

# **Between East and West**

**A study of the Kaliningrad Region as a Russian exclave in the EU**

Master thesis Public Administration  
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*For Svetlana & Polina*

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## **Introduction**

**This master thesis is about the Kaliningrad region, which has become a Russian exclave within the European Union since the enlargement of the union in 2004. This first section introduces the main issues involved and presents the theoretical perspective. It concludes with the central thesis and questions which are addressed.**

Since the beginning of this century, economic interdependency between the Russian Federation and the European Union has increased enormously. Supply of energy and rough metals from Russia is crucial for European economies, while Russia has developed into an important market for European products. This stresses the need for political stability on the European continent. Political cooperation between the Russian Federation and the European Union on all levels of administration is not a matter of choice, but turns out to be conditional for the future development of both.

In 1994 the Russian Federation and countries of the European Union signed the strategic 'Partnership and Cooperation Agreement' (PCA), which is aimed at strengthening political, commercial, economic and cultural ties between the Russian Federation and the European Union. Ten years later the European Commission noted on its website that since the PCA has been in effect, interdependence has increased and that the coherence of cooperation should be further improved within the framework.

### **0.1 Relevance to theory**

The PCA framework constitutes a field of international relations between the Russian Federation and the European Union. The high degree of institutional change in East-Europe since the disintegration of the Soviet Union makes this field particularly interesting for students of political science and public administration. There are numerous challenging questions to be addressed regarding all levels and aspects of the policy process on both sides. Answers to these questions contribute to political and public administration theory in many ways, since political and social institutions in the 21<sup>st</sup> century are continuously being re-invented, not just in Russia and Europe, but worldwide.

This thesis can be considered as a case study. The question of the future of the Kaliningrad region as a Russian exclave within the territory of the European Union highlights relevant aspects of Russian-European relations. As the study points out, the issue is related to policy making on all government levels of the Russian Federation as well as to the responsiveness of various organizational bodies of the European Union. This thesis is also a chance to have a closer look on the process of society building, including the transition to a market economy and a democratic system, which addresses the notions of civil society and good governance.

Cooperation between the Russian Federation and the European Union turns out to be crucial for socio-economic development of the region. However the region is primarily subjected to centralist policy making of the Russian federal government. A study of the region from the viewpoint of public administration theory, therefore would define the question of regional development as an internal Russian issue. This thesis bridges the gap in theory between public administration and international relations, by putting what appears to be an internal matter into the perspective of international relations.

In the case of Kaliningrad, as a practical Russian exclave within EU territory, the effectiveness of Russian policies directed at development of the region, depends largely on cooperation with international actors, especially the EU and its member states. The key to involvement of these actors can be found in the concept of ‘good governance’, which defines policy making as an interaction between a government, civil society and economy - but in an increasingly internationalized world also – international parties.

## **0.2 Practical relevance**

This thesis is practical in the sense that it presents conclusions and recommendations for policy making on the levels of the Russian regional and national administration and in several bodies of the European Union. It contains ideas for organizing the policy process in the Kaliningrad region and addressing the issues of economic development and regional identity. In this way it contributes to relations between the region and its European environment and to better understanding between the Russian Federation and the European Union in general.

### **0.3 Economy and civil society**

One of the central notions in this thesis is that economic development should be the motor of progress in the region. Like in many other regions, the break up of the Soviet Union left it with a fragmented and obsolete industrial system. Although the Kaliningrad economy has been recovering slowly since the beginning of the nineties, it has been picking up the pace lately. Nevertheless, the effects of the economic crisis in the nineties on society have been severe. Poverty, unemployment and health problems are widespread, while social services, education and healthcare have suffered serious setbacks. Economic recovery must have priority, if only to enable the region to repair vital collective provisions.

But the regional economy can not be designed on a blueprint. Kaliningrad will have to compete in a global economy and will meet competitors, especially in its wider region where former communist states are often well underway in a comparable process of transition to a market economy. This thesis states that building up the economy of a former region of the Soviet Union means that institutions in society have to be reformed too. Transition to a market economy demands openness and responsiveness of the economic system, which consequently requires democratic political and administrative change, introducing a practice of good governance in the region. As this thesis shows, this means - due to the turbulent history of the region - the question of the identity of the region has to be addressed too.

#### **0.4 Research methods**

A study of the Kaliningrad region in the field of Public Administration should in its essence be a study of the situation of the people living in the region. During the preparation for my master thesis, I became more and more convinced that I should focus on the socio-economic situation. It cannot be denied that economic development is one of the main issues in rebuilding the Russian Federation after the disintegration of the Soviet-Union. Much other issues are important too. But it all starts with the bare necessities. On the other hand, an analyses made exclusively from an economic point of view is not sufficient either. To make economic development possible in Russia, requires institutional reform which digs much deeper into society than just the economic level and which addresses complex political issues.

The situation of Kaliningrad is complicated by its exclave status. Being practically surrounded by the European Union means it heavily depends on Russian-European relations in general. Another important aspect is the way the Russian federal administration relates to the Kaliningrad regional administration. Especially because federal control as well as regional conditions for development have been in a continuous process of transition since 1990.

#### **0.5 Theoretical concepts**

The theoretical framework of this study includes four theories which together put the situation of the Kaliningrad region in perspective (see figure 0.1). The first is a study on enclaves and exclaves made by Yevgeni Vinokurov (2005), an economist notably from Kaliningrad. His conceptual approach introduces analytic tools to identify crucial features of the region which are the result of its exclave status. The second perspective is the important role of civil society for economic reform. This asks for theory on civil society which is appropriate to this context. The viewpoint of Putnam (1993) and other authors is rendered to this end. Thirdly, the schools of 'Realism' versus 'Idealism' as described by Goldstein (2005, p. 101) shed light on the relations between the Russian Federation and the European Union, which are an important background of development of the Kaliningrad region in terms of international relations. Last but not least, as the

fourth theory, decision making within the Russian government is analyzed using the three models of Allison and Zelikow (1999) .

## **0.6 Literature research**

The Kaliningrad region is the subject of a impressive number of studies by economists and social scientists, both from Russia and abroad, which cover topics such as economic development, civil society, history and cooperation with the European Union. The theoretical framework as described above comes to life by adding information from this rich body of literature. The original approach of this study consists of integrating these diverse point of view in its conclusions and policy recommendations.

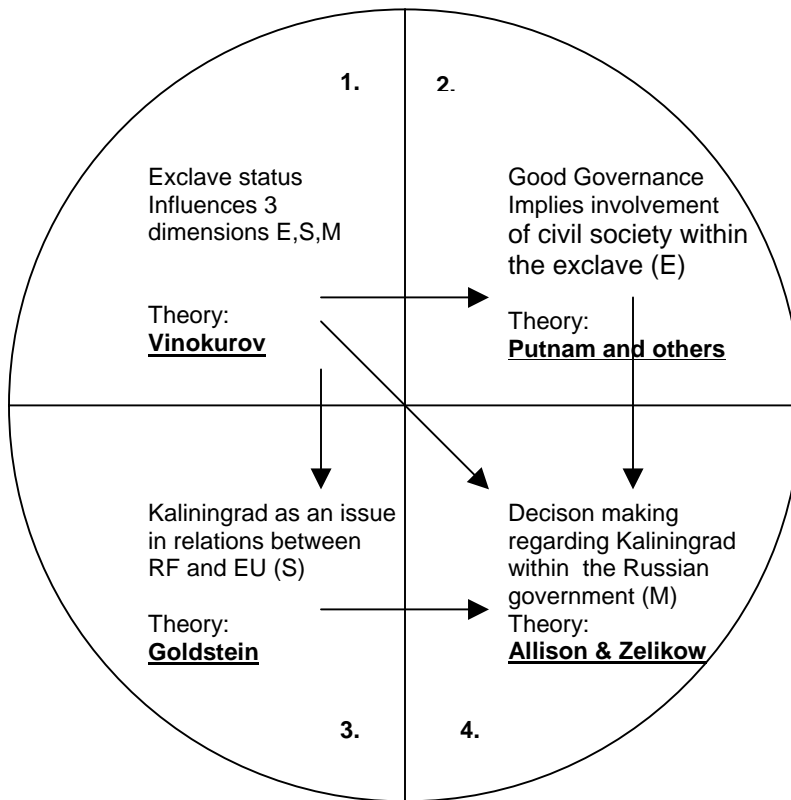
The inclusion of information from various media sources gives an impression of the interplay between politics and public policy. Literature research on the internet has provided articles from newspapers and magazines as well as official policy papers by the Russian Federation as well as the European Union.

## **0.7 Emperical data**

Especially in the chapter on economic development quantitative data are used as empirical support. Most statistics are taken from economic analyses made by economists. In the same chapter I have added the results of a small quantitative survey on the attitude of people in the region towards the enlargement of the EU conducted by myself in June 2004. Insight in the socio-economic situation is further gained by qualitative interviews with experts of several institutes: Alla Ivanova, director of the TACIS support office of the EU in Kaliningrad; Alexey Ignatiev, director of the office of the East-West Institute in Kaliningrad; Arthur Usanov, Chief Executive of the Kaliningrad Regional Development Agency and Elena Belyanova and Albina Tsvetskova, consultants of the Moscow Office of the Ecorys – Netherlands Economic Institute.

## 0.8 Towards policy recommendations

The theoretical perspective serves as the searchlight used to assess the studies on the region by others, information supplied by the media, policy papers by the Russian government and the European Union and gave direction to the interviews with the experts. It relates relevant aspects of very diverse topics and puts them together in a integrative approach. This results in a highly original set of conclusions and policy recommendations.



**Illustration 0.1 Policy making of the Russian government towards the Kaliningrad region: 3 dimensions + 1**

The exclave status and theory of Vinokurov (partition 1 in illustration 0.1) is highlighted in chapter 2. Chapters 3, 4 and 5 respectively describe the history of the region; its status within the Russian Federation and international context; and the regional economy. Putnam's theory of social capital and good governance (partition 2) comes forward in chapter 6. Chapter 7 sketches the framework of relations between the Russian Federation and the European Union. On the basis of theories and analyses in chapters 2 to 7 the theories of Goldstein (partition 3) and Allison and Zelikow (partition 4) are applied in chapter 8. Chapter 9 presents conclusions and recommendations.

## 0.9 Theoretical framework

In this thesis four theoretical concepts are applied to put the Kaliningrad dimension in perspective. First of all, attention is given to the exclave status of the Kaliningrad region, which makes cooperation between the Russian Federation and the European Union crucial for socio-economic development. Although there is not much literature on exclaves within the field of International Relations, there is the very useful textbook written by Yevgeni Vinokurov (2005).

To describe the dynamics within the situation of an exclave, he points out the relations between the Exclave (E), the Mainland (M) and the Surrounding state (S). In this triangle of relations, four vectors can be distinguished (see illustration 2.3). Vinokurov's model is applied in chapter 2 to analyze three important issues regarding exclaves in general compared to the question of the Kaliningrad region: economy, public administration and access.

In the next chapters, for each of the three entities in Vinokurov's model (E-M-S) one characteristic aspect is worked out, combining each of them with a theoretical concept from literature. The centralist role of the Russian federal government (M) asks for a closer look on the process of decision making within the Russian government, as described in chapter 8. Allison and Zelikow's theory on decision making, appears to shed light not only on the process of decision making within the US government during the Cuban missile crisis, but also on governmental decision making in Russia (1999). They introduce three models of decision making by governments: the Rational Actor Model, the Organizational Behavior Model and the Governmental Politics Model, each of which take into account different aspects of decision making.

To explain the relations between Russia and the European Union (S) an analysis can be made using the concepts of 'Realism' versus 'Idealism' in International Relations as described by Goldstein (2005). According to the school of Realism national interests are directive for any actions taken by a national government. While the school of Idealism takes into account the possibility of collectively perceived goals based on (economic) interdependencies between countries. Although Realism rules in the practice

of International Relations today, Idealism and interdependency may provide useful approaches in Russian – European cooperation.

