

# A Story of One Unsuccessful “Island”

## Kaliningrad 1991- 2010: from “Baltic Hong Kong” to the Center dependent entity

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### ABSTRACT

Having become a part of the Soviet Union as a de-facto “war prize” of victorious Second World War, Kaliningrad Oblast still remains the western most point of the Russian Federation that does not have direct connection with motherland. Despite numerous declarative attempts and changing approaches this regions still has not been able to catch up with its neighbors. The main goal of this research is to trace the main stages of development of Kaliningrad Oblast after the year 1991 and as certain major problems the region has been facing since breakdown of the USSR.

**Subjects:** Kaliningrad Oblast, the Baltic Sea region, Moscow – Kaliningrad - EU relations, the “pilot project”, secessionism.

### RESUMEN

Habiéndose convertido en una parte de la Unión Soviética como un “botín de guerra” de facto tras la victoria en la Segunda Guerra Mundial, la región de Kaliningrado sigue siendo el territorio más occidental de la Federación de Rusia que carece de conexión directa con la patria. A pesar de las numerosas declaraciones destinadas a justificar la situación y modificar la percepción que se tiene de estas regiones, aún no ha sido capaz de armonizar las relaciones con sus vecinos. El objetivo principal de esta investigación es trazar las principales etapas del desarrollo de la región de Kaliningrado desde 1991 y determinar los principales problemas a los que se ha enfrentado la región desde descomposición de la URSS

**Palabras clave:** Oblast de Kaliningrado, región del Mar Báltico, Moscú, Unión Europea, UE, “proyecto piloto”, secesionismo

## RESUM

Havent esdevingut una part de la Unió Soviètica com un "botí de guerra" de facto després de la victòria en la Segona Guerra Mundial, la regió de Kaliningrad segueix sent el territori més occidental de la Federació de Rússia que no té connexió directa amb la pàtria. Malgrat les nombroses declaracions destinades a justificar la situació i modificar la percepció que es té d'aquestes regions, encara no ha estat capaç d'harmonitzar les relacions amb els seus veïns. L'objectiu principal d'aquesta investigació és traçar les principals etapes del desenvolupament de la regió de Kaliningrad des de 1991 i determinar els principals problemes als quals s'ha enfrontat la regió des de la descomposició de la Unió Soviètica.

**Paraules clau:** Oblast de Kaliningrad, regió del Mar Bàltic, Moscou, Unió Europea, "projecte pilot", secessionisme

## 1. Kaliningrad and Moscow: one country... one system

### 1.1. Economic, socio-political and cultural impact of the collapse of the USSR upon Kaliningrad

Disintegration of the Soviet Union brought about tremendous losses for the economy of the Russian Federation: according to numerous estimates, the GDP fell dramatically, and may have exceeded losses which had been experienced by the USSR as a result of the Second World War<sup>1</sup>. Primarily due to the fact that Kaliningrad had been fully integrated into the Soviet economy and had relatively well established economic connections with adjacent republics and co-members of the Socialist Camp (mostly with Lithuania, Latvia and Poland), its economy was hit with particular severity. In fact, as one of the last acts of the perishing Soviet Union, its leadership attempted to establish an experiment with economic liberalization when the 'Amber' (FEZ Yantar) plan was established for Kaliningrad as a means to overcome imminent economic collapse. Therefore, in July 1990 the Supreme Soviet of the USSR declared Kaliningrad as one of six 'zones of free entrepreneurship', which was followed by a decision to grant Kaliningrad customs and tax exemptions in foreign trade, as well as a five-year tax credit. These events resulted in establishment of the Free Economic Zone 'Amber' in September 1991. The main aim of the experiment was to raise living standards, promote foreign trade, attract foreign investment, develop import substitution and export industries<sup>2</sup>.

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<sup>1</sup> For more information on this topic: *The Cambridge History of Russia* (2006): p.408

<sup>2</sup> For more information on this topic see: Oldberg I. (2001).

