

17 The Development of Kaliningrad in the Light of Baltic Co-operation

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Changing Geopolitical Conditions

The Russian Kaliningrad enclave (or rather exclave between Poland and Lithuania) is a world-wide curiosity in political and legal terms. There is no formal act defining the legal international status of this area. Together with an arbitrarily defined hinterland of approximately 15,000 km², Königsberg was taken over by the USSR without any legally valid peace treaty with Germany. At their conference in Potsdam after the fall of Germany in 1945, the Allies agreed to leave Königsberg under Soviet rule until the signing of an official understanding specifying the territory's status. Due to the Cold War, an agreement with Germany was never signed. In 1990 the situation changed when Germany renounced its claim to the territory. Nevertheless, Germany's sovereignty has not been officially transferred to any other state.

After the deportation of Germans in the years 1945-47, the Kaliningrad District remained closed for foreigners until 1991. Unlike the rest of Central and Eastern Europe, the Kaliningrad District remained completely isolated from the Western world. Aeroplanes from the district flew only eastwards, international shipping was effected solely by Russian vessels, international railway and road lines broke off at the Polish border. This situation stemmed from Kaliningrad's strategic importance as home port for the USSR Baltic Fleet as well as a base for land and air forces constituting 'the second line.'

Until the end of the nineteen-eighties, this half-way military exclave did not seem to have any political existence. Then the situation changed dramatically. As a result of Lithuania's, Latvia's and Belarus' break with the Soviet Union, the district became separated from the Russia mainland - a fact which was cemented by the dissolution of the USSR on 8 December 1991.

A number of other geopolitical changes, primarily the unification of Germany, European integration, the perspectives of NATO's eastward expansion and the political and economic changes in Poland and Lithuania, led to discussions both in Russia and abroad on the future of the Kaliningrad District.

The District's parliament (the Duma) has emphasised that Kaliningrad is and shall remain an inseparable part of the Russian Federation. And official circles in all countries involved do not in fact question the district's status as a part of Russia. The German Federal Government bases its policy on Kaliningrad on Article I of the Agreement '2+4,' according to which the status of the Federal Republic of Germany has been established once and for all. Lithuania's foreign minister has issued an official statement reneging claims to the territory, and Poland has followed suit. At the same time, however, new attempts are being made to raise the Kaliningrad issue to the European agenda and to refer the district's problems to all-European round table talks. The President of Lithuania called for such a solution in his address to the UN General Council meeting in October 1994.

The result has been a clash between various political and economic perspectives and ideas concerning the future status of the Kaliningrad. Russia's concepts are not always consistent or clear, particularly in view of the interests of other countries bordering on the exclave. In any event, the continued existence of the district as a closed military area has become an anachronism.

The best solution, in our view, would be a concept that satisfies the interests of the whole region, Russia's as well as those of its foreign partners, allowing for a balance to be struck between state regulatory measures for regional development and the free self-organisation of the district. In view of the acceleration of European political and economic integration, the Kaliningrad's transformation should be oriented towards establishing a bridge between Russia and other European countries. Under such circumstances, the economic and political development of Kaliningrad might become a model of future relations between the Union and countries of Central and Eastern Europe.

Before venturing to develop a strategy for development of the district, one should not only consider the situation from the perspectives of Europe or Moscow. It is equally important is to look at the issue from a bottom-up perspective - to understand how the changing geopolitical situation affects every-day life and economic development. This is also the primary aim of this chapter. But first an overview of Kaliningrad's changing strategic importance.

Kaliningrad's Strategic Importance as a Russian Military Base

Geopolitical changes in Central Europe at the end of the eighties led to the withdrawal of Russian troops from Czechoslovakia, Germany and Poland. The majority of these troops - pending an ultimate decision as to their fate - was relocated in the Kaliningrad district, which was rapidly transformed into one of the most concentrated military regions of Soviet Union. The breakdown of the Russian Empire and the establishment of independent Baltic states further isolated Kaliningrad, and Russia lost its military bases and training ranges in the Baltic republics, which clearly augmented the military importance of Kaliningrad. With

the independence of Lithuania, Latvia and Estonia, parts of the Baltic Fleet which were stationed in these republics were withdrawn to the Kaliningrad.

At the time, the district's military manpower was assessed to number 200-300 thousand soldiers.¹ This figure is only an approximation as the exact numbers are still classified by the Russian Defence Ministry. In the following years, a systematic reduction of military forces in the district took place as large numbers of soldiers were transferred to Russia, and existing units were transformed by decommissioning officers and transferring men of lower ranks to the reserve. Since 1993, the number of Baltic Fleet ships has been reduced to a third, and staffing has been cut by approximately 40 per cent since 1992. The Baltic Fleet and the 1st Guards Army have left 17 towns of the Kaliningrad district. Nevertheless, the Fleet Headquarters are still seated in Kaliningrad, and together with St Petersburg, Baltiysk remains the principal Russian marine base on the Baltic.