To study social and political life within the exclave (E) the role of civil society is worked out in chapter 6. According to Putnam's theory of social capital, the role of civil society is crucial for democracy. In the case of Kaliningrad, good governance – in which the Russian government is the key player - should imply participation of civil society in the policy process. Thus the theoretical framework of this thesis can be graphically summarized as in illustration 0.1 *Policy making of the Russian government towards the Kaliningrad region: 3 dimensions + 1* in which the three theories of Putnam, Goldstein and Allisson & Zelikow are seen from the perspective of the exclave theory by Vinokurov.

## **0.10 Thesis**

The thesis of this study is as follows:

*As the key player in the socio-economic development of the Kaliningrad region the Russian federal government should introduce a practice of good governance, which involves the public administration, civil society and economy in the region as well as international actors, such as the European Union.*

Sub questions which are addressed are the following:

1. Which are specific aspects of the exclave situation of the Kaliningrad region?  
Could a comparison with other exclaves in history or the world today shed light on factors relevant for Kaliningrad?
2. How has the current situation of this Russian region historically come about?  
Are fears of separation of the region from Russia justified?
3. What is the status of the Kaliningrad region in a national and international context?
4. To what extent is the regional administration independent in its policy making?
5. How has the regional economy developed since the disintegration of the Soviet Union?

6. What is the meaning of the exclave situation for economic development of the region?
7. What is the position of civil society in the policy process in Russia, and specifically in the Kaliningrad region?
8. Which actors should be taken into account in the policy process regarding the situation of the Kaliningrad region?
9. How can relations between the Russian Federation and the European Union be characterized? What is the position of Kaliningrad in this perspective?
10. How does the process of decision making within the Russian government work?

## Chapter 1

### Into the Kaliningrad Region

**In this chapter, I introduce the subject of my thesis, namely the current status and situation of the Russian exclave of Kaliningrad, which has become practically surrounded by the European Union since the enlargement of the union in 2004. Important issues concerning the exclave are sovereignty, economic development, security and access. This thesis holds that socio-economic development of the region can not be considered to be exclusively a Russian affair, since it is directly influenced by EU policies. The larger part of this study is descriptive and relates the present situation of the Kaliningrad region to policies of the Russian Federation and the European Union. Analysis of the present situation and theoretical reflection lead to conclusions and policy recommendations to the Russian Federation and the EU.**

The Kaliningrad region is the most Western part of Russia, situated along the Baltic coast, with Poland on its South-Western border and Lithuania on its Eastern border. The region has become prominent on the agenda of relations between the European Union and the Russian Federation since 1999. At that time it became clear that the region would be surrounded by the union as a result of the accession of Poland and the Baltic states in 2004. The enlargement of the European Union as well as Poland's accession to the North Atlantic Treaty Organization dramatically emphasised the exclave's status.

In the process towards EU enlargement, awareness has risen on both sides that "borders should not become barriers" ([http://ec.europa.eu/external\\_relations/north\\_dim](http://ec.europa.eu/external_relations/north_dim)). This has resulted in a mutual agreement on the issue of access and a package of EU assistance to the region. Despite Russia's intentions to turn the region into a pilot region of EU-Russian cooperation, a joint strategic policy on development of the region has not yet been achieved.

Too often the perception of the Kaliningrad region on the Russian and European side is totally different, as a closer look on policy making by the Russian Federation and the European Union indicates. While Russia sees Kaliningrad as one of the many regions in its vast territory, which have to be developed economically, the European Union tends to consider it as a region from which all kinds of problems, such as crime, environmental pollution and infectious diseases, can cross its borders. These different approaches explain why a joint strategic policy on the region has not yet been reached.

### **1.1 The Russian approach: economic reform**

The Kaliningrad region is a Russian exclave since 1991, when the Baltic States: Estonia, Latvia, and Lithuania, gained independence. During the nineties the region remained important as a naval base and Russia's only ice-free harbour in the Baltic Sea. International tourism in the region has developed on a small scale, when Germans with East-Prussian roots started travelling to the region and discovered the coastal resorts of Svetlogorsk and other towns along the Baltic coast.

Kaliningrad was one of the ten Russian regions which were designated as a 'Free Economic Zone' by the government in the beginning of the nineties. The economy was supposed to flourish, stimulated by special privileges, such as reduced taxes on import and export. All Free Economic Zones were liquidated later because of poor results and high costs. Kaliningrad was the only exception and was transferred into a "Special Economic Zone" (Stepanov, 2003, p. 17) in 1996. Despite these efforts economic recovery in the region has long been lower than the Russian average. This has improved since 1999 when the region's economy started to benefit from the improvement of Russian macro economic performance, pushed by rising prices of energy and rough metals.

In the fall of 1999, then Prime Minister Putin presented the idea to transform the Kaliningrad oblast in a "pilot region of EU-Russia relations" (Karabeshkin & Wellmann, 2004, p.59). With this suggestion he expressed concerns about the interests of the region as a Russian entity in the process of EU expansion. But he did not back his idea with a

solid plan. Presenting it in the period just before the 2000 elections, may have been an effort to gain support for his presidential campaign in Russia and abroad.

The proposal did not reflect an unanimous commitment in Russian politics, neither was it picked up in a constructive way by the European Union.

## **1. 2 The European approach: containing problems**

About the same time, that Putin launched the pilot region proposal, the EU was working out its 'Northern Dimension', a vision on the regional interests of the Northern EU countries with borders on the Baltic Sea and Russia. In November 1999, this framework was conceived as 'working with the countries of the region to increase prosperity, strengthen security and resolutely combat dangers such as environmental pollution, nuclear risks and cross-border organized crime'.

In June 2000 the European Commission presented the first action plan for the Northern Dimension in which attention was also given to Kaliningrad. It is noticed that the region relies on trade and interaction with neighbouring areas. Further the region is related to problems as environmental pollution and infectious diseases, such as HIV-AIDS and Tuberculosis. The Russian suggestion of the region as a pilot region for EU – Russian cooperation is mentioned, but not elaborated on. The plan contains a general remark that TACIS program of the EU could supply support within its competence.

The EU has already been investing money in the Kaliningrad region through TACIS since 1991. TACIS is developed by the EU to support the transition to a market economy and to reinforce democracy in countries in Eastern Europe, the Caucasus and Central Asia. It combines financial investments with technical assistance. A TACIS support office was opened in Kaliningrad in 2001.

In the beginning of 2001 the European Commission issued a communication to the European Council, which is in accordance with the first Northern Dimension action plan. The second action plan (2003 – 2006) of the Northern Dimension, which was endorsed by the European Council in October 2003, still emphasizes the crossing border problems, but also has a more substantial economic component.

“So far, the Northern Dimension is the only Common Foreign and Security Policy instrument (of the EU) which explicitly mentions Kaliningrad and regards it – together with the Arctic region – to be in need of a particular approach” (Birckenbach & Wellmann, 2005. p.30).

### **1.3 The issues of security and access**

Despite these different approaches there are two issues of immediate mutual concern of the Russian Federation and the European Union: military strategic security and access of people and goods. In January 2001, an article in the Washington Post suggested that nuclear weapons were transferred to the region, contrary to previous Russian declarations about denuclearization of the Baltic region. This was immediately strongly denied by the highest officials in the Russian government. In March of the same year, Foreign Affairs Minister Ivanov, emphasized again that there are no nuclear weapons in the region. However, since security is not an issue of cooperation between the European Union and the Russian Federation, this thesis will not address it extensively.

In February 2001 Minister Ivanov mentioned free transit for Russian citizens to and from Kaliningrad by land as a Russian condition for enlargement of the European Union. In May 2002 president Putin repeats that Russia’s relations with the EU will depend on the way the Kaliningrad issue is solved. A solution for the issue of access proposed by the Russian government was to create a visa free train corridor for Russian citizens through Lithuania, comparable to the former corridors to West-Berlin through East-Germany and to the Kaliningrad region through Lithuania in Soviet times. Both Lithuania and the European Union rejected this idea because of its historical connotations.

At the EU-Russia Summit of November 2002 in Brussels, a mutually satisfactory solution was reached. Russian citizens travelling to and from Kaliningrad can obtain either a document allowing them multi-entry transit through Lithuanian territory or a single transit document, if making a single return trip by rail. According to the agreement ‘these documents are issued promptly and made available at no or very low cost’. This

scheme was introduced in July 2003 and since then both Russia and the EU have expressed their satisfaction.

#### **1.4 Towards a thesis**

The Kaliningrad region was given priority in EU-RF relations during the run up to the EU enlargement in 2004. To avoid the region from becoming a barrier, policy making on both sides was directed primarily to reach agreement on the issue of access and containment of border crossing problems. But it is clear that on the long term, both the Russian Federation and the European Union, as well as the population of the region, are best served with a joint RF-EU strategic vision on socio-economic development. So far, such a strategic joint vision has not been reached. This is due to the different approaches of the Kaliningrad question by the Russian Federation and the European Union as described above and to Russian sensitivity about foreign involvement in domestic affairs.

But the Kaliningrad region is not just a part of Russia. In a socio-economic perspective it is part of its wider international context. Russian policies for development of the region will have to take this into account. In an ideal situation they are optimally facilitated by policies of the European Union. Socio-economic development of the region also demands for involvement of civil society, which can contribute to social and economic reform and build networks in the wider international region. As this study will show, engagement of civil society and the European Union in the Russian policy process does not have to affect the meaning of Russian sovereignty over the region.

This study is meant to supply arguments to support the following thesis:

**As the key player in the socio-economic development of the Kaliningrad region the Russian federal government should introduce a practice of good governance, which involves the public administration, civil society and economy in the region as well as international actors, such as the European Union.**

To support this thesis there are several related questions to be addressed:

1. Which are specific aspects of the exclave situation of the Kaliningrad region?  
Could a comparison with other exclaves in history or the world today shed light on factors relevant for Kaliningrad?
2. How has the current situation of this Russian region historically come about?  
Are fears of separation of the region from Russia justified?
3. What is the status of the Kaliningrad region in a national and international context?
4. To what extent is the regional administration independent in its policy making?
5. How has the regional economy developed since the disintegration of the Soviet Union?
6. What is the meaning of the exclave situation for economic development of the region?
7. What is the position of civil society in the policy process in Russia, and specifically in the Kaliningrad region?
8. Which actors should be taken into account in the policy process regarding the situation of the Kaliningrad region?
9. How can relations between the Russian Federation and the European Union be characterized? What is the position of Kaliningrad in this perspective?
10. How does the process of decision making within the Russian government work?

Integrating both the Russian and European perspectives in this study seems inevitable. A study from only one point of view - Russian or European - would automatically involve so much reflection with regard to the other point of view, that the result would be the same. To make a meaningful assessment of the current situation of Kaliningrad it will also be necessary to place it in the broader context of Russian-European and geo-political international relations.

## **1.5 Preview**

A short introduction of theory of enclaves and exclaves in chapter 2 highlights special features of the Kaliningrad region, which should be taken into account. While a historical study in chapter 3 shows the region has seen periods of great economic and cultural prosperity, when it was part of an international network of trade. It also shows that Russian fears for secessionism are unnecessary. Chapter 4 places the region in its national and international context. A study of the economic development of the region since the disintegration of the Soviet Union in chapter 5 makes clear how much the region has come to depend on tax privileges and Russian macro economic performance. Chapter 6 looks into the development of civil society in the region and elaborates on the concept of 'good governance'. Chapter 7 describes backgrounds and the current status of Russian – European relations. Chapter 8 is on decision making by the Russian government in an national and international context. Chapter 9 contains conclusions and recommendations. Chapter 10 contains a list of literature.

## Chapter 2

### Enclaves and exclaves

#### A comparative study of 'most different systems'

*“International enclaves, the archaic remnants, are in the course of disappearance (Raton 1958). Almost fifty years later, we ascertain that he was wrong.”*

(Vinokurov, 2005, p.6.)