Nevertheless, that scenario was never destined to work out - during one of the most arduous periods of Russian development the Kremlin was being torn apart by various groups struggling for power and influence, whereas president Boris Yeltsin was grabbing for every opportunity to achieve power by all means available (even at the expense of civil war and breaking basic norms and values). For this purpose Kaliningrad was said to have been granted a number of privileges (the 1992 and 1996 laws granting Kaliningrad the status of Special Economic Zone) many of which were promised but not actually implemented - these were methods used by President Yeltsin to gain power in the Russian Parliament and avoid further regionalization of the country.

From prospective foreign ties (since the Baltic States and Poland were free of the Soviet sway since 1991) Kaliningrad suddenly encountered the fact that it was now surrendered by a foreign, and rather hostile, environment with growing nationalist and irredentist movements. Obviously, such conditions did not facilitate a smooth transition of Kaliningrad from a state planned economy into a market economy oriented towards cooperation with its European (Poland, Latvia, Lithuania, Sweden, Finland and Germany) partners, while simultaneously maintaining constructive relations with the Federal Center.

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Branches of economy that used to be vital for the region during the Soviet times, such as fishery, amber industry, tourism, agriculture and transportation lied in rubble: this was caused by severe under financing and the necessity of relying upon imports from abroad which were now regulated by foreign customs and duties to which the Kaliningrad manufacture and economy were not used to. Moreover, the Oblast witnessed a wave of other activities that significantly tainted its international perception: alcoholism, prostitution, drug abuse, along with proliferating criminality and smuggling. An HIV/AIDS epidemic, an unknown and fearful malaise, became a new scourge of the Oblast along with flourishing tuberculosis and venereal diseases, which decreased the overall health level indicators of the local population More on this topic see: Khlopetskii A., Fedorov G. (2000): pp. 33, 102, 153, 159<sup>3</sup>

Perhaps it would be safe to define the main sentiment that prevailed among the local political and intellectual establishment as a sense of uncertainty and confusion about the future. Even though other parts of the Russian Federation were facing very similar challenges, their territorial proximity to the motherland allowed them to avoid similar issues experienced by Kaliningrad, as they were part of a common economic and political system.

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<sup>3</sup> More on this topic see: Khlopetskii A., Fedorov G. (2000): pp. 33, 102, 153, 159

It should be noted that the predominantly ethnic Russian population<sup>4</sup> of Kaliningrad did not cherish the idea of the creation of an independent state, which went contrary to the experience of several other subjects of the newly born Russian Federation (Chechnya, Tatarstan, Tuva, Bashkortostan, Yakutia). On the other hand, the infamous phrase uttered by President Boris Yeltsin encouraging other republics and subjects to “grab as much sovereignty as they could swallow”<sup>5</sup>, led certain forces within the region to the conclusion that Kaliningrad should gain more autonomy and increase its foreign relations. Ultimately, it was these powers that suggested using Kaliningrad’s potentially valuable geopolitical position as a bridge between two major civilizations (Europe and Russia) to establish steady economic/cultural ties and to replicate the Hong Kong model on the shores of the Baltic Sea. The main argument against these ideas was that Kaliningrad should become an integral part of the Baltic Sea region (that was just starting to gain force and was rapidly turning into the fastest developing regional formation in the world<sup>6</sup>) and emerge as a viable subject within the system of Northern relations, thereby using Kaliningrad as a link in the emerging South – North axis. This stream of ideas was favored by the local governor Y. Matochkin and his close associates. However, being extremely suspicious of the governor’s ambitions, the Kremlin launched an ideological and political campaign against him, whereby replacing his nascent model of development by the idea of perpetual conflict between Russia and the “West”. One of the main tools of such a policy was the curtailing or outright elimination of previously granted privileges. For example, a piece of legislation that had been called “On Raising the Status of the Kaliningrad Oblast” acquired a new title “On Strengthening the Sovereignty of the Russian Federation on the Territory of the Kaliningrad Oblast”<sup>7</sup> -this was a shift of the Federal policy towards Kaliningrad.

