories, or recognition of Kaliningrad’s special status as de facto EU territory, and crafting specific programs in response. The standard EU response is featured in scenario (B) and involves TACIS programs, with perhaps the potential to expand into cross-border interregional development programs (INTERREG) or projects similar to The Environmental Centre for

<sup>86</sup> Pomeranzev, p. 10.

<sup>87</sup> See Pertti Joenniemi, Stephen Dewar, and Lyndelle D. Fairlie. “The Kaliningrad Puzzle: A Russian Region within the European Union.”

Administration and Technology (ECAT) in Kaliningrad. The ECATs were established with TACIS and PHARE funds in Riga, St. Petersburg, and Kaunas as partnerships between local government, environmental experts, and outside consultants. The programs have reached various stages of completion, but were notably based on a regional scheme of targeting the Baltic Sea area, linking the European Union, EU-applicant countries, and Russia in cross-border cooperation. The ECAT programs, however, and any EU programs in scenario (B), do not address the long-term problems of Kaliningrad systemically: they are NGO-level responses to problems that require intergovernmental action.

The expanded EU response would address Kaliningrad as essentially a member of the European Union. The (D) scenario of mutual efforts to integrate Kaliningrad with the European Union is the optimal outcome in terms of long-term regional stability and the health of Kaliningrad and the surrounding region's populations. Although the European Union would have to recognize that Kaliningrad could be not treated exactly as a state, EU officials could design compensatory programs so that Kaliningrad is not left behind its EU neighbors as they receive resource and financial transfers from the Union. By easing cross-border disparities, and by directly targeting crime, communicable disease, and environmental degradation, the European Union could assist in developing Kaliningrad's potential as seaport, transportation hub, and financial gateway for the regional economy.

In their execution, if not in conception, however, the different EU integration tiers depend on Russian receptivity. To achieve scenario (D), Moscow would have to recognize Kaliningrad's special status as targeted recipient of EU aid, and adopt a more "fuzzy" conception of the territory's standing. Furthermore, Moscow would have to resolve conflicts in the local administration and in SEZ legislation. In September 2001 the Kaliningrad Oblast Governor Vladimir Yegorov stated that dual rule in the region, with authority over the SEZ transferred to the deputy presidential envoy over the local administration, would lead to "chaos and disintegration."<sup>88</sup> The Russian government has drafted a new 2002 Federal Development Program for the Kaliningrad region, in which SEZ legislation is not mentioned. This may be because the Duma plans on eliminating special SEZ privileges for the region--the outcomes are currently unclear. However, the uncertainty surrounding SEZ legislation and the local administration discourage investment, and hamper regional integration initiatives.

### *Conclusions*

The Kaliningrad territory forces the issue of the European Union's relations to non-EU countries, just as it compels the Kremlin to consider Russia's role as the EU border moves east. From EU integration to isolation, the outcome for the Kaliningrad territory is difficult to predict: aside from policy issues concerning roads, railways, energy, and fish, Russia and the European Union have not resolved their conceptions of Kaliningrad. Christoph Bertram, director of the Stiftung Wissenschaft und Politik, a Berlin-based think-tank, asserts that the EU has developed simply one foreign-policy tool, the offer of enlargement. "It has proved a really excellent way of persuading countries to behave in the ways that you want," he states. "But sooner or later the EU has to be able to draw a line and work out new forms of relationships with countries that are not

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<sup>88</sup> "Conflict Over Economic Zone Looming?" *RFE/RL Russian Federation Report*, Vol. 3, No. 27, 3 October 2001. <[www.rferl.org/russianreport/2001/10/27-031001.html](http://www.rferl.org/russianreport/2001/10/27-031001.html)>.

going to join the Union.”<sup>89</sup> An entire new concept of the North may emerge in Russia-EU relations as a guiding notion to defy the historical dichotomy of East-West,<sup>90</sup> and open a path between the unlikelihood of Kaliningrad’s mutual integration by the European and Russia, and the harmful (and much easier to achieve) isolation of the region. The European Union’s Northern Dimension (ND) initiative comprises a path for both Russia and the European Union to successfully manage EU expansion and Kaliningrad’s integration.