**From the point of view of public administration, the existence of an enclave or an exclave is always problematic. Issues as sovereignty, access of goods and people, security and economic development are immediately explicitly on hand. Not in the last place because enclaves and exclaves are often historical remnants reflecting complex relations between two or more countries. This chapter compares the situation of Kaliningrad with West-Berlin and Gibraltar. But first it will sort out the terminology of 'enclaves' and 'exclaves'.**

Even this terminology is complex. Probably because it refers to a field in political sciences where exceptional cases are a common phenomenon. Each enclave or exclave has its own institutional path, which has led to a situation which was often unforeseen, or even considered undesirable, by the national governments involved. The geo-political situation of an enclave or exclave often reflects a high level of artificiality. Let's have a look at this terminology and find out where the Kaliningrad region fits in.

### 2.1 Enclave

A useful introduction into this terminology can be found on Wikipedia ([www.wikipedia.com](http://www.wikipedia.com)). The word 'enclave' is derived from the Latin word *inclavatus*, which means shut in or locked up. It refers to a piece of land under the sovereignty of a country of which it is detached, being totally surrounded by a foreign territory.

Consequently, it cannot be reached without entering the foreign country (see illustration 2.1). Strictly speaking the Kaliningrad region is not a true enclave for two reasons. The first reason is that the region is not surrounded by one foreign state, but by two: Poland and Lithuania. The second reason is that the region borders the Baltic Sea. An historic example of a true enclave is West-Berlin, before the reunification of Germany.

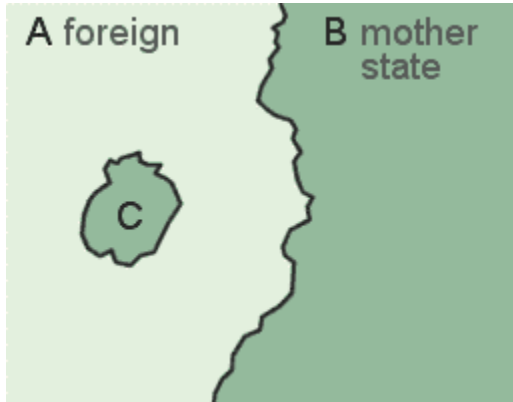


Illustration 2.1 The situation of a true enclave (source: [www.wikipedia.com](http://www.wikipedia.com))

## 2.2 Exclave

The word 'exclave' is a logical variation on the word 'enclave'. It refers to a territory under the sovereignty of a country of which it is detached, being surrounded by other countries (see illustration 2.2). For obvious reasons, islands are not included in this definition. An exclave does not have to be an enclave. Actually this is the case with Kaliningrad, which is a Russian exclave, but not a true enclave for reasons mentioned above. West-Berlin, on the other hand, was both an enclave and an exclave.

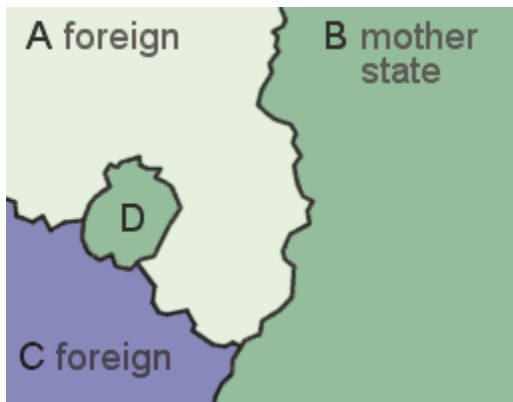


Illustration 2.2 The situation of an exclave (source: [www.wikipedia.com](http://www.wikipedia.com))

A common use of language may easily lead to confusion about the enclave or enclave status of territories. For example, the British overseas territory of Gibraltar is not a true enclave, because it borders to the sea, nor a true exclave, because it can be reached from England by sea. Nevertheless, it is regarded as a 'practical enclave', because it is more easily reached from Spain than from England. The American Guantánamo Bay Naval Base, is not an exclave at all, since this territory is under Cuban sovereignty, but has been under administrative rule by the United States for over a hundred years, based on a lease, which is nowadays denounced by the Cuban Government.

In this respect, Kaliningrad can be seen as a 'practical enclave'. Although it is situated between Poland, Lithuania and the Baltic Sea, it is practically surrounded by the European Union. Since economic policy, and to an increasing extent also foreign policy, of EU member states are defined within EU frameworks, in this study the Kaliningrad region is considered to be a 'practical enclave' within the European Union. The conclusion that Kaliningrad is an enclave can also be drawn on the position its economy. "A part of an economic structure enclosed within another structure is usually described as an enclave in economic literature" (Vinokurov, 2005, p. 34). Kaliningrad is an enclave in this sense, considering the institutional differences of its economy with the economies of countries in its region and the European Union.

Among the many specific features of enclaves and exclaves, there are three aspects which to a great extent define their situation. The first aspect is the public administration. The level of control or granted autonomy by the mainland and the way the government of the enclave or exclave is organized have consequences for its position and for the possibilities of the population to follow its own course. In the past, the central government also had to deal with disadvantages of administration from a distance, such as difficult communication and control. Nowadays these disadvantages are reduced by the use of communication technology.

The second aspect is access of the enclave or exclave from the mainland, which can be distinguished in: "the movement of goods and services; the movement of people; and, third, the movement of military and police forces as well as state officials" (Vinokurov, 2005, p. 149). Access can be a problem, although it is not always.

Complicated solutions, such as corridors through the surrounding state, and complex visa and transit regimes may be the result.

The third aspect is economic development. The isolated position of an enclave or exclave has many disadvantages, like extra costs for transport and administrative formalities, a diseconomy of scale, uncertainty for investors, etc. This often puts the enclave or exclave backward in relation to its mainland and the surrounding state. The isolated position can be turned into an advantage if the central government grants the enclave or exclave special privileges, such as a beneficial tax regime.

### 2.3 Theory

There appears to be not much recent scientific literature on enclaves and exclaves. Evgeny Vinokurov, notably an economist from Kaliningrad, in his comprehensive 'Theory of Enclaves', presents a typology and conceptual framework of enclaves and exclaves. In its most elementary form this framework consists of the relations captured in the triangle Mainland - Enclave - Surrounding state (MES). (See illustration 2.3)

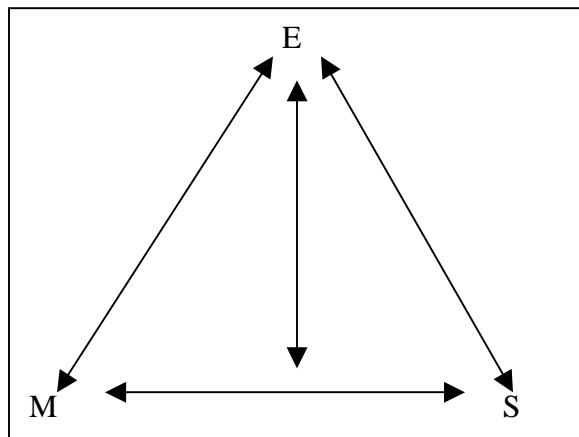


Illustration 2.3 Basic framework of relations of an enclave

The four vectors in the schedule point out four kinds of relations:

- Mainland - Enclave relations (M - E)
- Surrounding state - Enclave relations (S - E)
- Mainland - Surrounding state relations on general issues (M - S)
- Mainland - Surrounding state relations on the enclave issue (E - M/S)

In the case of Kaliningrad, the Mainland - Enclave relations are those between the Russian Federation and the Kaliningrad region, of which the institutional base is introduced in chapter 4 of this thesis. The Surrounding state - Enclave relations are those between the European Union and Kaliningrad, which are highlighted throughout this study. The Mainland - Surrounding state relations are the relations on general issues between the Russian Federation and the European Union, of which chapter 7 explores the institutional basis. The Mainland - Surrounding state relations on the enclave issue are those between the Russian Federation and the European Union concerning Kaliningrad.

Vinokurov points out the interaction between vectors 3 and 4. Mainland - Surrounding state relations on general issues are affected by Mainland - Surrounding state relations on enclave issues, and vice versa. This interaction is clearly present in the case of Kaliningrad. In the years before the enlargement of the EU Kaliningrad became an issue in Russian - European relations and was put forward by the Russian government officials as a 'pilot region' for Russian - European co-operation.

On the other hand, Russia was willing to drop demands concerning the visa regime - free transit to and from the Russian mainland through Lithuania for inhabitants of Kaliningrad - when Europe granted Russia the status of a free market state, which can support Russia's effort to access the WTO in the future.

## **2.4 History**

In his typology of enclaves Vinokurov distinguishes “four big waves in the world history” (2005, p. 75) in which enclaves and exclaves were formed. Interestingly, Kaliningrad holds a position in two of these periods of time. The first wave occurred in the middle ages, when territories belonged to lords or dynasties and could change hands through war, marriage, donation, heritage, etc. Most enclaves and exclaves which were formed during this wave have ceased to exist, but some are still there, like Baarle in the Netherlands, but also Monaco and Vatican. East-Prussia - of which the current territory of Kaliningrad region was a part - was formed during this wave as an order state, before it became a German exclave later by privatization and heritage.

The second wave, according to the typology of Vinokurov, was the result of colonialism, when European countries build up empires overseas. Many of these overseas territories could technically be seen as exclaves, most of which have ended during decolonization. The era of decolonization, ironically, also caused the third wave, of which Hong Kong and Macau are examples.

The fourth wave appeared more recently with the disintegration of the Soviet Union and other socialist states. Kaliningrad became a true exclave during this wave, being detached from its mainland by the independency of Lithuania.

## **2.5 Comparative approach**

Is there a point in comparing the situation of Kaliningrad with other (historical) enclaves? To find out we will take a look at West-Berlin and Gibraltar and pay special attention to the three aspects mentioned earlier: the administrative system; the problem of access; and economic development. The aspect of the administrative system reflects the M - E vector. The problem of access can be placed on the M - S vector. And the aspect of economic development is expressed in the S-E vector. Of course, each vector bears relevance to each issue, but this one-dimensional approach suffices to make a start.

### **2.5.1 West-Berlin**

The history of West-Berlin as an enclave starts in 1945 when the city was divided in four sectors. West-Berlin consisted of the American, British and French sector and had approximately 2,2 million inhabitants. It was surrounded by the Soviet Sector and later by the German Democratic Republic (GDR). In 1961 the East-German Government built the Berlin Wall which isolated West-Berlin from East-Germany. This isolation lasted until 1990, when Germany was reunified. Notably, the events which lead to the reunification were triggered by the fall of the wall in 1989.

### *2.5.1.1 Administrative system (M - E)*

Although West-Berlin was part of the Bundes Republic Deutschland (BRD), it had a special administrative system and was even excluded from the federal constitution. It was administered by the Berlin Senate, which was authorized by the three occupying forces. Federal German laws had to be enforced by the Berlin parliament first, before they were effected in the enclave. West-Berliners only voted for local elections, not for the federal elections and their parliament did not have a seat in the Bundestag. The fact that this exceptional situation could last for 45 years can be explained by the enormous symbolical importance of the city after the war. Acceptance of foreign occupation by the German government reflects how far its cooperation with the allied countries went. The acceptance of the occupation by the Berlin people reflects not only their appreciation of being liberated from the nazi-regime, but also their fear for domination by the Soviet-Union.

### *2.5.1.2 The problem of acces (M - S)*

People could travel from West-Germany to West-Berlin by train and airplane without a special visa. To this effect, there was a special corridor for the rail road, which ran through East-German territory. Transit from East- to West-Berlin and vice versa was restricted and only possible with a visa, which was hard to obtain. Through the years, the strict East-German transit regime led to many illegal border crossings of people who wanted to live in West-Germany or sought to be reunited with their family. Many of those efforts to escape where stopped violently by the East-German border guard. It gave West-Berlin great symbolical importance as 'Free City' and 'Front City' situated beyond the iron curtain.