The immediate aftermath of the collapse of the USSR with its clearly defined set of ideological dogmas, brought about a somewhat similar emotional feeling (and a state of “cultural shock”) experienced by the rest of Russia – absence of a clearly identified national idea and identity as well as unequivocally defined directions for further development. However, in Kaliningrad these processes were significantly complicated with the proximity of culturally, politically and economically diverse entities – this resulted in the fact that the local demands (both from the political and intellectual elites and ordinary citizens) differed from those to be

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<sup>4</sup> Katrin Uba (Spring 2000)

<sup>5</sup> For more information see: <http://www.obeschania.ru/documents/promises/berite-stolko-suvereniteta-skolko-smozhete-proglotit>.

<sup>6</sup> For more information see: <http://www.obeschania.ru/documents/promises/berite-stolko-suvereniteta-skolko-smozhete-proglotit>.

<sup>7</sup> For more information see: *Nezavisimaya gazeta*, 26 July and 26 October 1994

found in the rest of Russia. After decades of oblivion, the “foreign past” of the region started to project its influence on the local population and the way certain events and activities were perceived and assessed. Therefore, the somewhat broken ties with the mainland, coupled with the proximity of European states, encouraged the local population to use as a yardstick of development more “European” in its essence than the one applied within the Russian environment.

Nonetheless, it was clear that Kaliningrad was a very distinctive region within the Russian Federation and required a different approach applicable to its particular realities and needs – a solution however was more sophisticated than it may have seemed from the first glance. The essence of the conundrum lied in the following plane: to which extent was it “safe” to grant Kaliningrad autonomy, so as not to hinder its relations with the Kremlin and avoid a splash of separatism and clear westward orientation.

In this regard, it was the year 2000 that became a pivotal date for Kaliningrad’s development for several years to come, and that also signified its new trajectory of development. The ascension of Vladimir Putin as the new Russian president, who from the very beginning identified as his top priority, the centralization and subordination of local elites to the Federal Center, has determined a new turn in Kaliningrad’s course of development.

### 1.2. Economic miracle or “Potemkin villages”

What constitutes the essence of Kaliningrad’s economic performance? As it has been previously mentioned, the collapse of the USSR and market oriented reforms became a genuine ordeal for Kaliningrad: the economic and political turbulence that ensued introduced serious social and cultural challenges that left perplexed not only the local elites but the Kremlin as well. From his first days in power, Vladimir Putin clearly identified that in his priorities of further development, stability and obedience was a much more appreciated merit than federalism and autonomy. In this regard, the Kaliningrad Oblast slid into anarchy as a direct result of activities conducted by its abusive and opinionated governor L. Gorbenko, and represented a sheer disaster from both an economic and political point of view. Therefore, the Kremlin’s choice was attainment of political and economic stability as a vital precondition for further actions.

The first puzzle was solved by introducing a new governor V. Yegorov, who was a trusted man of Vladimir Putin – and for years he had served as the Admiral

commanding the Baltic Fleet. Secondly, Moscow was ready to provide substantial financial injections into the local economy that was to attain necessary level of prosperity in order to be able to attract both Russian and European investors. For this purpose, Kaliningrad was granted “Pilot Region” (or “transportation hub”)<sup>8</sup> status, which practically defined the region as a “laboratory” where new models of cooperation between the EU and the Russian Federation were to be tested.