In 1994 a special defence district was formed in Kaliningrad with the objective of holding the area until the main forces from Russia might be deployed. This objective is immediately associated with war in the region, but who might the aggressor be? So far none has been identified. On the other hand, the military concentration in the district is still high enough to permit not only the repulsion of a single aggressor but the invasion of neighbouring Baltic states in conjunction with Russian forces from the mainland in a short period of time. Naturally, this eventuality creates uneasiness and keeps up strategic apprehensions.

It has been assessed that at present, 10 per cent of Kaliningrad's inhabitants are either military personnel or their families. Thirty-four per cent of the district's economy depends on the defence forces and therefore directly on the state budget. The region's geopolitical transformation has had the effect of burdening the district further because the local authorities have been left with the costs of maintaining the army. Consequently, further military reduction to a level sufficient to defend the territory - and which corresponds to the reduced forces of neighbouring Baltic states - is a precondition for Kaliningrad's economic and social development.

Will the accession of new members to NATO affect Russian defence policies in the Kaliningrad district? Lately, the military forces in Kaliningrad have served the purpose of extracting concessions in the process of Poland's coming NATO membership. The military potential of Kaliningrad may also become a vehicle to exert pressure on neighbouring countries.

The only way, it seems, to a step by step reduction of the district's military potential is to develop mutual trust and political partnership and to convince Russia that the overall stability in the Baltic Sea region allows a gradual military reduction.

Economic Problems

The isolation of Kaliningrad from Russia has created serious difficulties in the economy, which has declined more sharply than in other parts of the Russian

Federation. On the one hand, we are witnessing the opening of the district's economy, and, on the other, there has been a drastic fall in the production of former key branches leading to a growing domestic crisis.²

The Kaliningrad district remains important for Russia in terms of natural resources. It has the biggest resources of amber in the world, with approximately 700 tons exploited annually. Crude oil, lignite, potassium and other natural resources are extracted as well.

Kaliningrad has also developed a complex fish industry. At the end of the eighties, the district supplied over 7 per cent of domestic sea fish and almost 6 per cent of tinned fish. Every tenth inhabitant of the district was employed in the industry. The remaining economic fields - among them machinery' construction for both military and civilian purposes, the paper industry and agro-industrial activities - were less significant.

The Russian crisis has not only brought changes in economic development but has also affected the management system, culture and the way of life. The rapid growth in the costs of power and transport and the transformation of former internal relations to international ones have made numerous fields of industry, formerly developed within the uniform economy of the USSR, inefficient. In addition, production in Kaliningrad has faced competition from highly efficient Western companies and many local firms have been unable to stand up to such competition.. Local producers risk being eliminated not only from foreign markets but also from the domestic market.

Table 17.1: Production of selected foodstuffs, 1990-95, thousand tonnes

	1990	1994	1995
Meat	50	28	11
Meat products	15	11	8
Fat	13	5	3
Milk	143	51	26
Cheese	4	3	2
Margarine	10	2	0.4
Flour	270	83	54
Bread	132	92	76

Source: Annual Statistics 'Yantarny Ostrov Rossii.' Kaliningrad 1996

Price liberalisation has forced a considerable number of the inhabitants to spend their whole income on food, while those with the lowest income are threatened with malnutrition. The biggest fall in production was noted in 1995, when the value of overall industrial production fell by 31.3 per cent compared to 1993. The light industry fared dramatically worse with a decline of 71 per cent, machinery and metallurgy dropped 68 per cent and the grain milling and fodder industry 65 per cent.

Although natural conditions (climate and soil) favour animal husbandry,

orchards and vegetable cultivation, the state of agriculture is critical. The agricultural policy is in a blind alley, and farmers are faced with poverty never encountered before.

Attempts to restructure bankrupt kolkhozes and sovkhozes (state farms) have been unsuccessful. One hundred and ninety-three stock and limited liability companies and 3,553 individual farms have been set up in the span of only a few years, but most of the individual farms have gone bankrupt due to lack of an adequate credit policy. Many farmers have left their farms and those remaining raise on average one cow and one and a half pig.

Table 17.2: Agricultural ownership structure in the Kaliningrad district, absolute figures

Form of ownership	1990	1995
Kolkhoz	73	9
Sovkhoz	112	2
Stock companies	-	193
Individual farms	-	3,553

Source: see Table 17.1

A serious threat to the district economy is the disintegration of the scientific and technical potential, which until recently used to solve problems not only in Kaliningrad but also in Russia. Today the situation has radically deteriorated. In the years 1993-95, financing for science plummeted as did the number of scientific staff.