### *2.5.1.3 Economic development (E - S)*

Before the war Berlin had a prosperous electro-technic and machine building industry. The decline of this sector after the war was due to the installment of the sectors,

which split up the industry in two parts, but also to uncertainty on the side of investors and high energy and transport costs to and from the enclave. The vulnerability of an enclave position became very clear during the blockade of land- and waterways to the city by the Soviet-Union from April 1948 to May 1949. The allies had to put up the famous air bridge to fly in supplies for their own personnel and the West-Berlin population. This meant an extra blow for the West-Berlin industry, since even coal had to be brought by air. Actually, the West-Berlin economy could only be kept running by the money spent by allied countries to support their personnel and by assistance of the federal government and private institutions. Over 40 years West-Berlin cost the mainland over 100 bln. DM.

### 2.5.2 Gibraltar

Gibraltar is an overseas territory of the United Kingdom, located on the Southern part of the Iberian peninsula at the Strait of Gibraltar, which links the Atlantic Ocean and the Mediterranean Sea. It is also known as 'Gib' or 'the Rock'. In the North, Gibraltar borders with Spain. Historically it has been an important British naval base. British sovereignty is disputed by Spain on historical grounds. But a return to Spain has been rejected by almost all Gibraltarians in a referendum. Gibraltar has a population of almost 28,000 which consists of a fusion of immigrants from Spain, Italy, Portugal, Malta, France, Germany and England. The official language is English.

#### 2.5.2.1 Administrative system (M - E)

The UK government remains responsible for matters of defense, foreign relations, internal security and financial stability. The government of Gibraltar, which is elected by the population for a term of four years, handles all other internal affairs. The head of government is the chief minister. The British crown is represented by the governor, which is mainly a ceremonial function. The governor is not involved in practical matters of administration, but he officially appoints the chief minister. The legislative body is the House of Assembly, which consists of fifteen elected members, eight government members, seven opposition members and two ex-officio members appointed by the

governor, the financial development secretary and the attorney-general. Gibraltar is a part of the European Union, having joined under the British Treaty of Accession in 1973. After a ten year campaign to exercise the right to vote in European Elections, from 2004, the people of Gibraltar have participated in elections for the European Parliament.

#### *2.5.2.2 Visa and transit regime (M - S)*

Although no special visa is needed to access or leave Gibraltar, the dispute over sovereignty between the United Kingdom and Spain is reflected in restrictions of traffic routes. The only transport link with Spain is by land, as the Spanish government prohibits all air and ferry links. Cars, which are crossing the border with Spain, are randomly subjected to long delays and searches by the Spanish authorities. Spain has also closed the border several times during disputes with the Gibraltar authorities. There are regular flights to London and Manchester and there were flights to Morocco, which have been canceled because of insufficient demand.

#### *2.5.2.3 Economic development (E - S)*

Until twenty years ago, the economy was dominated by the British naval base and dockyard. Since 1984, this share of economic productivity has dropped from 60% to 7%. Nowadays Gibraltar has an extensive service sector based economy, dominated by financial services and tourism. The Rock is a tourist attraction, particularly among British tourists and residents in the southern coast of Spain. It is also a popular stop for cruise ships and attracts day visitors from resorts in Spain. Gibraltar's position as an international finance centre is stimulated by special tax policies: no tax on capital income; a favorable corporate tax regime; goods and services are VAT free. As a result many international banks hold offices. The special tax regime also made it an attractive shopping destination and a location where bookmakers and gaming operators run their operations.

## 2.6 Kaliningrad compared to West-Berlin and Gibraltar

A comparison between Kaliningrad, West-Berlin and Gibraltar on the three aspects shows how different these cases are. The administrative systems are practically incomparable. In this respect West-Berlin was clearly an exception, which can only be compared to territories under the rule of the United Nations during peace keeping missions. As we will see in chapter 4, the administration of Kaliningrad does not resemble that of Gibraltar either, since a recent increase of control by Moscow and the strong position of the president's representative in the federal district have seriously reduced the autonomy of the regional administration. Much more than the United Kingdom, the Russian Federation is a centralized state. The aspect of administration nowadays is less a problem than it used to be, thanks to information and communication technology.

The problem of access plays an important role in all three cases. But the position of Kaliningrad is not disputed by a surrounding state, unlike that of West-Berlin and Gibraltar. Neither have there been any blockades of the movement of goods or people. In case, such an event would occur, traffic to and from Russia would still be possible by air and sea. There is a transit problem of Russians traveling between the mainland and the exclave. According to agreements with the EU, they need a visa to cross Lithuania which is a part of the union. As a matter of fact, during negotiations toward the accession of Lithuania, the Russian government has proposed to form a railway corridor based on the situation before the accession of Lithuania to the EU. But this was rejected because of the symbolical connotations concerning West-Berlin. In this case a historical model was the reason not to adopt a practical solution. The question of access of people and goods to the region seems to be solved, thanks to intensive cooperation between the Russian Federation and the European Union.

From the perspective of economical development Kaliningrad is one of the enclaves which suffer from their isolated position. Although there are signs of improvement, it has not yet convincingly succeeded in turning its position into an advantage, although it is benefiting from SEZ privileges and tourism. Like West-Berlin, it has lost many of its industries since it has become an enclave and it needs economic

support from the mainland in the form of subsidized energy, as we will see in chapter five. In an effort to change its position into an advantage it was granted a special tax regime by the central government, but this was only partly successful in attracting economic activity and also seems to have negative effects on the economy. There is certainly potential for tourism in Kaliningrad, but presently not to an extent that it can support a large part of the population, like in Gibraltar.

## **2.7 Conclusions**

A closer look on enclaves and exclaves throughout history and the world shows that there is practically not one enclave the same as another one. Most of them have come into existence by exceptional historical circumstances. All have a unique geographical and institutional context, which to a great extent defines their situation. The question if a comparative study of enclaves and exclaves can supply any general lessons, which can in turn be applied to specific cases like Kaliningrad should be seen in this perspective.

If a comparative study of enclaves shows any similarities between enclaves, the question rises immediately, if there are enough similar cases to indicate their statistic significance. What seem to be similarities on the surface, could in fact be the results of very different and incomparable institutional backgrounds. However, comparing what Hague and Harrop would call “most different systems” (2001, p. 74) appears to be useful to detect commonalities, which make up the conceptual framework of enclaves and exclaves. These commonalities can be seen as the variables and relations, which should be taken into account in the study of any specific enclave or exclave.

The book 'Theory of Exclaves' supplies, apart from interesting case studies and historical backgrounds, a useful framework for the study of Kaliningrad. It distinguishes four dimensions (M - E, E - S, M - S, E - M/S) which are relevant throughout this study. A comparison of Kaliningrad with West-Berlin and Gibraltar on key aspects shows that these cases are very different, but nevertheless leads to interesting insights.

## Chapter 3

### A history of Kaliningrad from a bird's eye view

**For the purpose of this thesis, a history of the Kaliningrad region could start in 1946, when the area changed hands from Germany to Russia and became part of the Soviet Union. The history of Kaliningrad before 1946 may seem irrelevant. However there are good reasons to explore it, at least. The region appears to have been involved, directly and indirectly, in many movements and events that greatly influenced European history. In the centre of a lively exchange between Western and Eastern Europe, it has known periods of cultural and economic prosperity. The region's prosperity resulted from participation in an international framework of free trade and trading standards. In this historical perspective, the isolated situation of the region during the last sixty years is only the last chapter yet. Although far from complete, this chapter highlights some remarkable periods in the history of Kaliningrad. These are glimpses of the past that can help placing the region in its geopolitical context. Interest in Kaliningrad's history seems to be growing in the region as well. Remarkably, in 2005 the city of Kaliningrad officially celebrated its 750<sup>th</sup> anniversary. This chapter is a compilation of historical facts and events.**

After the war, most of the remaining German and Polish populations, left the region for Germany and Poland. According to official statistics 130,000 Germans were deported. However, recent research by historians of Kaliningrad State University shows that 28,000 of them died of famine, cold and diseases before the deportation. Stimulated by Stalin's transmigration policy, a mainly Russian population settled in the region in the period from 1946 to 1948.

As part of the Soviet Union, the region became a strategic military zone, centred on the city of Kaliningrad. Until today Kaliningrad is still the naval base for the Soviet Baltic fleet. Until the early nineties of the last century, access to the military zone was restricted for Soviet civilians and strictly prohibited for foreigners. By that time the

region's population was around 900,000 civilians plus an estimated 200,000 to 400,000 military personnel.

What remained of the former Prussian times, were merely ruins and nostalgia. Much of the old city was demolished or severely neglected. On the site of the former main castle an enormous concrete structure was erected intended to become the 'House of the Soviet', but unfinished until now. The Dom, the fourteenth-century cathedral of Königsberg, was neglected and dilapidated. And even the remains of Immanuel Kant, the city's most famous inhabitant, had disappeared from their crypt in the outside gallery of the Dom.

### **3.1 Northern crusade**

A thousand years ago the region was part of primitive Prussia, inhabited by the Baltic people of the Prusses. Around 1250 the Teutonic Order, a military-religious society of knights founded to fight in Palestine, transferred its operations to Northern Europe, bringing Christianity to the Baltic area. They established an 'order state' stretching from present Northwestern Poland to the eastern border of the Kaliningrad region, marked by the river Niemen. In the year 1250 a small town arose on the peninsula of Samland. Here Bohemian King Ottokar II built a fortress in 1255. The next years saw the building of a city, which was called Königsberg in honour of King Ottokar. Königsberg was granted city rights as early as 1256.

### **3.2 Hanseatic League**

In the 13th century, trade between the countries around the North Sea and the Baltic Sea became booming business. Merchandise taken by ships from West to East included weapons and cutlery, salt, beer, wine and cloth. From East to West went skins and fur, wax, honey, timber and tar. Situated on the main route, Königsberg joined the Hanseatic League, a network of trading towns established around 1240. These 'Hanse towns' granted each other mutual protection and trade advantages, contributing to economic exchange and prosperity. At its hey day, during the fourteenth and fifteenth

centuries, the Hanseatic League included more than 150 towns in England, the Netherlands, Germany, Poland, Gotland, the Baltic countries and Russia. The network stretched from London and Bruges to Riga, Tver and Novgorod and enjoyed trading privileges in cities as far South as Italy.

Recently, there is a newly developed interest in the Hanze. For example, historians of the Hanze Study Centre of the University of Groningen study the way the league managed to handle different tax and law systems and practiced 'international relations' in a time before the appearance of the nation states as the main actors in international relations. ([www.rug.nl/let/onderzoek/onderzoekcentra/hanzestudiecentrum](http://www.rug.nl/let/onderzoek/onderzoekcentra/hanzestudiecentrum)).

Apart from economic development, trade contacts stimulated exchange of knowledge and culture. This may explain why the Hanse towns show similarities in urban development and architecture. Economic prosperity made it possible for Königsberg to develop into a main European city. A new castle built on the site of Ottokar's fortress and a Cathedral became landmarks in the fourteenth century.

### **3.3 Reformation**

The Prussian 'order state' of which Königsberg was the capital, lasted until the early sixteenth century. During almost three ages the territory was governed by the clerical Teutonic Order. In 1525 Duke Albert of Brandenburg, a member of the Hohenzollern family, converted Prussia into a secular duchy of which he and his descendants became hereditary dukes. At the same time the Duke declared for Luther, which enabled him to confiscate church properties and enrich his worldly power. In 1544 Albert founded 'Albertina', an evangelical university, which now is the secular Kaliningrad State University.

Through the ages the university served as an academic centre for scholars from Germany, Poland, Russia and the Baltic states. In the seventeenth and eighteenth centuries Königsberg was a safe harbour for religious and intellectual refugees from European countries with less liberal regimes. Among the many scholars and artists who lived and worked in Königsberg are Immanuel Kant, Richard Wagner, Vladimir Mayakovsky and Hannah Arendt.

### 3.4 Kingdom

During most of the seventeenth century the Duchy of Prussia was part of the Republic of Poland. Because of its vast size and heterogeneous population, the Polish republic knew a form of democracy with an elected king and constitutional liberties for the political classes. To the North, along the Baltic coast, as far as the Gulf of Finland, German minorities lived among Lithuanians, Latvians and Estonians. The towns were mainly German, founded as commercial colonies during medieval times. Many of the landlords were German too, often descendants of the Teutonic Knights, later known as the Baltic barons.