In the domain of economic development, Moscow assigned substantial financial means to the recuperation of the local economy. Within the interim 2000 – 2005, in fact, Kaliningrad`s economy witnessed very rapid rates of growth (approximately 9-12%<sup>9</sup>). However, in the final analysis the array of measures aimed at improving the local economic performance did not work out the way they had been conceived. This outcome may be explained by several important and somewhat indissolubly connected factors. First, the economic incentives, as generous as they might have seemed from first glance, were primarily spent on propping up a local bureaucratic apparatus that was becoming a predominant trend of “Putinism” as a set of norms, ideas and the way of governance. Second, the impressive rate of FDI (Foreign Direct Investments) had practically nothing to do with investment in the local economy. If one takes a closer look at the group of countries (Cyprus and Lithuania) whose FDI was the largest one, it reveals that this was a part of the shadow economy, and not real investments that had by the year 2005 reached dreadful indicators. Such active participants and “locomotives” of the Baltic Sea region as Finland, Sweden, Germany and Poland did not invest in Kaliningrad`s economy to a large scale due to the widespread corruption and growing fear of the Kremlin in the face of potential western presence on the soil of this remote “island”. Besides, no significant economic stimuli were granted to the European investors. This did not facilitate developing of interest from their part to Kaliningrad<sup>10</sup>. Moreover, the running start initiated by the new governor was soon overtaken by scandals and growing commotion within local political establishment: bribe scandals and looming conflict between V. Yegorov and local political elites gave the Kremlin an impression of instability in the region. Moreover, Kaliningrad was more and more dependent on financial support from Federal Center: subsidies for Kaliningrad had risen from 18% in 1994 up to 25% in the late 1990s, and up to 37.8% in 2003. byn 2005-2006, subsidies covered about 30% of the budget expenditures<sup>11</sup>. In addition, it should be mentioned that oil extraction and oil shipments constituted the main source of the local budget

<sup>8</sup> For more information see: Smirnov (2009)

<sup>9</sup> For more information see: Smorodinskaya (2006)

<sup>10</sup> Sweden, Germany and Poland had to wait for several years prior to the moment they could establish organs responsible for economic cooperation in Kaliningrad.

<sup>11</sup> Smorodinskaya (2006): P.6.

revenues, which signified the most important aspect of the local economy – proximity of swiftly developing neighbouring states evaded Kaliningrad introducing instead extensive and rather “idle” model of development. [U1] This, along with planned EU enlargement and tough economic prospects of the Oblast enticed the Kremlin to make new steps.

### 1.3. The year 2010 as the unsuccessful consequence of the “new approach” to Kaliningrad

Since the “old” political and intellectual forces had been tainted with corruption scandals and ineffective governance, it was decided to introduce a completely new person as a governor of Kaliningrad, who could not have been incriminated by connections with the local elites and whose reputation had not been tainted by corruption scandals, which would allow him to conduct a fresh start. Such a person was G. Boos - young, liberal and simultaneously devoted member of the “United Russia” political party and Vladimir Putin’s close associate. From the very beginning G. Boos declared that his priorities would include the following:

- Strengthening of the economic, cultural and political relations with the West
- Attracting large financial capital to the local economy
- Initiating building of huge infrastructural projects that would define the main vector of local economic performance for years to come
- Making Kaliningrad as new “Mecca” of immigration by increasing the region’s population up to 5 million by 2015<sup>12</sup>
- Transforming Kaliningrad into a new Baltic Center of education and intellectual stronghold
- Equalize level of life quality in Kaliningrad with its neighbours (Poland and Lithuania by 2010 and with Germany by 2015)
- Launching of export-oriented reforms
- Making Kaliningrad’s cooperation with Poland and Lithuania “a model for shaping Russia’s relations with the united Europe”<sup>13</sup>

As naïve as some ideas could have seemed, it was not G. Boos who was the sole person to be blamed for these plans falling short of his initial goal. One particular detail that is frequently overlooked was a cue thrown by Vice-Admiral V. Valuev, the commander of the Baltic Fleet, who had (immediately after the new governor assumed his post) warned him that the military was highly disapproving of his

<sup>12</sup> For more information see: *Interfax*, 28.09.05; *Rosbalt*, 2.09.05

<sup>13</sup> For more information see: *Rosbalt*, 18.09.05; *EUobserver*, 2006



projects (namely, expansion of relations with the West) and would do their best to not let foreign forces to be able to influence Kaliningrad's internal affairs<sup>14</sup>. In fact, as the further course of events did show, the military (even despite the fact that its strategic importance may have decreased compared to the Soviet times) was able to preserve a visible share of influence, thereby being able to persuade Moscow of the "undesirability" of foreign presence on the soil of the Kaliningrad Oblast.