Table 17.3: Employment in Kaliningrad, 1980-94, thousands of persons

Sector	1980	1990	1994
Total	425	435	398
in:			
Industry	136	132	100
Agriculture	57	51	48
Transport and communication	47	38	35
Building	33	42	35
Trade	40	39	47
Health services	24	29	30

Source: see Table 17.1

This significant production decrease resulted in a continuously growing unemployment rate especially in such towns as Swietlyj, Czerniachovsk and Gwardiejsk. The number of inhabitants with permanent employment is falling at a rate of 4 per cent annually. Whereas unemployment is estimated at 100,000

people out of a the total population of 926,000 in 1995, only 25,037 persons were officially unemployed in 1995.

The district's tax system is inadequate to the changing economic environment. Economic reform has been limited to the privatisation of land and property, but even in these fields it was not carried out consistently. The halting reforms hamper formation of a market for land, capital and technology, without which a market economy cannot develop. The problem of legal protection of ownership has not been solved. The lack of laws and regulations is conducive to an economic underworld, and crime has permeated practically all spheres of economic life - ownership relations, financing and banking, production, trade and services as well as international relations.

Economic reform has so far turned out to be a failure. The next few years will be decisive. There are two options: either the destructive processes prove to be irreversible and the region becomes a mass consumer of imported goods while delivering raw materials and cheap labour. The alternative - a difficult and slow process - may bring the process of economic degradation to a halt and counteract negative tendencies.

A Special Economic Zone in Kaliningrad District

For some time now, politicians in Kaliningrad had asked for special rights particularly in regard to taxation and duty-collection which might attract foreign investors. On 3 June 1991, these endeavours resulted in the establishment of a free economic zone called 'Yantar' and a system of legal provisions that differ considerably from those in the rest of the Russian Federation.³

The objective of establishing the free economic zone was to create the most favourable conditions for developing economic activity, in particular with the participation of foreign capital, as well as limiting the number of barriers which make international co-operation difficult. Among the plans were customs liberalisation, the creation of privileges for foreign investors, the reduction of limits on exports of profits in foreign currencies and so forth. It was assumed that the zone would lead to a break with economic isolation — also from neighbouring Poland and Lithuania — thereby solving the massive problems of regional development with the help of foreign capital. Unfortunately, the awaited investment boom did not take place.

According to Kaliningraders, there were some objective reasons for this failure. The unstable political situation in Russia, legislation inadequate to market economy requirements, continuous legal amendments and lack of an act establishing the zone and clearly defining its advantages.⁴

It is obvious that the free economic zone nevertheless provided an impulse towards the development of foreign economic exchange and brought the district to the attention of foreign investors. Though the Moscow head office showed a passive attitude, the Committee for the development of Yantar managed to attract

investors from 42 countries to the Kaliningrad district. However, the fall in industrial and agricultural production continued.

A Presidential decree, effective as of 15 March 1995, lifting all import and export allowances and introducing uniform customs and taxes in the whole territory of Russia - including the Kaliningrad district - seriously complicated the functioning of the zone. Although representatives of the district administration have emphasised that this decision does not mean closing the free economic zone, some companies with foreign capital withdrew from the local market. Consequently, an act on the status of the district was eagerly awaited.

On 22 January 1996, the President of Russia signed a Federal act on the 'Kaliningrad District Special Economic Zone.'⁵ This time the system has a more solid legal basis as it was implemented by a separate act, a change of which requires a period of minimum three years. The present law will, however, require further detailed specification, and no immediate impact on the socio-economic situation of the district can be expected.

International Economic Co-operation

The complete change in the geopolitical location of the district after the dissolution of the USSR has transformed many previously domestic problems to international issues. Many traditional relations with the Baltic states have been severed. The Kaliningrad district thus has to enter two markets simultaneously: the Russian market and the Baltic regional market.

During the years 1992-95, economic turnover from Kaliningrad's foreign trade increased from USD 145 million to USD 1,019 million. Export rose from USD 91 to 459 million. In 1995, the principal trading partners in terms of exports were Switzerland, Germany and Namibia, and in terms of imports Lithuania, Poland and Germany (see Table 17.4).

The share of the Baltic countries, Poland and Germany in Kaliningrad's exports in 1995 amounted to 16 per cent of the total, whereas their share of imports was 45 per cent.

Crude oil dominated in the export structure with 17.1 per cent, celluloid came next (14.2 per cent), followed by artificial fertilisers (10.5 per cent) and fish (8.1 per cent). Imports were dominated by coal and crude oil (12.0 per cent), fish (8.5 per cent), meat and meat products (6.6 per cent), beverages (2.8 per cent), plastics (2.6 per cent) and machines and electrical appliances (2.3 per cent).

The district administrations efforts to strengthen economic relations with foreign partners have brought measurable results. At the end of 1995, 1,062 companies with foreign capital were registered in Kaliningrad, including 362 wholly foreign-owned. The majority of the companies - approximately 360 - is Polish, with 97 wholly Polish-owned. Next comes Germany with 96 wholly owned companies, followed by 47 Lithuanian-owned and 24 Latvian-owned.