#### ***V. Northern Dimension Initiative***

The optimal outcome of the European Union and Russia both seeking integration as a solution to the Kaliningrad question (scenario D) may be nearly impossible under current trends in EU external relations. If the European Union structures relations with Russia as between two nation states, the prospects decline for Kaliningrad’s positive integration with the Baltic Region and EU member states. As two inflexible nation states bumping and posturing for regional ascendancy, Russia and the European Union do not have the capacity or will to manage the policy challenges of the Kaliningrad exclave. Russian Foreign Minister Igor Ivanov outlined Russia’s foreign policy initiatives for relations with the European Union in a May 2001 statement published in *Moskovskaya Pravda*:

The formation of a common foreign and security policy in the European Union and the operational component for carrying this out (European policy in the sphere of defense and security) have vital importance from the point of view of the prospects of partnership relations between Russia and the European Union. The appearance of a military-political dimension in the European Union opens a broad spectrum of possibilities for cooperation between Russia and the European Union in matters of global politics.<sup>91</sup>

Kaliningrad citizens should shudder at the emergence of “a military-political dimension in the European Union” that allows a new degree of cooperation between the European Union and Russia: conversations between Brussels and Moscow will not create a flexible border between the two entities friendly to Kaliningrad’s integration with EU neighbors. In contrast, at a recent fall 2001 conference in Kaliningrad, “The Lithuania-Kaliningrad Co-operation Days,” Lithuania’s Chief Euronegotiator Petras Austrevicius cited the Northern Dimension initiative as means for the Kaliningrad region “to form part of [the] infrastructure projects for energy and transport in the Baltic Sea region.” Lithuania has said “yes” already to discussion of building a gas pipeline to the Kaliningrad region, Austrevicius declared.<sup>92</sup> Prosaic boosterism and celebration of a gas pipeline aside, this politician turned to the ND as a flexible initiative that can be the basis for regional integration. The ND may be the best prospect for Russia and the

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<sup>89</sup> Pami Aalto. “Structural Geopolitics in Europe: Construction Geopolitical Subjectivity for the EU and Russia.” *COPRI Working Paper*, 2001. <[www.copri.dk/publications/WP/WP\\_2001/22-2001.doc](http://www.copri.dk/publications/WP/WP_2001/22-2001.doc)>.

<sup>90</sup> Pertti Joenniemi and Alexander Sergounin, “Russia and the EU’s Northern Dimension,” Paper presented at 42<sup>nd</sup> *Annual Convention of the International Studies Association (ISA)*, Chicago, 20-24 February 2001. <[www.isanet.org/archive/pj.html](http://www.isanet.org/archive/pj.html)>.

<sup>91</sup> “Russia and the European Union: Prospects of Strategic Partnership,” *Moskovskaya Pravda*, 21 May 2002, p. 3.

<sup>92</sup> “Euronegotiator Urges Kaliningrad to Make Use of European Integration,” *ELTA Lithuanian News Agency*, 26 October 2001.

European Union sidestepping historical constraints and finding novel solutions to the status of Kaliningrad within the EU's eastward-expanding space.

### *Northern Dimension Background*

The European Union's Northern Dimension (ND) initiative encompasses an array of actors and areas remarkable for their diversity and number. The ND includes EU member states (Denmark, Finland, Germany, Sweden); accession candidates (Estonia, Latvia, Lithuania, Poland); and non-applicant states (Iceland, Norway, Russia), together with Kaliningrad. Geographically, the ND ranges from Iceland in the west to Northwest Russia, and from the Norwegian, Barents, and Kara seas in the north to the southern coast of the Baltic Sea. The ND's "Arctic Window" component extends an arm of EU policy to the North Pole. As introduced by the Finnish Prime Minister Paavo Lipponen in September 1997, the ND is a framework for cooperative projects addressing social, economic, cultural, and political issues, with the goal of stabilizing the north of Europe by integrating the Baltic States and Russia into the Western democratic community.<sup>93</sup>

Those who champion the ND cite the opportunity to overcome the dividing lines of East-West conflict of the Cold War. Beyond this objective, however, much discussion of the ND revolves around the question, "what is it about." The Board of Baltic Sea States Subregional Cooperation (BSSSC) identifies five "horizontal" political objectives of the ND: stability of the region, support of the EU-enlargement process, integration of Russia, reduction of threats, promotion of strategic economic interests.<sup>94</sup> Simultaneously, the ND involves a range sectoral programs, expressed in the ND Action Plan and defined by the BSSSC as targeting the following areas: infrastructure, including transport, energy and telecommunication; natural resources, including the environment; nuclear safety; education, research, training, and human resources development; public health and social administration; cross-border cooperation, trade, and investment; and the fight against crime, particularly in transnational form.<sup>95</sup> The ND is celebrated as an innovative, dynamic, and decentralizing project, potentially leading to the reshaping of the European Union.<sup>96</sup>