In 1618 the Elector of Brandenburg inherited the duchy. His descendant Frederik William von Brandenburg (also known as the Great Elector) achieved full sovereignty of the duchy in 1660. This made it possible for Frederik III of Brandenburg to become King Frederik I of Prussia in 1701, a title which the Habsburger emperor of Austria granted to Frederik in exchange for his support in war. The first German king, Frederik was crowned in the Dom of Königsberg. As the base of power of the Hohenzollern family, Prussia gave its name to all the territories which were later dominated by the family, thus itself becoming East-Prussia. Königsberg was not only the capital of East Prussia, but also became the second, informal capital of the whole of Prussia, and the city where the Prussian kings were crowned.

The peace treaty of Westphalia granted the Hohenzollerns eastern Pomerania, presently in the East of Germany. The family dreamed of joining it to the Duchy of Prussia. This, however, required the absorption of Pomerelia, which was part of Poland and had a mainly Slavic population. This task was accomplished in 1772. From that time on the old duchy was called 'East Prussia' and the old Pomerelia 'West Prussia'. Prussia also referred to all the Hohenzollern territory, which stretched from Königsberg in the East to Berlin in the West.

### **3.5 Militarism**

Prussia became known for its militarism. An explanation is to be found in the geopolitical situation of the Duchy of Prussia in the seventeenth century. Frederik William realised that a competent army was essential to defend this relatively small and open territory without natural frontiers. At that time armies in general could not exceed 40,000 men because of technical, command and logistic restraints. Thus, small states with an effective army could deter stronger states from attacking.

The Hohenzollerns long pursued a foreign policy defined by a combination of military deterrence and tactful diplomacy. Maintaining an army meant a constant need for money. In order to meet this need they developed an efficient government administration and tax system, which in its turn stimulated enterprise and investments in new industries. Advantageous conditions for economic prosperity were further supported by Frederik's liberal policy towards minorities suppressed or prosecuted in other countries, like Polish Jews and French Huguenots.

### **3.6 Modern state**

Prussia as a military power became the basis of expansion by Frederik II (later called the Great), the philosopher king, who was crowned in Königsberg in 1740. He transferred Prussia into a 'modern state' with a system of enlightened absolutism, an efficient bureaucracy and a strong army. The king had the monopoly on violence and tax, and granted high positions in public administration, the judiciary and the military to the economically weakened nobility, which thus retained a share of power. In this 'modern state' the autonomy of cities was abolished and the peasants were serfs. Unlike his father, Frederik favoured the flourishing of culture and science and took care of the education system. Frederik's accumulated power provoked Austria, Russia and France, which led to war and the occupation of East-Prussia in 1758.

### 3.7 Immanuel Kant

Immanuel Kant, one of the greatest philosophers of modern times, was born in Königsberg in 1724. According to his biographers he was devoted to the city and never left it during his lifetime. “Living in a nutshell, he considered himself to be king of a endless kingdom” (Scruton, 2000, p. 9). Kant was born in a poor family of pietists, a reform movement within the Lutheran church. Kant’s philosophy is strongly influenced by the pietists’ adherence to a hard life in which labour, duty, prayer and conscience were central values.

A preacher who had noticed young Immanuel’s intellectual talents enabled him to go to school. At the age of sixteen Kant went to university (Albertina), where he studied for six years. Waiting for a job opportunity at the university, he became a house teacher. At the age of thirty-one he was appointed a private teacher at the university, an unpaid position allowing for earning money by giving private lessons. By that time he had already published works on the genesis of the universe, dynamics and mathematics. He taught a diversity of subjects, from mathematics and physics to physic geography.

Königsberg at the time was an important seaport with a mixed population of 50,000, including Germans, Dutch, English, Poles and Russians. The university was an important cultural centre which took part in an international academic exchange. During the reign of Frederik the Great the cultural level and intellectual liberties further expanded. This liberal climate favoured Kant who had decided to place truth and duty above everything, and accepted no restraints on his thinking neither from the university nor the government.

Fifteen years after his first appointment Kant became a professor of logic and metaphysics at Albertina University. In the mean time he refused offers from other German universities. As a professor he spent most of his energy on philosophy, forming the ideas that later would establish his reputation as the greatest genius of Germany. His most famous work is ‘Critique of Pure Reason’. This systematic work on metaphysics and knowledge theory was published in 1781 as a reflection of twelve years thinking, teaching and writing. Noteworthy in the context of this thesis, Kant also made a

contribution to International Relations theory, by advocating the formation of a league of states to prevent war and create perpetual peace.

The end of the reign of Frederik the Great also meant the end of the Königsberg period of enlightenment. Set to end religious tolerance, the government of Frederik William II, objected to Kant's writing about religious matters. Kant gave his last lecture in 1796. He died on February 12, 1804. His burial was attended by many of the Königsberg population. In 1924 his remains were brought to a crypt in a gallery outside the Dom, which was vandalised in 1950, leaving it empty.

### **3.8 Napoleon**

In 1805 Austria, Russia and England joined forces in the Third Coalition to resist Napoleon. The coalition fell apart when Napoleon forced the Austrian emperor, supported by Russian troops, to surrender at Ulm in 1806. In this year Napoleon also succeeded in establishing the Confederation of the Rhine, made up of German parts of the former Holy Roman Empire. Prussia, at peace with France for ten years, had not joined the Third Coalition, but as Napoleon's plans for Germany became clear, Prussia went to war alone.

In 1806 the French defeated the Prussian army at the battles of Jena and Auerstädt. The Prussian king and his government took refuge in Königsberg, in the hope that the presence of the Russian army close by might protect them. But Napoleon's army marched into East-Prussia, and met the Russian army first in the indecisive battle of Eylau (presently Bagrationowsk at the southern border of the Kaliningrad region and Poland) and defeated it on June 1807 at Friedland (presently Prawdinsk).

Alexander started negotiations with Napoleon on a raft on the Niemen River, the then border of East-Prussia and Russia and now the Eastern border of the Kaliningrad region and Lithuania. The Prussian king is said to have been pacing nervously on the river bank, while Napoleon and Alexander agreed on the treaty of Tilsit (presently Sowetsk). The alliance between France and Russia lasted for five years only, until Napoleon attacked Russia again. This time he succeeded in taking the Kremlin in Moscow, but was forced to retreat by a lack of supplies and the extreme conditions of the

Russian winter. After the French fled back to France the liberation movement against Napoleon started from East Prussia in 1812.

Fact and fiction meet in Tolstoy's novel *War and Peace*, which describes the events from the battle at Ulm to Napoleons retreat from Moscow. The meeting of Napoleon and Alexander I is described as a formal event that made a great impression on one of the novel's characters.

*Boris was among the few present at Niemen on the day of the meeting of the Emperors. He saw the raft with the royal monograms, saw Napoleon's progress through the French guards along the further bank, saw the pensive face of the Emperor Alexander as he sat silent in the inn on the bank of the Niemen waiting for Napoleon's arrival.... When the Emperors went into the pavilion, he looked at his watch, and did not forget to look at it again when Alexander came out. The interview had lasted an hour and fifty-three minutes; he noted this down that evening among other facts, which he felt were of historical importance....To be present at Tilsit at the meeting of the Emperors was a matter of great consequence for a man who valued success in the service, and Boris, when he succeeded in obtaining this privilege, felt that his position was henceforth perfectly secure. He was not simply known, he had become an observed and familiar figure. (Tolstoy, 1999, p. 632)*

### **3.9 Reforms**

What was left of the Prussian kingdom after the battles of Jena and Auerstädt, remained under French occupation. But German patriots travelled to Prussia, which they saw as a stronghold of moral resistance. After the defeat of the army, nationalism had to be built on new values. This task was taken up by Baron Stein who was committed to the philosophy of Kant and dwelt upon the concepts of duty, service, moral character and responsibility. He believed in self-determination and community membership for the people. He loosened Prussia's old caste structure of Prussia and introduced economic and political freedoms, which especially favoured the populations of the cities. Prussia's municipal system, and later that of Germany, became a model for much of Europe in the following century. The abolition of serfdom favoured the property held by landlords, but

the reforms reduced their power and gave legal status and freedom to the mass of the population. This became the foundation for a modern state and economy. Napoleon sent Stein into exile in 1808, but the baron's reforms endured.

After Napoleon's definite defeat, Prussia's modern state with liberal institutions was among the most influential member states of the German Union, founded in 1815. From 1829 to 1878 East- and West-Prussia were united in the province of Prussia with Königsberg as its capital. After a split up in 1878 the city again became the capital of East-Prussia. In 1860 a railroad connected Königsberg with Berlin, which made it a major centre in European traffic again.

### **3.10 Versailles and Potsdam**

By a provision of the Versailles Peace Treaty of 1919, Poland became an independent republic after the First World War. East-Prussia was now separated from the mainland of Germany by the Polish corridor, granting Poland access to the Baltic Sea, and remained isolated, depending largely on agriculture, trade and the mining of amber. It still boasted some famous resorts on the Baltic coast. The Second World War saw Königsberg heavily damaged by British bombs in 1944. The city was taken by Russian troops in April 1945.

As a result of the Potsdam agreements between the United States, Britain and Russia in July 1945 East Prussia was divided between the Soviet Union and Poland, the northern part going to the Soviet Union. In June 1946 Königsberg became the Russian city of Kaliningrad, named after the Russian politician Michail Kalinin who had just died and whose name was on top of the list of people to be honoured by naming a city after them.

Within a few months, millions of Germans were driven from their homes or fled. Some 100,000 who remained were deported. In two years time almost daily trains brought in a new Russian population, attracted by jobs in the region and houses left behind. "The resettlers came from twenty regions of the Russian SFSR, seven regions of the Byelorussian SFSR, and three autonomous republics" (Vinokurov, 2005, p.102).

It was not until 1990 that the Bundes Republic Germany acknowledged the Russian sovereignty over Kaliningrad – in return for Russia’s promise not to interfere in the reunification of West- and East-Germany.

### **3.11 Naval base**

Kaliningrad’s strategic position in the Baltic region and its ice-free harbour made it well-suited as the base for the Soviet Baltic fleet. During the Soviet era access to the region was restricted for civilians and strictly prohibited for foreigners. Many of the people living in the region worked for the navy or in navy industries. Military convalescent hospitals were built in the former German coastal resorts. Although the amber mines had been destructed during the war, production was brought on the level of 90% of the world production. The ruins of the castle of Königsberg were torn down in 1969 to make place for the ‘House of the Soviet’, a new town hall which remains unfinished until today.

### **3.12 After 1990**

The Kaliningrad Region forms a Russian exclave since the Baltic States: Estonia, Latvia, and Lithuania, gained independence in 1991. Many Russians from the Baltic states as well as other former Soviet republics have settled in the region after. Although the port of Kaliningrad is still home to the Russian Baltic fleet, the military no longer play a key role in the region’s economic and political life. The restrictions on access have been eased, which has created opportunities for trade and tourism. After an era of strict Soviet censorship, people in the region have hesitantly started to explore its history. Several important German buildings have been restored and historians of the Kaliningrad State University have taken up the study of the history of the region between 1946 and 1948.

Compared to other regions in the Russian Federation, social and economic recovery has been slower during the nineties, although there has been a significant improvement during the last years. The personal income per capita is lower than the

Russian average and the economy largely depends on beneficial tax regime and subsidized energy. The enlargements of NATO (Poland in 1999; the Baltic States in 2004) and the European Union (Poland and the Baltic States in 2004) have further isolated the region and complicated its chances for economic progress.

Several alternatives have been suggested to improve matters for the region. One not so realistic idea is that of independence for the region. Counter-arguments are the lack of economic resources and the fact that its population is mainly Russian, so there isn't a historical ground for independence. Actually, since president Putin reduced the influence of regional administrations in 2004, the relative autonomy of the region has only declined. A more realistic alternative is making Kaliningrad a pilot project of Russian-European cooperation. This could turn the disadvantage of its geopolitical isolation into an advantage. This idea will be highlighted later in this thesis.