In the domain of economic development, the legislation introduced in January 2006 establishing the "the Special Economic Zone in Kaliningrad"<sup>15</sup>, set the legal rules governing the participation of external financial capital in the Oblast. In fact, not only did it not attract financial capital from abroad, it simultaneously broke the back of already existing foreign firms and enterprises making many of them withdraw from Kaliningrad. The only viable thing this legislation achieved, was the inflow of huge capital from Moscow that overshadowed other firms and companies, putting Kaliningrad under total control of Moscow (in terms of both economic and political autonomy), whereby hooking the region on the Kremlin's position and the level of investments. As statistical data reveals, the absolute bulk of the budget was shaped by selling oil and oil products (which was exactly similar to the earlier indicated tendency), and assembling lines and goods produced in Kaliningrad for the Russian internal market.

Moreover, the local political and intellectual elite became very suspicious and envious of G. Boos and his direct ties with the Kremlin. From the very beginning, the local Duma started to hinder his legislative proposals and tried to avoid establishing compromises. The world economic crisis that broke out in the year 2008 brought multiple internal problems of the region into light – the temps of economic growth plummeted whereas unemployment soared<sup>16</sup>, which was a clear evidence of the erroneous path that Kaliningrad had been following for years. Mass public protests broke out within the period 2009 – 2010 that were aimed against G. Boos and Vladimir Putin (which was, perhaps, the first time in Putin's political career as the Russian president) made the former leave the post with a promise not to aspire to be granted a second term in office.

In the final analysis, it would be adequate to mention that every single initiative put forth by the governor in the year 2005 either did not work out or were attained to such a meagre degree that they could not be considered as a success. Curi-

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<sup>14</sup> Songal (2002)

<sup>15</sup> Available at: <http://www.rg.ru/2006/01/19/kaliningrad-dok.html>

<sup>16</sup> Kaliningrad Province in 2009, *Biannual economic review* (May 2010); Почему кризис 2009 года в КО сильнее общероссийского? (2009)



ously enough, yet one of the central points of discontent put for by the protestors was inadequate level of relations with the EU and weak economic performance – areas that were seen as central for Kaliningrad's development within the years 2000- 2010. This episode also indicated the strategic importance of Kaliningrad to the Federal Centre – never before had Kremlin conducted its regional policy steps under the influence of public opinion.

## 2. Kaliningrad and Europe: a difficult partnership

### 2.1. Irredentist movement and Kaliningrad: unrealistic ambitions vs. common sense.

In various historical epochs Kaliningrad used to be known under different names (Königsberg, Królewiec and Karaliaučius), which signified its pertinence to one state or another. As a matter of fact, the collapse of the Soviet Union and apparent signs of disintegration and separatism that were evident during the first years of the Russian Federation engendered various rumours about potential inclusion of Kaliningrad into one of the following states on the basis of historical right: Germany, Poland and Lithuania, respectively.

In public opinion, it was Germany that should have had the strongest arguments in a “quest for Kaliningrad”. Apart from being economically much stronger than the other parties, Germany was the last foreign state to possess Kaliningrad. Moreover, the German population was forcefully driven out of the oblast, which resulted in an emergence of irredentist ambitions among some of them (and their ancestors). Even though neither German government has ever come up with ideas of annexation of Kaliningrad, such sentiment was very much alive in 1990s both within German and Russian societies. It was also widely rumoured that the Oblast might be ceded to Germany as re-payment for the Russian financial debt. The last such case occurred in the year 2004 (November), when the opposition Christian Democratic Union/Christian-Social Union (CDU/CSU) called into question legitimacy of Kaliningrad being part of Russia: the deputies described the Russian region as the “Konigsberg area”. Point 14 of the document asked: “What is the Federal Government's attitude to the idea of establishing a Lithuanian-Russian-Polish Euroregion that geographically would correspond to the historical province of East Prussia?”<sup>17</sup>. The document was signed by 71 Bundestag deputies from the CDU/CSU.

However, for the moment it seems quite unlikely for Germany to start any activities aimed at the re-acquisition of Kaliningrad: having experienced painful and

<sup>17</sup> For more information see: Kortunov (JANUARY – MARCH 2005)

rather costly re-integration of East Germany into economic and political structures of the FRG, it would not be willing to accept another rather drawback (by European standards) area with dominating ethnics Russian population, with ethno-cultural and spiritual traditions of their own. On the other hand, being a “motor” of European integration and primarily concerned with East – West constructive dialogue Germany would not risk its status and credibility over such cause as Kaliningrad.