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<sup>93</sup> See "Northern Dimension for the Policies of the Union," European Commission, COM(1998)589/3, <[www.baltinfo.org/Docs/eu/ND.htm](http://www.baltinfo.org/Docs/eu/ND.htm)>; Also See Council of the European Union, "Action Plan for the Northern Dimension with external and cross-border policies of the European Union 2000-2003," Brussels, 14 June 2000, 9401/00. <[europa.eu.int/comm/external\\_relations/north\\_dim/ndap/06\\_00\\_en.pdf](http://europa.eu.int/comm/external_relations/north_dim/ndap/06_00_en.pdf)>.

<sup>94</sup> "The Northern Dimension - A Subregional Contribution," BSSSC ad-hoc Working Group on Northern Dimension, BSSSC, October 1999. <[www.bsssc.com/pages/documents/documents\\_nor.htm](http://www.bsssc.com/pages/documents/documents_nor.htm)>.

<sup>95</sup> "The Northern Dimension - A Subregional Contribution," BSSSC.

<sup>96</sup> One researcher promotes the ND's incompleteness as a means reshaping the very nature of national subjectivity in Europe and allowing "a new type of politics that transcends the traditional self-other divisions between [the] East and West of the Cold War." He writes: the open flexibility of the ND enables "reflection on whom *we* understand *we* to be" when attempting to define the kind of EU/Europe that "*we* want." This poststructuralist approach tends to link the success of the ND with the extent to which the initiative does not reproduce any existing, concrete state policies---remaining undefined and therefore in ideal potentiality forever.

Celebrating cross-border collaboration, Finland's Secretary of State Jukka Valtasaari asserted his version of the ND in 1999: the ND region had become "an innovative meeting place--a frontier--instead of the dividing line that it used to be."<sup>97</sup> The metaphor of a frontier is sufficiently motivational, although best used in the sense of multiple frontiers---the ND in fact consists of numerous lines and boundaries. And the ND's multidimensionality finds its fullest challenge in the Kaliningrad territory.

#### *Kaliningrad as the Russian EU*

The ND's multidimensionality has been an asset in enabling each actor to interpret and enhance the initiative according national priorities, although often at the price of specificity. Thus at the October 2001 international forum of the EU Northern Dimension, Russian Deputy Prime Minister Viktor Khristenko asked whether the Northern Dimension is "pretty wrapping paper" or a real instrument of policy, and criticized the vague nature of ND projects.<sup>98</sup> The likely explanation for Khristenko's displeasure is unfamiliarity with the ND's approach to open-ended cooperation, and resistance to the ND's aim of EU-Russian integration via various cross-border initiatives. The ND in fact addresses specific Kaliningrad issues.

The EU's ND Action Plan emphasizes the development of the ND region's transport infrastructure and services, promoting a multi-modal transport system to stimulate the regional flows of goods and services. Article 37 details the development of Trans-European transport networks (TEN) within the European Union and their extension to the EU-accession countries, with consideration (Article 39) for linking with the Russian transportation (rail and road) system. Article 75 aims at increasing cross-border business cooperation--most relevant for the Kaliningrad among all the ND region members. Accordingly, Article 76 addresses removing trade barriers through the improvement of border transit, the better exchange of information, and heightened cooperation between regional and national authorities. The European Commission's document on the Northern Dimension cites both TACIS and PHARE programs for the entire Russia-Baltic States and Russia-Poland borders, including Kaliningrad: "Programmes of technical assistance devoted to promoting customs co-operation, future administration training and co-operation in the fight against organised crime should be considered through cross-border programmes, for border areas, i.e. for the Kaliningrad region of the Russian Federation."<sup>99</sup>

Overall, Kaliningrad is at the intersection of the ND's long-term political objectives and ND sectoral programs. Kaliningrad's sectoral problems---environmental degradation, threats to

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See Christopher Browning, "The Construction of Europe in the Northern Dimension," *COPRI Working Paper*, 2001, p. 33. <[www.copri.dk/publications/WP/WP%202001/39-2001.doc](http://www.copri.dk/publications/WP/WP%202001/39-2001.doc)>.