In 2005, the city of Kaliningrad officially celebrated its 750<sup>th</sup> anniversary, apparently embracing its stirring history in an attempt to face its uncertain future. On this occasion it was suggested to rename the city, following the examples of St. Petersburg (formerly Leningrad) and Volgograd (formerly Stalingrad), thus wiping away the memory of the Soviet past and giving the city a new élan. Restoring the old name of Königsberg is not likely to meet the approval of the Russian government, which wants to avoid German claims on the region. A suggested new name is Kantagrad, which is original as well as suitable, but lacks an historical precedent.

### **3.13 Conclusions**

The Kaliningrad region is situated 'between Europe and Russia' or 'between East and West'. This situation has long been advantageous, with the region serving as a centre of international exchange. In its 750 years history Kaliningrad has known periods of great economic and cultural development. Conditions for prosperity were created by a framework of international trade and trading standards, cultural exchange, intellectual freedom and efficient public administration. Since 1946 the region has been relatively isolated, with its strategic advantage turning into a disadvantage. Recent enlargements of NATO and the EU made the region a Russian exclave surrounded by NATO and EU

member countries. Recent initiatives aim at developing new opportunities for the region by making use of its unique situation. Russian sovereignty over the region is not in dispute. Opportunities for economic and cultural development thus depend on co-operation policies on the level of the European Union and the Russian Federation.

## **Chapter 4**

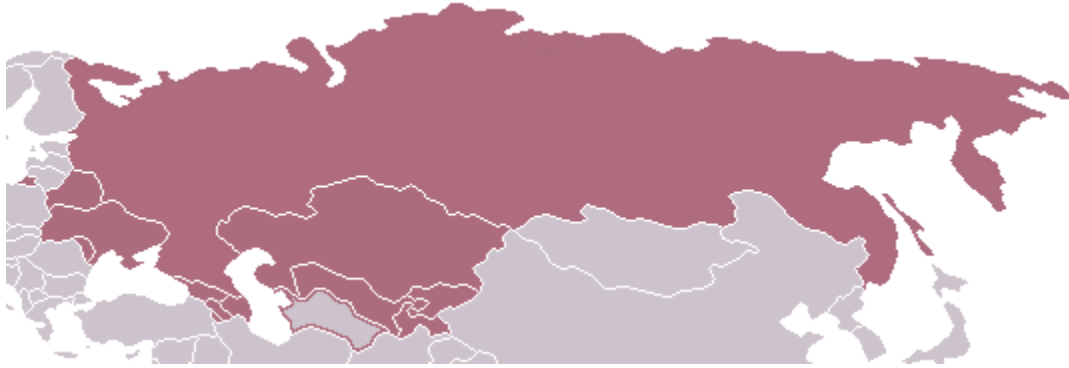
### **The Kaliningrad Oblast**

#### **Formal status, territorial integrity and international context**

**This chapter deals with the formal status of the Kaliningrad region within the Russian Federation. The authority of the federal government on regional policy appears to be strong. This is due partly to general backgrounds of Russian federal policy making, and partly to the particular attitude of the government towards the region. The latter is informed by the question of territorial integrity and the geopolitical context of the region. The administrative term used in the Russian language for the exclave of Kaliningrad is 'Oblast', which means 'region or province' and clearly indicates a sub-national entity.**

#### **4.1 Commonwealth of Independent States**

Russia is a member of the Commonwealth of Independent States (CIS) (see illustration 4.1), which was formed in 1991, initiating the dissolution of the Soviet Union 'to allow a civilized divorce between the Soviet Republics' as the leaders of these states stated then. The CIS consists of the member states of the former USSR, with exception of the Baltic States. The CIS member states can be fairly considered to be independent states, cooperating on matters of economics, defense and foreign policy. Presently the CIS includes the Russian Federation, Ukraine, Belarus, Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan. As international interests of the member states have diverged in the last fifteen years, the relations of Russia with member states have taken various forms. Recent developments in Ukraine and Georgia have shown that the international policies of CIS member states can be dissonant and cause diplomatic quarrels and international tensions. Especially Russia's energy policy is increasingly becoming an issue in international relations, also affecting its relations with the other CIS members.



**Illustration 4.1 CIS member states (source: [www.wikipedia.com](http://www.wikipedia.com))**

## **4.2 Republics**

Within the Russian Federation there are 21 republics (see illustration 4.2), often with their own ethnic and cultural heritage. The republics have their own governments and heads of state and, at least formally, enjoy an extent of autonomy in policy making. But the influence of the Russian government is strong and attempts to question it are resolutely rejected by Moscow. Chechnya (Chechen Republic) is one of the republics, where a independency movement has lead to long lasting armed struggle.

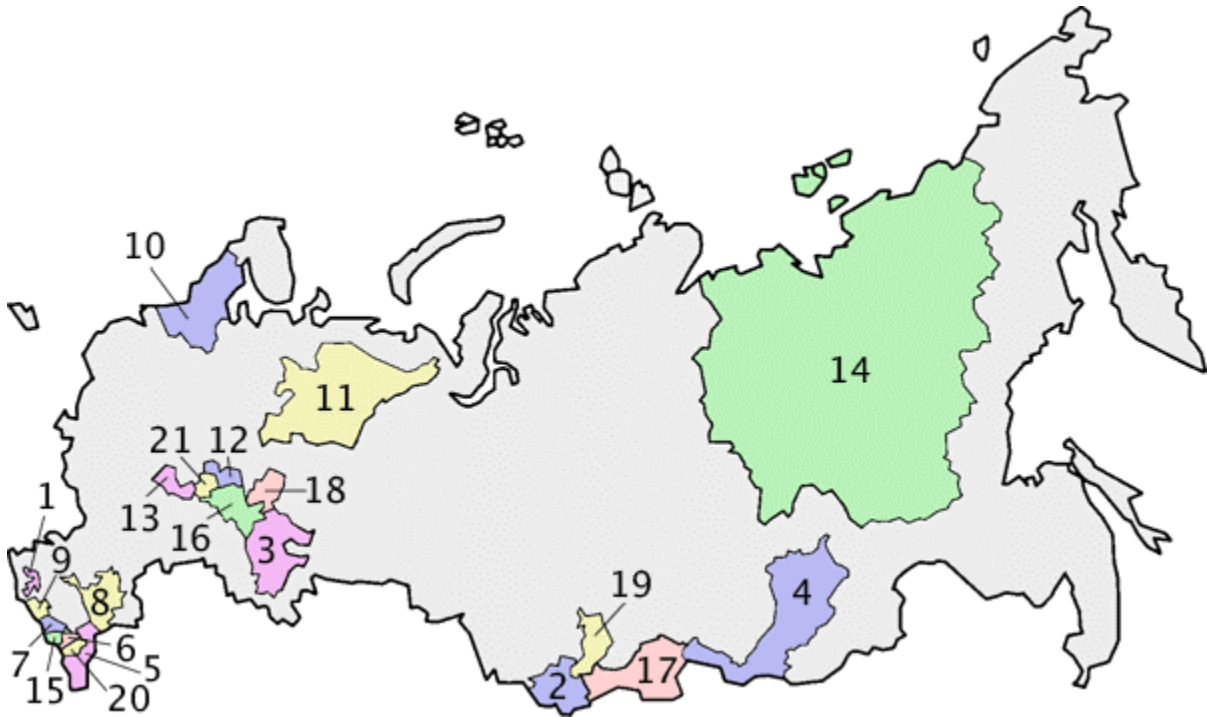
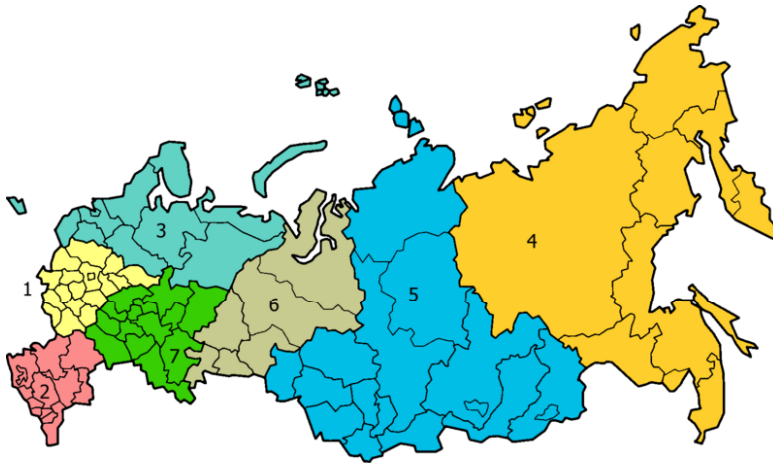


Illustration 4.2 Republics of the Russian Federation (source: [www.wikipedia.com](http://www.wikipedia.com))

- |                       |                        |                          |
|-----------------------|------------------------|--------------------------|
| 1. Adygea             | 8. Kalmykia            | 15. North Ossetia-Alania |
| 2. Altai              | 9. Karachay-Cherkessia | 16. Tatarstan            |
| 3. Bashkortostan      | 10. Karelia            | 17. Tuva                 |
| 4. Buryatia           | 11. Komi               | 18. Udmurtia             |
| 5. Dagestan           | 12. Mari El            | 19. Khakassia            |
| 6. Ingushetia         | 13. Mordovia           | 20. Chechnya             |
| 7. Kabardino-Balkaria | 14. Sakha (Yakutia)    | 21. Chuvashia            |

### 4.3 Federal districts

The territory of the Russian Federation, including the republics is covered by seven federal districts, or ‘okrugs’ (see illustration 4.3), constituted by a decree issued by President Putin in 2000. The districts are governed by the presidents representatives, appointed by the president himself. Kaliningrad is part of the Northwestern Federal district, which consists of 11 regions.



**Illustration 4.3 The Russian federal districts (source: [www.wikipedia.com](http://www.wikipedia.com))**

1. Central federal district
2. Southern federal district
3. Northwestern federal district
4. Far Eastern federal district
5. Siberian federal district
6. Urals federal district
7. Privilzhsky (Volga) federal district

#### **4.4 Regions**

The Russian term *oblast* can be translated in English as *province* or *region*, which implies that it is subordinated to Russian federal authority. Russia consists 89 ‘subjects of federation’, including the republics, the two cities of Moscow and St. Petersburg, and 48 oblasts. These subjects of federation formally are the next level of government immediately under the federal authority, but in fact have lost much of their autonomy to the level of the federal districts. Kaliningrad is the smallest Russian oblast . The top administrative level in the region consists of a governor and a regional parliament (Duma), both chosen in general elections.

The Russian Federation is a highly centralized state in which “the president, presidential administration and government constitute the most influential center of power in the country. They set the objectives for both the internal and external policies of Russia, and they develop projects for political, social and economic reforms”

(Pelczynska-Nalecz, 2002, p. 2). The margins for autonomous policy making by regional governments have always been small, although a strong governor or the presence of economic resources can be sources of power. The margins have become smaller with the installment of the president's representatives of the seven federal districts, and even smaller since president Putin imposed his structure of 'vertical power' in 2004, further limiting the competences of regional parliaments, governors and administrations. In the present situation this means the regional administration of Kaliningrad can only propose and advise on strategic policy decisions to the federal government. It rules out the possibility for the regional administration to make decisions on a level of strategic policy or engage independently in international relations. Strong political leadership in the region could change this balance power in favor of the regional administration.

#### **4.5 Federal vs. regional**

Putins efforts to strengthen federal control over the regions since 2000, have resulted in an increase of information in the Kremlin about what is going on in the regions. Although regional leaders have limited influence on decision making on a federal level, they can exert influence by circumventing, ignoring or boycotting the Kremlin's decisions. The still considerable power of heads of regional administration is largely based on both "official capacity and on expanded networks of private connections with local business, courts, and managers of federal departments" (Pelczynska-Nalecz, 2002, p. 5). They are often unwilling to support liberal reforms, which could weaken their influence. Like federal authorities they often exercise control over the media. Putins immense popularity among voters is a reason for regional politicians, including governors and members of the regional duma, to express their support for presidential policies in their election campaigns and back official federal policies at least by words.