In terms of capital investment, France is in the lead with about 5 billion

roubles. Next come Germany and Poland with about 3 billion roubles each. Even the Japanese have announced their presence by opening a shop, Electric Plaza, in the Kaliningrad town centre.

Foreign companies have undertaken activities in various fields. Over 50 per cent of total investment from abroad stems from a French engagement in a telecommunications company. The District Ownership Fund auctions stock packages of state enterprises covered by privatisation to foreign investors. In this way, German companies, among others, have invested in upgrading the equipment and technology of building and machinery industries, and Swedish companies, among others, in upgrading the production of freon gasses. Limited liability companies deal mainly in tourism and trade.

Economic relations with Poland are among the most dynamic. An understanding on co-operation signed by the Russian Federation and the Republic of Poland in 1993 may be considered the first step, facilitating co-operation between the north-eastern provinces of Poland and the Kaliningrad region. Within the framework of this understanding, some principles of co-operation within the fields of transport, communication and agriculture were developed. Currently, Polish entrepreneurs are, above all, engaged in wholesale and retail trade, transport, building, tourist services, car services and production of common consumer goods. However, the potential of Polish-Kaliningrad co-operation seems far from exhausted.

At present, exports to Poland account for merely 10 per cent of the district's foreign turnover with this country, whereas imports from Poland account for 90 per cent (see Table 17.4). Most wholly owned Polish companies are active in trade and brokerage and are not involved in production of goods or services.

As of today, the problem of Polish and foreign flag ship traffic through the Pilawska Strait to Elblag has not been solved though talks have been held on the subject of shipping in the bay. Visible progress has been made in co-ordinating

Table 17.4: Turnover in foreign trade, 1992-95, million USD

Country	Imports from			Country	Exports to		
	1992	1993	1995		1992	1993	1995
Total	54.0	76.0	560.0	Total	91.0	126.0	459.0
Lithuania	1.0	2.0	102.7	Switzerland	-	1.0	97.0
Poland	16.0	17.0	91.0	Germany	15.0	16.0	25.0
Germany	9.0	18.0	48.0	Namibia	1.0	2.0	20.5
USA	1.0	2.0	31.3	Holland	-	1.0	17.4
UK	1.0	1.0	29.3	Italy	7.0	7.0	16.0
Holland	-	0.3	23.4	Lithuania	-	4.0	15.9
Norway	-	0.1	14.7	Estonia	-	0.4	15.3
Italy	-	1.0	12.0	Austria	-	2.5	11.5
Latvia	-	1.0	11.2	Poland	14.0	17.0	9.0
Belgium	-	-	10.8	UK	-	4.0	7.1

Source: see Table 17.1

co-operation between Polish provinces in the north-east and the Kaliningrad district. Such collaboration, however, has not been regular or fully successful.

The agreement on cross-border co-operation between regions of Poland and the Kaliningrad district puts special emphasis on food processing, transport, banking, insurance, science and technology, education, culture, environmental protection and information exchange. However, there is no co-operation on such matters as land-use planning, which may be interpreted to mean that the parties do not think this is a suitable subject for cross-border co-operation, which is surprising.

According to Russian experts, the governor and his administration play a dominating role in Russian regions and also prepare agreements on cross-border co-operation. In the Kaliningrad region, apart from district authorities, local self-governing bodies also play a role. However, in practice and in spite of sound legal regulations, self-governing bodies have never assumed a leading position on the regional scene in Russia. Their competence concerning cross-border co-operation covers only issues of a clearly local character, and where more consequential issues are involved, the co-operation of district authorities is necessary.

Among the factors hampering cross-border co-operation, Russian observers point to the following:

1. A lack of stable Federal legislation taking into account the interests and expectations of regional authorities. In extreme cases, amendments to Federal laws often make it impossible to fulfil international commitments earlier made.
2. A weak regional budget. Expenditures exceed the budget by 20 per cent. As a consequence, only 150 million roubles (approximately USD 30,000) was designated for scientific research in 1996, and this practically halted Russian research in progress commissioned by the Polish-Russian Commission on the development of neighbouring border areas. Central authorities enjoy considerable freedom in budgetary decisions and the president of the Federation may introduce amendments during the budgetary year.
3. The lack of separation between the state administration and the political sphere. Due to this phenomenon, every Federal or district election may bring about and usually does bring about changes in the personnel involved in cross-border co-operation in the region. During presidential elections and elections for the post of district governor, the administration is practically incapable of dealing with cross-border affairs,

Other factors impeding more intensive cross-border co-operation between Kaliningrad and the neighbouring north-eastern Polish provinces include the poor state of roads on both the Polish and Russian side, and the problem that passenger trains do not run at the same speed. On the Polish side, the Gdynia-Kaliningrad connection has an average speed of 54 km per hour and on the Russian side 27.4 km per hour. Though existing facilities have been developed and additional ones opened, there are still too few border crossings to meet the needs of travellers, and

border traffic increases faster than the construction of new border crossings (see Table 17.5).