<sup>97</sup> Jukka Valtasaari, Secretary of State, Address at the Parliamentary Evening of the State Representation of Mecklenburg-West Pomerania in the German Reichstag, Berlin, 14 September 1999. <[virtual.finland.fi/news](http://virtual.finland.fi/news)>.

<sup>98</sup> "Russian deputy prime minister criticizes Northern Dimension," *Nordic Business Report*, 23 October 2001. See also Forum on the Northern Dimension in Lappeenranta, Government Information Unit, *Press release 222/2001*, 10 October 2001. <[valtioneuvosto.fi/liston/base.lsp?r=2606&k=en](http://valtioneuvosto.fi/liston/base.lsp?r=2606&k=en)>. Also See Lipponen Paavo, Opening speech at the Northern Dimension Forum in Lappeenranta, 22nd October 2001. <[www.vn.fi](http://www.vn.fi)>.

<sup>99</sup> "Northern Dimension for the Policies of the Union," European Commission, COM(1998)589/3, #41. <[www.baltinfo.org/Docs/eu/ND.htm](http://www.baltinfo.org/Docs/eu/ND.htm)>.

public health, and economic hebetude---and long-term political issues---coexistence with the European Union while remaining Russian territory---are key ND policy areas.

Lithuania and Russia prepared a joint list of projects (the “Nida Initiative”) within the Northern Dimension initiative in February 2000 for presentation to the European Commission. In June 2000 the Lithuanian--Kaliningrad Council adopted these projects, including the improvement of border crossing points at Kybartai (Lithuania)--Chernyshevskoe (Russia), Panemune (Lithuania)--Sovietsk (Russia), and Nida (Lithuania)--Morskoje (Russia); cooperation between border patrols for along the Lithuanian-Russian border control; and collaboration between the Lithuanian Ministry of the Interior and the Board of Interior Affairs of the Kaliningrad region. In the environmental sphere, Lithuania commenced in concert with the Kaliningrad region and Belarus the project “Management of the Nemuanas River Basin,” addressing water pollution levels. Lithuania and Russia prepared an application for the International Protection of World Culture and National Heritage concerning Kaliningrad’s Kuronian lagoon, aiming at the lagoon’s incorporation into the World Heritage List; the Kuronian lagoon was added to the list in 2000.<sup>100</sup>

The Northern Dimension has also been a model for the EU programs engaging the Russian Federation in general. Finish Prime Minister Lipponen detailed concrete ND projects involving Russia at the national Northern Dimension forum in January 2001. Border-crossing points at Salla and Svetogorsk between Finland and Russia were established and operational in 2000, with additional points planned for Kaliningrad. The Sortavala wastewater treatment plant (with Tacis funding) and the Krasnyi Bor hazardous waste treatment plant in St. Petersburg (with European Bank of Reconstruction and Development funding) are examples of ND projects in the environmental sector. The wastewater plant serves of 1.5 million of St. Petersburg’s inhabitants, and processes waste that hitherto had been dumped untreated in the Gulf of Finland. Russia’s construction of an oil-processing complex in Primorsk also drew Russian-Finnish cooperation in the framework of the ND; the two states pledged to cooperate in supervising and minimizing the environmental impact of the complex on the Gulf of Finland.<sup>101</sup>

Yet even as current ND initiatives address Kaliningrad region, the long-term utility of the programs, as well as the long-term prospects for the region, are uncertain. The ND sectoral programs largely amount to short-term assistance from EU members to non-EU states. This international aid model weakens the ND’s potential for encouraging the long-term decentralization of EU policies, whereby EU states, accession candidates, and non-EU states in the region would work for economic development and positive integration. The European Commission does not fund the ND initiative, which subsists on cooperation and collaboration among regional governments in channeling TACIS and other aid funds toward ND goals. Although short-term sectoral assistance is helpful for the Kaliningrad region, the ND’s best aspect is its potential as a framework for long-term regional development.

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<sup>100</sup> “Lithuania’s Co-operation with the Kaliningrad Region of the Russian Federation,” Ministry of Foreign Affairs of the Republic of Lithuania, February 2000. <[www.urm.lt/data/5/EF159562\\_kalin.htm](http://www.urm.lt/data/5/EF159562_kalin.htm)>.