#### **4.6 Territorial integrity**

Although the status of Kaliningrad is presently not in question, there are sensitivities about the territorial integrity which are a reason for the federal government

to keep control tight. In a historical perspective the attribution of the region to Russia is considered to be a compensation for the immense sacrifice in terms of material damage and human lives Russia made in the second world war. The region was granted to Russia by the Potsdam agreement in 1946. The German government anew guaranteed to respect this status in 1989, in exchange for Russia's guarantee not to interfere in the reunification of East and West Germany.

Russian leaders have to deal with a widespread sentiment among the Russian population that national interests and territorial integrity were given up too easy in the beginning of the nineties after the dissolution of the Soviet Union. For example, a resolution on Kaliningrad adopted by the European Union in 1994 was criticized by Russian officials, not only because it called for demilitarization of the region, but also because "the European Parliament was insensitive enough to add the former German name "Königsberg" to the title of its resolution" (Karabeshkin and Wellmann, 2004, p. 16). In his campaign for the 2004 presidential elections, "President Putin continued to pay tribute too the widespread concerns about perceived threats to Russia's territorial integrity by profiling himself as the leader who allegedly brought the issue under control" (Karabeshkin and Wellmann, 2004, p 17).

#### **4.7 Exchange**

A complication in the issue of Kaliningrad is the fact that Russians traveling between the exclave and Russian mainland have to cross Lithuania. The opinion outspoken by Moskovsky Komsomolets, one of the largest and more modest Russian daily newspapers, seems significant: "Twelve years ago our leaders made a fatal mistake. During negotiations about recognizing Lithuanian independence, Moscow could have demanded a guarantee for eternal free transit to Kaliningrad" (Rostovsky, 2002). The issue of free transit was again a main point of discussion in the negotiations between Russia and the EU towards the enlargement of the EU in 2004, a point which was not granted by the European Union.

Every now and then, Russian officials and Russian and international media address the notion that (part of Russian authority over) Kaliningrad is a price that Russia

may be willing to pay in exchange for letting of international debts. “It stood on the Russian political and economic agenda especially after the August 1998 rouble crisis and on the eve of 2003, a year in which payment obligations to foreign creditors peaked. ...Speculations about Kaliningrad’s role in solving Russia’s debts problem came up after the meeting of Russian president Putin and German chancellor Schröder in January 2001” (Karabeshkin and Wellmann, 2004, p. 20). At the time of the Putin- Schröder meeting the British ‘Daily Telegraph’ as well as the Russian “Izvestia” suggested that an increase of German control of the region could be the price in exchange for letting off debts. In 2003 the weekly “Nash Continent” refers to a rumour that Putin in a meeting with high ranking German officials agreed to return Kaliningrad gradually to Germany in exchange for getting waived 50 billion of Russia’s debts to Germany.

#### **4.8 Secessionism**

At the same time, Russian authorities are very sensitive of secessionism to emerge in the region. One reason is a general fear for a domino-effect to occur if any region of the Russian Federation succeeds in gaining independence. Another is the political and historical meaning of Kaliningrad in a geopolitical context.

“Whilst representatives of the federal political elite tend to employ some alarmism about the emergence of secessionism in the Kaliningrad oblast, Kaliningraders themselves seem to be quite sceptical about the issues or even demonstrate annoyance at the warnings from a federal level” (Karabeskin and Wellmann, 2004, p.26). Regional officials seem to agree that conditions for a secessionist movement are non-existent. Other arguments which make independence an illogical option are the very limited economic power of the region and also, because of the mainly Russian population, the absence of cultural and historical grounds. Although there was never a serious threat of secessionism, it seems to be present on the background all the time and has to be considered at least as an emotional factor in any debate about the various aspects of the issue of Kaliningrad.

#### **4.9 International context**

To understand the position of Kaliningrad in the context of Russian international relations, it is instructive to have an idea of the Russian internal discussion concerning its international status and the way the country should conceive its interests in fields such as security and economy. Inside Russian politics there are two schools, each promoting its own particular view. According to the first school Russia's ambition should be to be a world power in a multi polar world. The second school calls for "the Russian equivalent of the Monroe doctrine in the so-called "near abroad" – i.e., securing an exclusive zone of influence over the whole area of the CIS" (Piotrowski, 2002, p.63). In both perspectives Kaliningrad is of equal importance.

In the first perspective Kaliningrad is mainly an issue of security, and as such not only a concern to Russia but also to the USA and NATO. It is the most western part of Russia and surrounded by NATO territory. It is also close to Belarus, which of the former Soviet-countries in the region is still the most Moscow oriented and a declared military ally. Although military presence in the Kaliningrad region is reduced by 90% since the dissolution of the Soviet Union, as Russia's only ice-free navy base in the Baltic Sea, it is still of military strategic importance. It could also serve as a base for nuclear weapons. In January 2001, an article in the Washington Post spoke of the transfer of nuclear weapons to the region, contrary to previous Russian declarations about denuclearization of the Baltic region. Although this rumor has been denied by Russian officials and has never been proved, it emphasizes the complexity of the position of the Russian exclave and its military base.

Kaliningrad is also a Russian island in an international region where democratic reforms take place, often supported by the USA through assistance to NGO's. It is possible to practice relatively strong influence in the region, since Poland, the Baltic States, Ukraine and Georgia have developed an independent course on this path. Kaliningrad, and also Belarus, have remained unaffected by these changes and keep in line with Moscow, which is often critical to western interference in reforms.

In the perspective of Russia as a regional power the meaning of Kaliningrad is more diverse. Of course the same security aspects are involved. But apart from that social, economic, cultural and environmental aspects are more important. Recently the region has become an issue in relations between the European Union and the Russian Federation. The direct reason for this attention is the enlargement of the EU in 2004. But it also reflects a shift in Russian foreign policy from an orientation on the USA towards closer relations with the European countries as a result of growing economic interests in Europe. Economic interests are a main motive of Russian – EU cooperation but until now seem to inform a joint policy on Kaliningrad to a very limited extent.

In some specific contexts the Kaliningrad region seems to function as an object of trade in negotiations. In the negotiations towards the enlargement of the European Union in 2004 the Russian government came back on its demand for visa free travel to and from the Russian mainland when Europe appeared to be prepared to grant Russia the status of a ‘free market economy’, which is important for Russia’s long desired access to the World Trade Organization. The status of Kaliningrad was also an issue in negotiations with German government about the reunification of East and West Germany.

European countries, and especially those around the Baltic Sea are concerned about environmental and nuclear pollution that could spill over the borders of countries of the former Soviet Union. This has been one reason to formulate the Northern dimension of the EU. Pollution and other border crossing problems, like crime, smuggling and infectious diseases are important reasons for the EU to seek cooperation with Russia in the matter of Kaliningrad.

#### **4.10 Conclusions**

As a region under Russian federal authority, the Kaliningrad administration has few independent competencies for policy making, and none at all concerning issues of strategic economic development or international relations. Strategic decisions concerning the region are made on a federal level. Russia’s territorial integrity over the region is not in question, but still is a sensitive topic in political debates on the future of the region. The region is of great symbolic and military strategic importance on a global and

international regional level, as opposed to its economic significance in an international perspective. It attracts the attention of its neighboring countries and EU because of cross border problems.

## Chapter 5

### The Economy

#### Getting the motor running

After years of decline and slow recovery following the disintegration of the Soviet Union, the economy of the Kaliningrad region seems to have been picking up the pace. Since 1999 the average growth rate of the economy has been higher the Russian average. This is due largely to the Special Economic Zone policy of the Russian government. Despite good results, there are also reasons to worry. The economy of Kaliningrad is import driven and depends on SEZ privileges. Cooperation of the Russian government and the EU has not led to a joint strategic vision on the economic development of the region and involvement of the Kaliningrad economy in the wider international region is low.

#### 5.1 Analysis

Economic decline after the disintegration of the Soviet Union hit the Kaliningrad region harder than the average of the Russian Federation. “In 1998, the industrial production in the Kaliningrad region accounted only for 29 % of the production in 1990 (in Russian Federation 46 %), agriculture 48 % (in Russian Federation 56 %), retail turnover 42 % (in Russian Federation 86 %)” (Zdanov, 2005, p.78). Remarkably, since the Russian national economy has started to recover from 1999 on, the regional economy of Kaliningrad has performed better than the Russian average in terms of economic growth. (see table 5.1)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GDP	- 4.1	- 3.4	0.9	- 4.9	6.4	10.0	5.1	4.7	7.3	7.1
GRP	- 16.2	- 14.2	- 4.5	- 9.5	6.8	15.2	3.4	9.5	11.5	12.3

**5.1 Growth rate of Gross Domestic Product (GDP) of Russian Federation and Gross Regional Product (GRP) of Kaliningrad for 1995 – 2004. (source: Zdanov, 2005, p. 81)**

To explain this situation, several aspects of the regional economy must be taken in account. With a population of 950.000 the Kaliningrad region is too small for an

independent economy to prosper; there is a *'diseconomy of scale'*. "The break-up of the Soviet-Union resulted in a situation where the region was separated from mainland Russia by two independent states. It led to a significant increase in transportation costs (including time loss, need to prepare customs papers, insurance, etc)" (Stepanov, 2003, p.17).

Not only is the region isolated from its wider international surrounding as a result of its exclave status, it is also surrounded by national economies which are competing for economic development and have started from a similar post-Soviet Union situation. The Baltic states, Ukraine and Poland are in the process of transferring to competitive market economies. These economies are bigger, and unlike Kaliningrad autonomous in defining their economic policies.

## **5.2 Special Economic Zone**

Kaliningrad was one of the ten regions designated as a 'Free Economic Zone' by the Russian government in the beginning of the nineties. In these 'greenhouses' economic initiatives were supposed to flourish, stimulated by special privileges, like low tax tariffs. All Free Economic Zones were liquidated during the nineties, because of poor results and high costs of maintaining the special rules. "However, the exclave situation of the Kaliningrad Region and intensive lobbying by regional authorities led to the adoption of the Federal Law on the Special Economic Zone in the Kaliningrad Region in 1996" (Stepanov, 2003, p.17). This policy is aimed at stimulating economic activity, mainly by favorable tax tariffs on import and export. For instance, import tax on goods is low under the condition that economic value is added before the goods are transited to Russia.

Initially the Special Economic Zone policy seemed to have the opposite effect, working out as an obstacle for an increase in industrial activity. Tax privileges have led to an import driven economy, which is serving as a channel of low tax goods to the Russian mainland, instead of stimulating industrial activity, based on further processing of goods (see table 5.2).

Year	2000	2001	2002	2003	2004
Export of goods	475	455	471	574	1264
Import of goods	875	1047	1610	2124	3198
Sales of goods to the Russian mainland	424	619	759	1118	1802

**5.2 Trade flows of Kaliningrad region in USD million 2000-2004. (source: Liuhto, 2005, p. 102)**

The authors of a publication by the EastWest Institute point out that the SEZ policy as a “system of federal support constitutes serious divergences from market-based principles of economic development” (Smorodinskaya & Zhukov, 2003, p.19). Furthermore, its dependence on import has made the regional economy vulnerable to decline in Russian macro economic performance. The region has also become dependent on subsidized energy tariffs.

The location of the Russian exclave close to West-European countries and the favorable SEZ tax tariffs on import has led to a flourishing informal economy. “This phenomenon has reached an unprecedented scale even when compared to the rest of Russia. ...Informal activities account here for 60 – 95 % of the officially recorded GRP, which is outstanding against the Russian average of 25 – 50 %” (Smordinskaya & Zhukov, 2003, p.31). Most of this consisted of shuttle trade by inhabitants of the region crossing the border on a daily bases to export small amounts of tobacco and alcoholic products. “In 2001, about 9 million people and more than 2 million vehicles, passed frontier points in either direction, and according to data of the Federal Border Service of Russia, 80 % of this flow consisted of people engaged in informal trade” (p.35). “It seems obvious that the shuttle trade has decreased after the enlargement due to new regulations and stricter control at the borders” (Liuhto, 2005, p.104).