Poland and Lithuania used to possess Królewiec/Karaliaučius back in the Middle Ages. If the former did express certain ideas of the “rightful” place of Kaliningrad (which however, bore as a mostly declarative character, not being supported by any concrete declarations), the latter has put forth a defined political claims to reintegrate Kaliningrad into Lithuania<sup>18</sup>. These sentiments were particularly strong in the early 1990s and were primarily connected with V. Landsbergis as a representative of the conservative part of Lithuanian society.

Moreover, even nowadays the idea of acquisition of Kaliningrad is very much alive. For instance, The Encyclopedia of Lithuania Minor, published in the United States s, speaks of Kaliningrad as a “Russia-occupied area of Lithuania,” as an “ethnic land of the Balts” and part of their “historical heritage”. Georgs Bagatis of the Baltic Unity organization says the presidents of the Baltic States must make a joint statement denouncing the occupation by Russia of the “Konigsberg area”.

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However, it would be rather naïve to expect that Lithuania whose population slightly exceeds 2.9 million and whose economy is rather weak and dependent on largest monetary institutions would be able to “consume” an additional 1 million people with economic problems of their own. On the other hand, Poland and Lithuania are experiencing predicaments of their own related to the status of ethnic minority, whereas additional Russian “citizens” would make existing tensions even more acute, with a high explosive potential.

Therefore, it would be safe to suggest that the “scarecrow” role played by Kaliningrad’s neighbours for several decades<sup>19</sup> has been turned into a rather “convenient” tool for influencing Federal Center to vest additional attention to the problem of “encirclement” of the region by the countries of the EU.

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<sup>18</sup> One of the examples of Lithuanian irredentist logic of behavior may be found here: Furmonavicius D. (2004)

<sup>19</sup> To be precise, such sentiments were stated to dominate from 1946, when the Oblast had just been acquired.

## 2.2. Kaliningrad and Northern Europe. The role and place of Kaliningrad in Swedish and Finnish security concerns.

Although Sweden and Finland never had any known aspirations for Kaliningrad, these two states have worked more than anyone else towards the full integration of Kaliningrad within the Northern relations system, in order to include the Russian Oblast within the “Baltic Rim”. If Kaliningrad had followed the path of closer cooperation with Sweden and Finland, this would have resulted in creation of a link between Scandinavia, Poland and Ukraine, whereby making Kaliningrad an integral element of North – South cooperation. However, the Russian Federation with its own geopolitical vision of balance of forces in Europe has expressed practically no interest in using Kaliningrad in the above-mentioned capacity.

Incidentally, during their respective EU presidencies (1999, 2001 and 2006) Finland and Sweden did introduce a number of progressive initiatives specifically addressed to resolve the Kaliningrad issue<sup>20</sup>.

Initially, these countries proposed to reduce visible security threats emanating from the region and forestall Kaliningrad’s transformation into the “black hole” of the Baltic Sea region. These results should have been achieved not by the means of blunt economic support from the Federal Center, yet by gradual transformation and upgrading of economic, legal and educational capabilities, thereby establishing a qualitatively new basis for further reforms and a safe ground for FDI inflows. However, these ideas did not find any support in Russia (which was primarily concerned with not losing Kaliningrad to external forces) nor in greater Europe (which was more concerned with new EU eastward expansions).

In the end, Kaliningrad did achieve certain improvements without the necessity to undergo painful and “inconvenient” procedures proposed by Finland and Sweden – at the expense of financial subsidies, which allowed Moscow to preserve its sway over the region and “protect” it from “detrimental” Western influence. So far, it would be safe to conclude that the North – South relations, where Kaliningrad could have played an essential role in the Baltic Sea dimension, are not working. Nonetheless, as recent historical experience has shown (2008 – 2010) Moscow would not always be capable of simply “buying out” the loyalty of the local elites, especially taking into account the growing imperial ambitions of the post-Soviet area and the proliferation of internal issues that require substantial financial expenditures. In the final analysis, I would suggest that it will be Kali-

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<sup>20</sup> One of the most important is the so-called “Northern Dimension Initiative” (initiated in 1999 and renewed in 2006)

ningrad and its population who will become a prey of such policy - the Baltic Rim will continue its dynamic development, whereas Kaliningrad will continue to stay aloof as an alien entity dependent on extensive development and constantly looking eastward in search of support.