<sup>101</sup> Prime Minister Paavo Lipponen at the national Northern Dimension forum in Oulu January 15, 2001. <[www.government.fi/vn/liston/base.lsp?r=479&k=en](http://www.government.fi/vn/liston/base.lsp?r=479&k=en)>.



### *Regional Responses*

Through the 1990s regional integration for Kaliningrad occurred primarily via small-scale cross-border trade between Kaliningraders and citizens of neighboring states. Primarily the activity of individuals, the shuttle trade is limited in volume to the goods that one person can physically carry. This economic activity is a survival mechanism pursued in the shadow of factory shutdowns, idle industries, and military cutbacks, although also indicative of the networks among families, co-ethnics, and small businesses that persist and emerge despite shifting national borders. The small-scale traders clearly are not engines of long-term growth or prosperity, however.

The long-term development of Kaliningrad, along with the entire Baltic littoral, as an integrated region faces two obstacles. First, the trend of EU External Affairs toward projecting nation-state status for the European Union in dealings with Russia negatively impacts the long-term prospects for ND's success in the region. Second, the constituent states of the ND region, particularly Poland and Lithuania with regard to Kaliningrad, are constrained by EU accession requirements in influencing EU policy on the region.

The solutions to these obstacles involve actors beyond Kaliningrad, Moscow, and Brussels, and engage the Baltic region overall, as appropriate for the goal of regional integration and flexible border regimes. As immediate neighbors Lithuania and Poland are most relevant to Kaliningrad, but in fact all ND members are factors in decentralizing EU policy on the region, and providing avenues for cooperation with Russia." A comprehensive, consensual vision of the short, medium and long term development of the Kaliningrad region should be prepared," states Vygaudas Ušackas, Deputy Minister of Foreign Affairs of Lithuania; he notes that "this strategy is unlikely to emerge until the overall new Russian Government's policy vis-a-vis the periphery is developed."<sup>102</sup>

The question of Russian government involvement in Kaliningrad's development hinges on "whom" the Kremlin will engage, as much as "how." "Kaliningrad should become a bridge to Europe, not a dead end," Prime Minister Mikhail Kasyanov said at a meeting with prime ministers of Lithuania and Poland in March 2002.<sup>103</sup> Does the bridge between Russia and Europe link Kaliningrad and Lithuania, or Poland? Or does it connect Moscow and Brussels? If Russia and the European Union are to approach the optimal "D" outcome of mutual integration, detailed in text above, then the "soft" security concerns of Kaliningrad---crime, disease, pollution---must be met with equally flexible solutions, and not "hard" Schengen borders. This requires more than Brussels--Moscow dialogue, but space for Kaliningrad, Poland, Lithuania, and other ND members to voice concerns and realize policy goals. The European Union's commitment to this outcome is relatively weak, and limited to the unfounded ND initiative; Russia voices opposition to visa requirements, but provides few suggestions or constructive overtures to allow other solutions by regional actors.

The European Union's attempt to project itself as a discrete nation-state in dealing with Russia, based on the Partnership and Cooperation Agreement (1997) and the Common Strategy (1999), contradicts the long-term potential of the ND initiative for multidimensional regional development. When caught between the bilateral tug and pull between Brussels and Moscow, the

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<sup>102</sup> Vygaudas Usackas, "Lithuania and Kaliningrad: building a partnership for the new Europe," in *The EU and Kaliningrad*, James Baxendale, Stephen Dewar and David Gowan, eds., London: Federal Trust, September 2000. <[www.fedtrust.co.uk](http://www.fedtrust.co.uk)>.

<sup>103</sup> Richard Lein, "Russia forces EU to tackle Kaliningrad," *Agence France Presse*, 7 March 02.

Baltic States are compelled to follow EU border policy, tariff controls, and customs agreements instead of engaging Moscow through ND programs. Contrary to the ND's vision of shared economic and political space, the European Union enforces a "hard" Schengen border, thus cutting off the Baltic States from easy entry into the Russian market. The European Union utilizes the ND to increase EU "actorness"---cohesion and strength---in dealing with Russia, but at the cost of the Baltic States' regional integration.