Co-operation programmes developed within the framework of the First and Second Round Table Talks in Kaliningrad and Olsztyn cover, inter alia, activities to facilitate traffic at border crossings by upgrading existing sites and constructing new ones.

Although the development of economic relations with Lithuania⁶, Latvia and Estonia met with problems at the initial stage, they are currently considered to be good. There is still much left to be done if a step-by-step transformation of this border area into a sphere of animated international relations is to be achieved. Progressive normalisation of relations with neighbouring countries should be in the interest of the whole region.

Transportation Links and Transit

In order to further the regions modernisation, it is necessary to link the Kaliningrad district with the European communications systems and adapt border formalities to west European standards. Problems connected with transport to and from the district have become the major factor complicating trade and increasing costs (see Figure 17.1)

No programme for transit from Russia to the district and back has yet been prepared that might bring down the rising customs barriers and other costs.⁷ During the years 1993-94, Lithuania unilaterally introduced a range of customs and tariff restrictions, including transit deposits, police convoying of goods, the so-called railway carriage tariffs, which complicate the transport of Russian goods to the district.⁸ New costs related to transit through the newly independent state

Table 17.5: Travellers between Elblag province in Poland and the Kaliningrad district, thousands

	Road border crossing (Gronowo)	Railway border crossing (Braniewo)	Sea border crossings (Elblag, Frombork)	Total
1980	2.9	0	0	2.9
1990	39.5	0.12	0	39.6
1991	112.2	5.5	-0.57	118.3
1992	164.3	135.2	4.2	303.8
1993	103.8	161.4	13.9	279.2
1994	164.4	61.7	21.6	247.7
1995	684.6	53.8	19.4	757.9
1996	1,369.1	65.6	17.1	1,452.2

Source: Data from the Department of Regional Policy of the Regional Authorities in Elblag

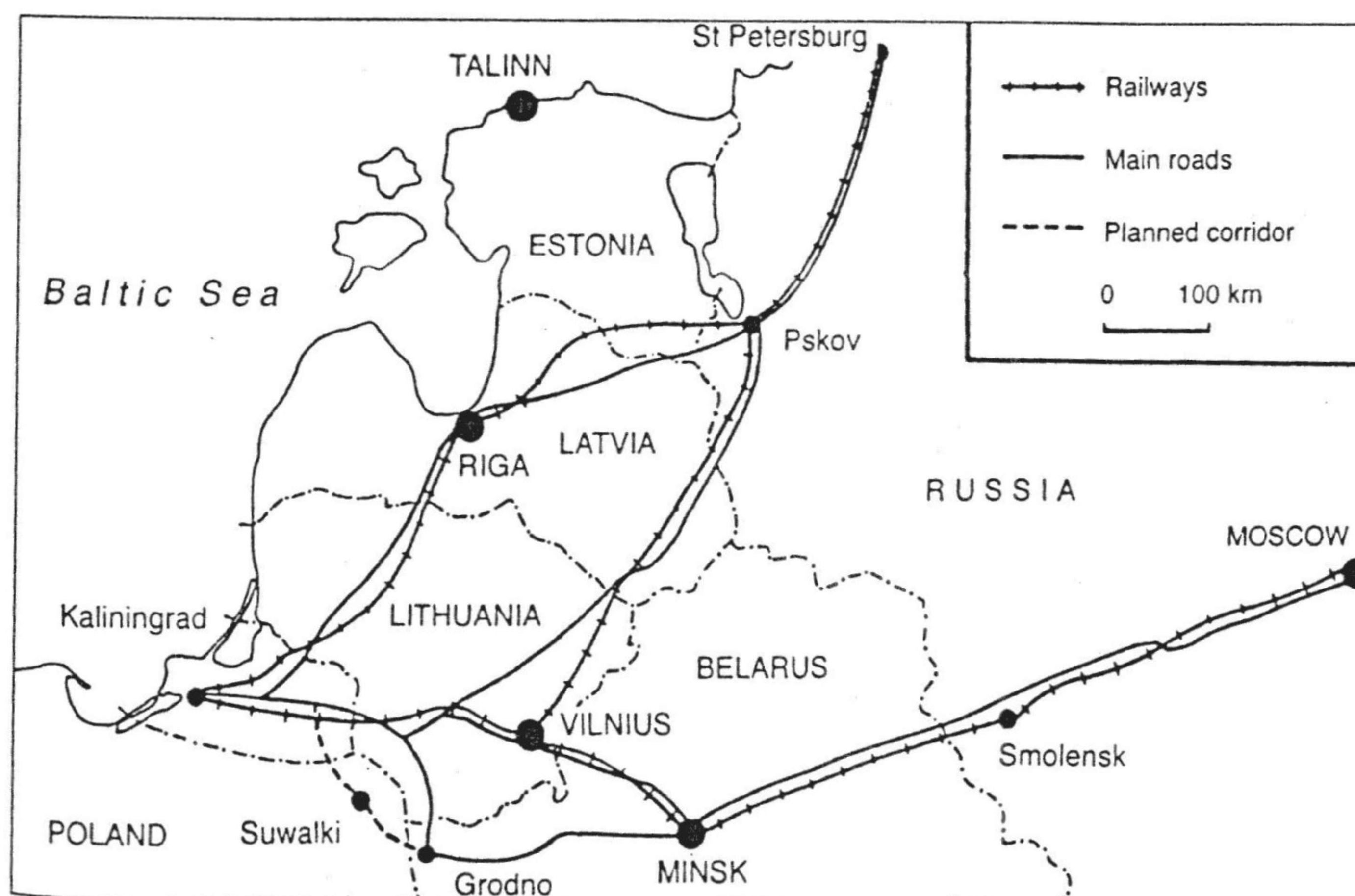
have definitely decreased the competitiveness of products from Kaliningrad on the Russian market and increased the cost of imports. As a result, Russian losses have amounted to tens of millions of USD since 1995. In addition, the district ports of Kaliningrad, Baltiysk and Svetly are being down-sized due to loss of cargo.