### 2.3. An implicit threat or the “pilot project” what is Kaliningrad for wider Europe?

In this last decade and a half, Kaliningrad's perception among European states has undergone certain changes. The first years that followed the collapse of the USSR and the dire economic state that Kaliningrad plummeted into were perceived by the leading European powers with visible apprehension and dismay. Undoubtedly, adjacent states did not like the idea of having an epicentre of smuggling, drug trafficking and illegal migration in the heart of Europe (especially with the inception of the first Chechen armed conflict in 1994). During these first years, European countries were primarily concerned not with improving the situation in Kaliningrad, but doing their best to decrease contacts and establishing additional barriers so as not to allow the spread of instability beyond Kaliningrad. Prior to the year 2003, the EU (as a regional international organization) had almost zero interest in Kaliningrad, and, apart from Finnish and Swedish initiatives, it limited itself on blaming Russia for not doing enough to prevent further degradation of the Oblast. However, the period 2002-2003 became a crucial time for Kaliningrad in the scope of EU-Russian relations, since it preceded the EU eastward expansion that took place in 2004. During that time the EU had done certain actions that had been proposed by Finland and Sweden years earlier (yet these steps were rather half-hearted and indecisive and were mostly related to the repair of border infrastructure), which was done mostly for the new EU's members sake rather than otherwise.

The main sentiment that defined Russian policy towards Kaliningrad during these years may be defined as apprehensiveness and a sense of uncertainty of the role that Kaliningrad should play in the relationship between Russian and the EU. Prior to the year 2003 Russia used to complain that the EU should have done much more than it actually was doing, provided that Europe wanted to have an island of prosperity rather than a source of instability (this type of policy may be defined as a “soft blackmailing”). Two major crises that occurred in the years 2003 and 2010 - 2012 did reveal the fact that Kaliningrad was mostly perceived as a bargain chip in the dialogue with the West rather than a “laboratory” of constructive relations between two regional actors. Prior to the major EU expansion of 2004, the Russian side busted out a hysterical nationalist propaganda campaign covered with a “true” and deep concern for Russians separated from their motherland and obstructed by their neighbours (a very similar approach used by the Russian diplo-

macy when it comes to Russian geopolitical interests that are being masked under ethnic and minority questions]. The issue of transit and a visa regime significantly encroached beyond a matter of political frictions - it displayed deep and acute contradictions that constituted the essence of Russian – European relations.

The 2012 crisis broke out when the Russian side made it clear that anti-ballistic Iskander missiles might be deployed within the Oblast's territory as a response to the American decision to deploy missiles in Poland and the Czech Republic<sup>21</sup>. On the one hand, this episode was considered to be evidence of the fact that relations between Russia and the west were still dominated by Russia - NATO relations. As it was also suggested, that Russian initiative regarding Iskander missiles was an essential element that should have strengthened the Russian bargaining positions prior to the NATO – Russia summit that took place in Chicago. On the other, it suggested that the Russian side was prone to increase the military strength of Kaliningrad<sup>22</sup>, which retrieved an element that was being neglected by many – Kaliningrad does possess in intrinsic military strength as a Russian outpost on the Baltic shores.

A bitter irony vested upon branding Kaliningrad as a “testing ground” for EU – Russia relations lies within the fact that in the end it did become such a “laboratory”, yet the results yielded unexpected and somewhat about-turn results (yet, it might very well be argued that this is the real state of affairs). Neither the West nor Russia had expressed their respective readiness to accept Kaliningrad with its inherently complex history, traditions, traits of identity, geopolitical peculiarities and economic structures. Instead of becoming a “bridge of opportunity”, it has become a rather secluded isolated island situated in one of the most rapidly developing areas in the world, yet staying aside. Most importantly, as recent events in Ukraine have shown, Russia needs a “protective belt” that would safeguard the Kremlin's zone of influence, which leaves Kaliningrad practically no options but to replicate its historical experience of being a “bulwark” against both real and imaginable threats.