As EU External Affairs seeks to engage Russia and the European Union as if the former was a nation state, Kaliningrad is quarantined under EU dictates to "harden" external borders with Russia, reduce trade, lessen integration, and formalize relations within an EU framework for Russia affairs. An exclave with existing cross-border ties, both legal and illegal, however, Kaliningrad and its problems will defy isolation by visa regime.

The constituent states of the ND region must be able to influence independently EU policy on the region, with regard to Kaliningrad's status and beyond. At the recent Convention on the Future of Europe, Prague-based analyst Petr Drulak of the Czech Institute for International Relations asserted the need for candidate countries to think broadly about their future roles, beyond the too-limited objective of accession: "all of the candidate countries have to think a bit more about their contribution to European policies, going beyond rational self-interest. This is something we have to start. It has not been sufficiently reflected until now because our country, [for instance] has been very much involved in preparation [for EU membership], so the intellectual resources of the country are preoccupied with these preparations, not so much with thinking about our future role."<sup>104</sup> As Poland, Estonia, Latvia, and Lithuania move toward EU membership, their ability to define regional EU policy and conceive of future national roles---most effectively done via the ND initiative---will be measured by their deployment of their "intellectual resources" toward horizons beyond short-term aid money.

Over-reliance on EU policy affects Lithuania's regional development policy, for example, of which Kaliningrad is a significant component. Klaudijus Maniokas writes in the UN Lithuanian Human Development Report 2000/2001 that Lithuania's regional development policy suffers from two major drawbacks: "orientation toward the narrow goal of taking advantage of EU assistance has impeded discussion of the essence, goals, instruments, and results of regional policy. Second, despite the fact that regional policy has been designed for better channeling and use of EU assistance, its foundations [are not] conducive to achieving this goal."<sup>105</sup>

First, EU member states seek to dictate economic and political terms to EU candidate states in the ND. The consequent dominion over the Baltic state's affairs in the ND then mirrors the EU accession process, in which Brussels reviews applicants' progress in fulfilling the mutable *acquis communautaire*, and anxious candidate governments chase EU approval. The ability of the Baltics' states to shape future ND policy, not as short-term recipients of aid, however, but as regional equals and EU members, is key for Kaliningrad's regional integration.

The prospects of accession candidates' outright changing EU policy in the region are not hopeful. Recent discussions in Latvia provide examples of the power imbalance. In an article in the Latvian newspaper *Diena*, the Latvian economist Uldis Osis states that the levels of

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<sup>104</sup> Breffni O'Rourke, "EU: Key Convention Seeks To Make Enlargement A Working Reality," *RFE/RL Feature*, 31 January 2002. <[www.rferl.org/nca/features/2002/01/31012002102452.asp](http://www.rferl.org/nca/features/2002/01/31012002102452.asp)>.

<sup>105</sup> *UN Lithuanian Human Development Report 2000*, p. 19. <[www.un.lt/HDR/2000/default.htm](http://www.un.lt/HDR/2000/default.htm)>.

production and income of most Baltic citizens have not adapted quickly enough to the high prices, and social stratification in the Baltic States has increased accordingly.<sup>106</sup> “We sometimes lack the confidence,” he writes, “to demand things from the EU, the OCSE, and NATO if they demand things of us.” The EU-imposed transition period in liberalizing labor migration from Latvia led Latvian Prime Minister Andris Berzins to announce that his country objects to the formation of a two-level Europe.<sup>107</sup> Although the EU protests US protection of the steel industry, EU candidates are forbidden to introduce higher import tariffs on agricultural and food products from the European Union. Yet as restive groups protest EU production quotas and subsidized agricultural imports,<sup>108</sup> the Latvia government must increasingly tread between full EU-accession compliance and its domestic constituency.

Although Poland and Lithuania are unlikely to somehow reject the Treaty of Amsterdam’s requirement for implementing Schengen border guidelines, these two neighbors of Kaliningrad have an interest in easing cross-border flows of legitimate trade. Similarly, the governments of neighboring states, if prudent, do not have an interest in isolating Kaliningrad in a cordon sanitaire, and waiting to see which particular manifestations the disregarded crime, disease, and pollution will assume.

As the ND is outside of accession talks and not pegged on EU membership, the initiative is an effective outlet for the development efforts of accession candidates and non-EU states, a means for alleviating the costs of EU accession with targeted programs, and a possible method for assuaging domestic opposition to the European Union. All of these aspects “soften” the stance that Kaliningrad’s neighbors must take in achieving EU membership while seeking to positively engage the Russian exclave.