The port of Kaliningrad - the only ice-free Russian port on the Baltic - has great potential for development. Among the plans is a project a new oil terminal. According to the assumptions of the port's development programme, the mass of cargo handled by the year 2005 should rise to 12.5 million tonnes. But several circumstances are hampering the port's transformation into an important cargo-handling terminal, such as insufficient technical facilities, underdeveloped communications networks, problems connected with border-crossings and the protectionist actions of Lithuanian authorities.

The amount of cargo handled fell from 5 million tonnes in 1992 to 3.5 million tonnes in 1994 and 3.3 million tonnes in 1995, which proves that the port was not prepared to compete with ports of neighbouring countries. Simultaneously, the ports of Lithuania, Latvia, Estonia and Ukraine handle the export of 2-2.5 million tonnes of Russian goods per month. In 1995 Kaliningrad's commercial port lost approximately half of its metal, coal, grain and crude oil cargoes to foreign ports

The unclear situation concerning transit through Lithuania forces the district administration to search for alternative solutions. For example, a ferry line

Figure 17.1: Kaliningrad district and Russian communication links



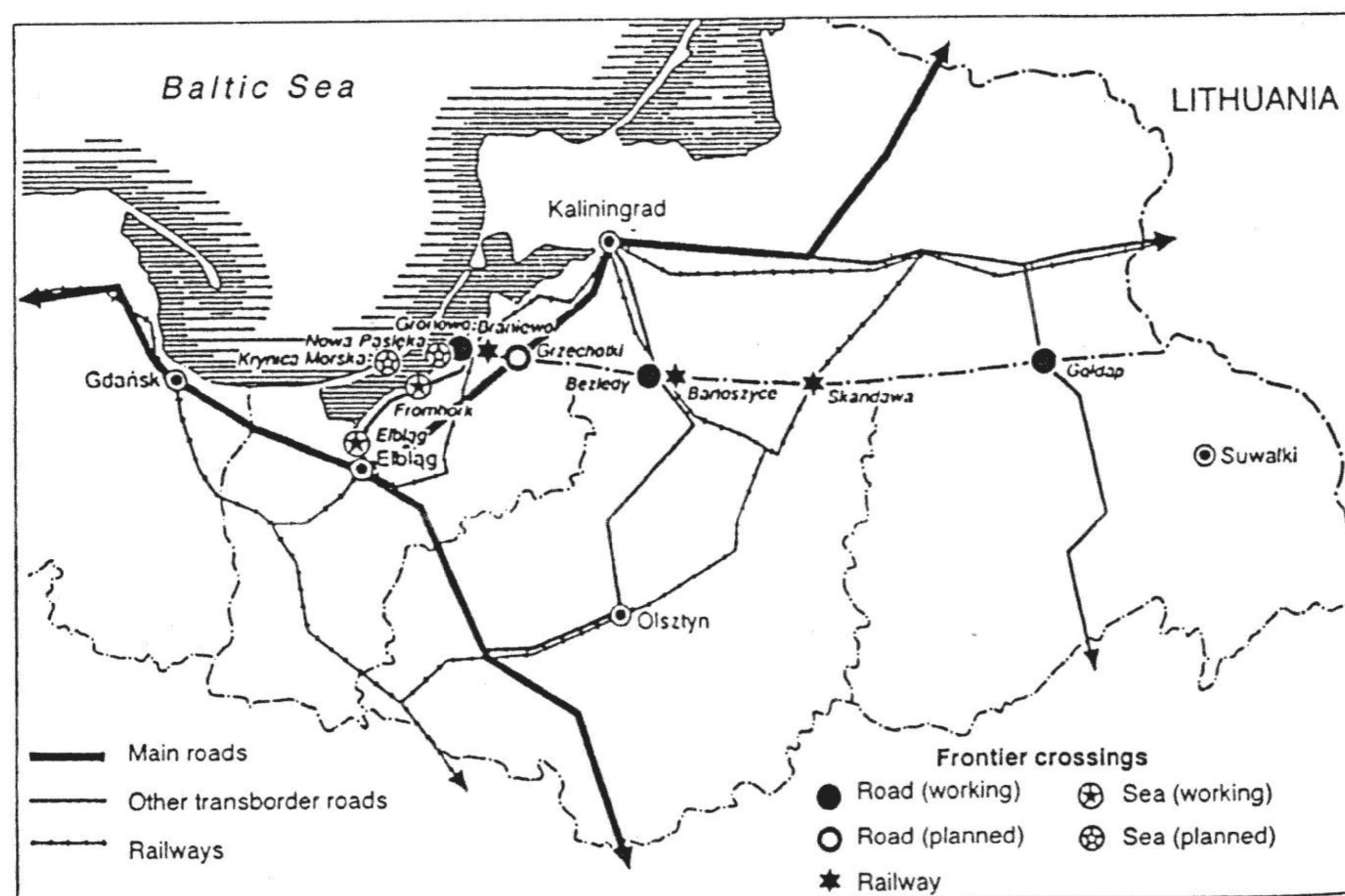
Source: Zverev and Gimbicki (1995)