<sup>21</sup> For more information see: <http://www.osw.waw.pl/pl/publikacje/analizy/2012-02-01/iskandery-w-obwodzie-kaliningradzkim-niezaleznie-od-tarczy>

<sup>22</sup> For instance in 2011, new type of radiolocation stations were placed in Kaliningrad (type Voronezh – DM), which makes Kaliningrad second after Moscow place in Russia to be protected by such type of installations.

### 3. Conclusions, prospects and reflections: neither East nor West. Kaliningrad's gaze into the arduous future.

The world economic crisis and its consequences have vividly depicted the fact that Kaliningrad is perhaps one of the most susceptible to external challenges and brittle geopolitical entity in the Russian Federation. Clearly, it has not been accustomed to cope with predicaments on its own (be them from the domain of economy or political development). This tendency stems not only from Moscow's "hawkish" stance towards its westernmost region, but also due to the development of a very unique "Kaliningrad identity"<sup>23</sup> that has been shaping for decades and nowadays dominates and largely defines the course of the internal environment. Judging from the most recent historical experiences, Kaliningrad will not survive without the help Moscow in the sea of the rapidly developing Baltic Sea Rim, where the progress achieved by the states that constitute that regional entity is based on original decisions, proliferating economic and transportation ties, fair competition and implementation of new technological improvements. In this context, it would be adequate to mention that even Belarus (being proximate to Kaliningrad and economically dependent on Russia) and the absolute majority of Russian businesses opt for Latvian seaports to perform goods transportation, whereas Kaliningrad is left aside and thus unable to benefit from its status.

The aforementioned "Kaliningrad identity" does to a substantial degree hinder development of new and original approaches in various domains of public life (economics, education, tourism and business). After all, since the Kremlin is ready to maintain existing status quo using its financial muscle and boasting military might, there are practically no incentives to spur dynamic development of the region by its own means. In this juncture, the most proximate to Kaliningrad Oblast states (especially Poland and Lithuania) will reap all the benefits – for these states Kaliningrad will be perceived as a new market for goods and services<sup>24</sup>, yet not an equal partner. Moreover, following economic predicaments that Russia has been experiencing since its "Crimean affair", foreign manufactured goods (primarily from Poland and Baltic States) have increased in value by 15 – 24%<sup>25</sup>, which struck Kaliningrad particularly hard. On the other hand, "large" regional players, such as Germany, or the Nordic Countries, are not likely to be-

<sup>23</sup> This is a very large topic on its own, which has not been given proper scholarly discourse.

<sup>24</sup> Taking into account that from 2013 on citizens of Kaliningrad are allowed to travel to Poland without a necessity to have a Schengen Visa and many Polish companies do not even need to be present in Kaliningrad to be able to dispatch their goods.

<sup>25</sup> For more information see: <http://www.echo.az/article.php?aid=58920>;  
<http://www.mk.ru/economics/article/2014/01/30/978169-pesa-polet-rublya-kakie-tovaryi-podorozhayut-v-pervuyu-ochered.html>.



come interested in investing in the Kaliningrad economy at a large scale – for the past decade the investment climate has not improved, rather the bulk of available evidences suggest that it has worsened.

In the final analysis, provided that the scope of Russian ambitions in the domain of foreign policy actions are rather unclear (acquisition of Crimea given its drawback state could devour huge financial expenditures) – the fate of Kaliningrad seems to be much more arduous than one might imagine right now. Following this path of thought it would be adequate to suggest that in dealing with Kaliningrad, the Russian side will try to do its utmost to avoid significant “westernization” of its westernmost point and would rather opt for developing a cultural conflict with the West versus inclusion of the region into fruitful cooperation.

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