Finally, the ND provides the individual identities of Estonia, Latvia, and Lithuania means of expression, instead of the monolithic term of “Baltic states,” not to mention space for Poland to set its own path, or at least mitigate the effects, of EU accession. Despite Western perceptions and discussion of security issues in the undifferentiated Baltic States, the political and cultural elites of the region are inclined to move away from a common Baltic identity. In 1998 Estonia’s Minister of Foreign Affairs Tomas Ilves stated that, “I saw that for years Estonia had suffered from the unsuccessfully planned policies of the other Baltic States. Estonia is a post-Communist Nordic country, not a Baltic country.”<sup>109</sup> Vytautas Landsbergis, Chairman of the Lithuanian Parliament (1996-2000) compared the three Baltic States to mushrooms in a basket in a 1997 speech, and pushed for citizens to break free from the “Baltic ghetto.”<sup>110</sup> The former Lithuanian Minister of Foreign Affairs Algirdas Saudargas. Estonia’s former president Lennart Meri and

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<sup>106</sup> Uldis Osis “Latvia and the EU - are there only benefits?” *Diena*, 3 April 2001; via BBC Monitoring International Reports, “EU Offers Not Only Benefits, But Serious Shortcomings, Too,” 5 April 2002.

<sup>107</sup> Anna Pridanova, “Week in Review: EU Support Wanes in Latvia,” *Transitions Online*, 20 July 2001.

<[www.tol.cz/look/TOLnew/article.tpl?IdLanguage=1&IdPublication=4&NrIssue=22&NrSection=19&NrArticle=3298&ST1=body&ST\\_T1=letter&ST\\_max=1](http://www.tol.cz/look/TOLnew/article.tpl?IdLanguage=1&IdPublication=4&NrIssue=22&NrSection=19&NrArticle=3298&ST1=body&ST_T1=letter&ST_max=1)>.

<sup>108</sup> “Farmers Demand Boost in EU Production Quotas,” *RFE/RL Baltic States Report*, Vol. 3, No. 11, 11 April 2002. <[www.rferl.org/balticreport](http://www.rferl.org/balticreport)>.

<sup>109</sup> Zaneta Ozolina, ‘The Impact of the European Union on Baltic Cooperation’. *COPRI Working Paper*, 1999, p.15. <[www.copri.dk/publications/WP/WP%201999/3-1999.doc](http://www.copri.dk/publications/WP/WP%201999/3-1999.doc)>.

<sup>110</sup> *Ibid.*

Latvia's politicians have repeatedly voiced doubts concerning the common Baltic identity, as well.<sup>111</sup> Compared to the European Union's tendency to favor uniformity, the ND enables these individual conceptions of nation and difference to find more direct expression. The possibility of Kaliningrad's positive integration with neighboring states, despite EU and non-EU memberships, increases in direct proportion to the neighboring and regional accession states realizing their own policy objectives in ND space.

### *Conclusions*

In its horizontal conception of political objectives and sectoral--not national-- approach to specific problems and issues, the ND is an opportunity for not only Kaliningrad's EU-ascending neighbors, but Russia as well, to transform the short-term EU aid tied to the accession process into a long-term plan for regional development, with particular benefit for Kaliningrad. Despite obstacles including EU member states' tendency to exert control over domestic affair of EU applicants, and efforts to achieve a more cohesive nation-like EU identify in dealings with Russia, the accession states should seek articulation of their own national priorities and identities within the multidimensional ND initiative. This prospect brings the best chance of an optimal outcome for Kaliningrad as its status as exclave in Schengen space approaches.

### *VI. Epilogue*

The impending EU expansion in 2004 relocates the issue of Kaliningrad's status from strictly a question of competing Kremlin conceptions and relations between the Russian center and periphery, to a matter of EU and Russian interests and the Northern Dimension regional grouping of European states. Whether Russia and EU leadership are up to the task of resolving Kaliningrad's status as exclave in Schengen space or not, the march of EU expansion around the Kaliningrad region will force the question.

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<sup>111</sup> Graļina Miniotaitė, "The Baltic States: In Search of Security and an Identity," COPRI Working Paper, 2001, p. 10. <[www.copri.dk/publications/WP/WP%202001/14-2001.doc](http://www.copri.dk/publications/WP/WP%202001/14-2001.doc)>.