between Kaliningrad and St Petersburg is envisaged. High hopes are also associated with the construction of a road from Kaliningrad through Elblag and on to Berlin, with a 40.2 km long section to the Polish border which will in future be linked with the international arterial road system, the Via Baltica.

The district currently has 24 border crossings - railway, road, air and sea borders. The Kaliningrad airport has obtained the status of an international airport. A new border crossing at Gusev-Goldap permits direct cargo and passenger connections between Kaliningrad and Belarus, circumventing Lithuania, through the Polish province of Suwalskie.⁹

The project of an alternative 'transit corridor' linking Kaliningrad with the rest of Russia, bypassing Lithuanian borders, was developed in the autumn of 1993 when Lithuanian authorities introduced a high transit tax and refused permission to transport scrap and entry of vehicles with military registration plates. According to a statement by the President of the Russian Federation, Russia and Belarus intend to reach agreement with Warsaw enabling them to build a corridor through Polish territory linking Russia and Belarus directly with the port of Kaliningrad. However, Poland has not received an official request concerning such a corridor.¹⁰ According to representatives of Kaliningrad, the political implications that have worried the Poles are unwarranted as Russia and Belarus have not been considering an ex-territorial corridor.

Figure 17.2: Communication links between Kaliningrad and Poland



Source: Stasiak (1994)

Projections

Though at first glance the significance of this piece of land may seem marginal, its future is widely discussed in political and scientific circles in Russia as well as internationally and regionally. The need to solve the 'Kaliningrad puzzle' is unquestionable. Numerous, both optimistic and pessimistic scenarios - some still quite vague - exist on the possible future of the district.¹¹ Let us review a few of them.

A weak point in many scenarios is a lack of local perspective and negligence of bottom-up initiatives. Projections should put special emphasis on independence and self-reliance. Delegation of authority downwards from the central authorities may be considered a first step because all local and regional problems cannot be solved from the top.

One of the early proposals was to create a condominium comprising Russia, Germany, Poland and Lithuania to administer the district in order to bring it out of its isolation and slowly adapt it to life' (Donhoff 1991).

The same author suggests that the region should become a model territory which brings Western and Eastern Europe together, with a free economic zone where Russians, Swedes, Poles, Lithuanians and Germans might trade, invest and live side by side in peace. The basic condition of this scenario is that Kaliningrad continues to belong to Russia, enjoys extensive autonomy and has its own currency (Donhoff 1992).

Kaliningrad's former governor, J. Matoczin, has suggested that the district be transformed into a new Baltic republic as an autonomous formation within the Russian Federation and whose system of governance would be based not on elected but on directly appointed authorities. In relations with neighbouring countries, the local administration should enjoy wider authority and the territory should obtain certain economic privileges.

The scenario Euroregion Königsberg is - as a debate in the European Parliament showed - based on the perception that the district is isolated from the outside world and is declining in economic terms. For these reasons, it might become a political and military threat to the Baltic region. The establishment of a kind of Euroregion promoted by the European Union might help to avert this undesirable possibility. Within the framework of existing borders and in keeping with its membership in the Russian Federation, the district might become a bridge between Western and Eastern Europe, Belarus and the three Baltic states, provided that Kaliningrad's military forces be reduced to a level necessary for defence purposes. The European Union might assist in adapting military facilities to civilian purposes, introducing a new strong currency, establishing custom warehouses and so forth. The Kaliningrad district would thus become an experiment in economic reform and a starting point for further Western European endeavours in the Russian market.

The Borussii concept is an expression of a Lithuanian point of view. It would turn the district into a fourth independent Baltic state, where the number of

inhabitants of Russian descent would fall due to migration back to Russia, whereas there would be a growing inflow of Lithuanians and Germans. German, Lithuanian and Russian would be the official languages. In the view of its author, this concept would thwart the alleged territorial pretensions of Russia, Germany and Poland (Venclova 1995).

The two most recent proposals should also be brought to light though they are mainly concerned with the economic sphere.

One is Euroregion Yantar - a Polish-Swedish concept. Apart from the Kaliningrad district and the district of Klaipeda, it would involve on the Polish side Elblag, Gdansk and Słupsk provinces, and on the Swedish side the communities of Kalmar, Karlskrona, Jónköping, Vaxjo and Karlshamn. The aim is to facilitate regional co-operation covering not only the economic sphere but also cultural and educational exchange.

Russian spokesmen have shown much fear of Western economic and cultural expansion into Kaliningrad also on the part of the European Parliament. Russian policy is based on the belief that it is possible to introduce a special economic zone while maintaining a major military base in the district. The search for a solution to the problems of the Russian exclave is mainly a task for Russia and the Kaliningrad district themselves. Warsaw, Bonn, Stockholm and the European Union should base their policy towards Kaliningrad on the principles of the inviolability of existing borders, demilitarisation and economic development. Demilitarisation does not mean complete elimination of military forces but their reduction to reasonable level - which is termed mental demilitarisation (Gnauck 1995).

According to the Polish geographer J. Zaleski (1993), a 'Baltic orientation' of Kaliningrad is the only reasonable solution to the district's problems. The authors of this chapter share this view. Though Russia is not prepared to contemplate such an outcome at the moment - at least not officially - perhaps it will be ready to do so in the future. It may come to realise that the only chance for the city and its hinterland is to give up Russian control and let the district become integrated into Baltic Europe. Such a solution would establish the Bay of Gdansk as one area of trans-border co-operation, between Poland, Kaliningrad and Lithuania.

Notes

- ¹ This created concern among the governments of the Baltic region. Such terms as 'stronghold' and 'garrison state' appeared. Approximations of the military manpower varied considerably - up to a difference of 500,000 men.
- ² The economy of the district is thus divided into two sectors. One is associated with foreign trade and fares relatively well. The other - operating for the needs of the domestic market - cannot find its place in market economy and is based on financing from the budget. The coexistence of these sectors may lead to social conflict.
- ³ Yantar was established by a directive of the Chairman of the Supreme Soviet of the USSR 'On the economic and legal status of the free economic zone in the Kaliningrad district.'

- ⁴ The principal legal instrument defining the normative mechanism of the zone - 'Act on the Free Economic Zone Yantar'- is included in a resolution of the Council of Ministers of the Russian Federation. Consequently, it does not have the status of a proper law and has not been recognised by individual ministries.
- ⁵ The reason why the Free Economic Zone was transformed into a Special Economic Zone seems obvious. Work on the free zone had been in progress for a long time, and in order to accelerate events, the Kaliningrad district administration, gave up the term free economic zone. In this way it became unnecessary to tie the Kaliningrad act to the general document on free economic zones, the fate of which still remains open.
- ⁶ The Kaliningrad region obtains up to 80 per cent of its power supply and raw materials from Lithuania or deliveries through its territory. This situation leads to a extreme dependency on the state of Russian-Lithuanian relations and gives rise to some economic problems.
- ⁷ According to data from 1994, 17 separate documents are required in order to carry cargo from Moscow to Kaliningrad.
- ⁸ Particularly the problem of military transport through the territory of Lithuania to Kaliningrad is complicated, though military transports are reported to constitute only one per cent of the total carriage and transport of military staff, arms and equipment make up a fraction of one per cent. The issue of Russian military transport, however, arouses storming political emotions.
- ⁹ The development of transport infrastructure should be seen as an activating factor in the Kaliningrad-Poland border co-operation.
- ¹⁰ On 30 March 1996, the President of Poland definitely rejected the project of establishing a transit corridor because this solution would infringe on Polish sovereignty. In line with common European practice, transit will have to take place on existing roads, and the inhabitants of Kaliningrad and Russia will be able to cross the territory of Poland subject to normal border procedures and administrative regulations of, for example, heavy vehicles.
- ¹¹ A few examples are: Industrial Warehouse Kaliningrad, Baltic Revolving Shield, Military fortress, Russian (European) Hong Kong, Albania on the Baltic, Autonomous German Republic.

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