Recently, changes in the SEZ policy have been proposed. These limit the period of time companies can profit from benefits on import and export taxes to ten years. Thus companies are supposed to proof themselves and grow into the market system.

### **5.3 Economic growth**

When the economy of the Russian Federation started growing again in 1999, this immediately had an effect on the regional economy of Kaliningrad. The general increase of Russian import was multiplied for the region by the SEZ policy. A steep rise of oil and metal prices at the dawn of the new millennium, caused a further increase of Russia's spending power, which had positive effects on the Kaliningrad economy through a raise of imports.

Fortunately, growth of the Russian economy as a whole, has also led to investments in the regional industry. "In 2004, half of the TV sets produced in Russia and 2/3 of vacuum cleaners were made in the Kaliningrad Region" (Zdanov, 2005, p.85). Growth of the regional economy, in its turn, had a positive effect on the living standard in the region. "Kaliningrad's average monetary income in June 2005 was RUR 6571 (187 euro), approximately 85 % of the Russian average. ... Due to a large chunk of informal economy ... the real living standard in Kaliningrad is most likely higher than in Russia" (Liutho, 2005, p.93).

From 2004 on, there has also been an increase in exports. But this was not directly linked with the EU enlargement. "This was chiefly due to companies from other regions in Russia channeling their exports through Kaliningrad so that they were registered as Kaliningrad's exports" (Liuhto, 2005, p.102), to benefit from favorable SEZ export tariffs.

### **5.4 The necessity of a joint Russian-European vision**

In the run-up to the enlargement of the European Union the Kaliningrad region has become an issue in European-Russian relations. But within this perspective, it has often been regarded as an obstacle and a cause of problems, rather than a region with a future of its own or an opportunity for Russian-European cooperation. The emphasis of joint policy making of the European Union and the Russian Federation so far seems to be on the containment of potentially negative effects of the enlargement, rather than on development of social-economic chances.

This approach has resulted in joint policies which aim to reduce sensibilities in the field of security and border crossing problems, such as crime, smuggling, health risks and environmental pollution. It does not provide useful alternatives for long term development of the region. A list of ongoing TACIS projects in the Kaliningrad region in 2004 shows that 14, 6 million euro is spent on environmental protection measures and border crossing modernization, while only 3,6 million euro is spent on economic development (see table 5.3). A joint strategy on economic development of the region has not been achieved.

<b>Area</b>	<b>millions of euro's</b>
Environment	6.4
Education	0.7
Economic development (incl. tourism)	3.6
Border crossing modernization	8.2
Civil society	1.3
<b>Total 2004</b>	<b>20.2</b>
Total TACIS assistance granted by EU	40
Extra reservation with EU	25

**5.3 Ongoing TACIS projects in Kaliningrad region in 2004 (source: <http://kaliningradexpert.org>)**

Sustainable development of the region can only be based on economic prosperity. Therefore a joint RF-EU strategic vision is needed, which especially addresses the economic situation. So far economic advance of the region is treated as a domestic Russian problem by Brussels and Moscow, instead of a common concern. No doubt, Russia should be in the lead, but considering the situation of the Kaliningrad region as an exclave surrounded by EU member states, the Kaliningrad economy and society are largely dependent on joint Russian- European Union policies.

Political and administrative control of the federal government on regional affairs, which has become tighter lately as a result of president Putin's policy of 'vertical power', makes it practically impossible for the regional government to work out international regional policies with countries of the European Union without the frameworks for

cooperation established in Moscow. It demands for top level agreement between the EU and the RF to make things work.

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***Just before the enlargement of the European Union in 2004, a small scale, not representative survey, conducted by myself<sup>9</sup>, shows that the expectations of the enlargement in the region were positive. All of fifteen people interviewed had heard about the enlargement. Fourteen of them thought the enlargement was good, one didn't know. Thirteen thought the enlargement would be good for the Kaliningrad region, only two thought the enlargement would not be good for the region (see table 5.4).***

Heard of EU enlargement	Good in general	Good for Kaliningrad	Economic sector with chances for Kaliningrad	
Yes: 15	Yes: 14	Yes: 13	4	Industry
			7	International trade
			2	Agriculture, cattle breed, fishing
No: 0	No: 0	No: 2	15	Tourism
			10	Mining of oil, gas, amber
			0	Otherwise, namely ...
	Don't know: 1	Don't know: 0		

**5.4 Opinion towards EU enlargement in Kaliningrad population in June, 2004**

## 5.5 Pilot region

In Russia's 1999 medium term strategy for the European Union until 2010, which is based on the 1997 Partnership and Cooperation Agreement (PCA), Kaliningrad is appointed as a pilot region for Russian- EU cooperation. This idea, first presented in the fall of 1999 by then Prime Minister Putin, is based on the regions unique geographic location. But apart from the Special Economic Zone policy which already existed, it has not been backed by any specific economic policies. As described above, the SEZ only partly succeeds in boosting the economy of the region.

Under the present circumstances the threat of further isolation of the region has not yet diminished. Smorodinskaya and Zhukov foresee three possible scenario's (2003, p. 127 – 144):

- *Inertial scenario*, or 'do nothing' and maintain SEZ privileges and subsidized energy. This will lead to non-competitiveness of the regions economy and further isolation.
- *Radical scenario*, or 'shock therapy' by terminating SEZ privileges at once. This will have high social and political costs on a short term.

- *Pilot region scenario*, in which the region is a pilot region for Russian-EU cooperation. This demands a joint EU and RF approach and a transition period in which SEZ privileges are build off.

## 5.6 Export orientation

A closer look at the supposed advantages of the unique location, raises doubts about the real benefits (see map 5.5). The distance from Rotterdam to Moscow is 2150 km, while the distance from Rotterdam to Kaliningrad (1360) and Kaliningrad to Moscow (1290 km) totals 2650 km. Although the logistic routes and facilities of the region are considered to be good, the times of the Baltic sea as main route between East and West are long over. Much economic transport between Russia and European country is by road, in which case Kaliningrad is a dislocation. For as far as the Kaliningrad harbor can still play a role, it has to compete with other harbors in the region, which have often been modernized recently.



5.5 Geographical position of the Kaliningrad region

The location of the Kaliningrad region as a Russian springboard to Europe could become more important, however, if the regional economy became more oriented on the export of goods manufactured in the region using Russian raw materials or half products to European markets. Instead of a tunnel for import and export to and from the Russian

mainland, the region can become an independent economic center. This asks for more economic sensitivity and involvement of the region in its international context. Now the economy is booming, money should be invested to make it more sustainable and less dependent on SEZ privileges and Russian macro economic performance.

A joint EU – RF policy should be aimed at establishing and supporting an international network in the region and at reducing political and administrative barriers. This would be in line with the aims of the Common Economic Space (CES) which the EU and the RF have agreed on. If Kaliningrad succeeds in changing into an export oriented Russian region, the concept of a pilot region for EU – RF cooperation will gain much content. Currently, the trade exchange between Europe and Russia relies on the import of European products to the Russian market and the export of gas, oil and metals to Europe. More export orientation of the Russian economy makes this exchange less vulnerable and could be in the interest of both sides. The existence of a dynamic civil society in Kaliningrad and its international context can contribute to change (see chapter 6). Joint RF – EU efforts can also focus on education of the regional population in business and civil society skills.

## **5.7 Strengths, weaknesses, opportunities and threats**

On the bases of the EWI-study by Smordinskaya and Zhukov, a SWOT analysis can be made for the region (see figure 5.6). This is further enriched by information from interviews with experts of the EastWest Institute, the Kaliningrad Research and Development Agency, the TACIS support Office of the EU in Kaliningrad and the Moscow Office of Ecorys – Netherlands Economic Institute. The EWI-study identifies strengths and opportunities based on more or less developed, existing industries, which could be further developed to contribute to an export oriented economy. In the interviews experts put forward more innovative ideas for the creation of new industries, which combine the competitive advantages of inexpensive labour, high education potential and geographical situation. For example: health care tourism, which combines the developed tourism sector with opportunities for private health care organizations (clinics); wood manufacturing, which combines the existing logging industry with potential

manufacturing skills; electronic and software industry, which combines low labor costs with high education potential.

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Existing industry: extraction of amber and salt; fishing; food manufacturing: fish, alcohol, margarine; logging: wood working, pulp, paper</li> <li>- Low im-export tax tariffs (SEZ privileges)</li> <li>- Relatively well educated population</li> <li>- Subsidized energy</li> <li>- Developed tourist sector</li> <li>- Developed small business sector</li> <li>- Entrepreneurial potential</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Bad condition of technology</li> <li>- Ecological investment is needed</li> <li>- Inadequate education of workforce</li> <li>- Geopolitical isolation</li> <li>- Depending on both RF and EU policies</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Wood manufacturing for export</li> <li>- Further development of tourism</li> <li>- Development of health care tourism</li> <li>- Electronic manufacturing</li> <li>- Software programming and processing</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Import driven economy</li> <li>- Dependence on Russian macro economy</li> <li>- Dependence on SEZ privileges</li> <li>- Dependence on subsidized energy</li> <li>- Regional international economic competition</li> </ul>

**5.6 SWOT analysis for the regional economy of Kaliningrad**

**5.8 Conclusions**

The regional economy of Kaliningrad is depending on SEZ privileges and subsidized energy. As a result it is mainly import driven and has developed to a channel for importing and exporting goods to and from the Russian mainland. Sustainable economic development of Kaliningrad should be seen in the international context of the region. The regional economy should become more export driven, making use of its unique location and industrial potential. The approach of economic development as an exclusive domestic Russian problem is inadequate. The exclave status demands for a joint vision on economic development by the Russian Federation and European Union.

## Chapter 6

### A Closer Look at Governance

#### Civil society in Kaliningrad and the need for international cooperation

*“norms and networks of civic engagement contribute to economic prosperity and in turn (are) reinforced by that prosperity” (Putnam, 1993, p. 180)*

**Civil society in Kaliningrad, like in the rest of Russia, appears to be well developed, but is hardly engaged in the policy process in any way comparable to western countries. Kaliningrad based NGO’s and companies participate in international networks which are active in the fields of economic development, environmental protection and education. As a practical enclave within the EU, life in the region is strongly influenced by policies of the surrounding EU member states. A ‘governance approach’ implies involvement in the policy process of civil society as well as international actors. This can contribute to more openness and the perception of a regional identity. Both are conditional for further economic development.**

#### 6.1 Civil society

Cohen and Arato define civil society as: “A sphere of social interaction between the economy and state, composed above all of the intimate sphere (especially the family), the sphere of associations (especially voluntary associations), social movements, and forms of public communication. Modern civil society is created through self-constitution and self mobilization. It is institutionalized and generalized through laws. In the long run both independent action and institutionalization are necessary for the reproduction of civil society” (Cohen and Arato, 1995).

In the state controlled society of the Soviet Union civil society played no significant role in policy making. This explains why the institutional framework for engagement in the policy process is still poorly developed. Hryhoriy Nemyria distinguishes two schools of thought about civil society in Russia. “The first is ‘path dependence’ - where you can get to depends on where you are coming from” (Nemyria,

2002, p.15). According to this view the Russian historic tradition of concentration of power in the hands of the state has suppressed the development of a civil society. The author quotes Thomas Dine: “Economic growth itself will do little to create a civil society where it has not existed in the past”.

*Those who follow the path-dependency school differ on their interpretation of Russia’s future. Some observers share the view that Russia is unique and will always be different from the West. Others believe that Russia is capable of modernization and adaption but that the process will take longer. Both subgroups believe, however, that the way out of Russia’s multifaceted path dependencies should be “a homegrown affair” with a marginal role for the West to play.*  
(Nemyria, 2002 p.16)

According to the second school a grass root development of civil society is possible if the Russian political elite succeeds in creating new institutions, thus facilitating democratic change. Special attention should be paid to contemporary factors which block the development of civil society, such as poverty, growing income disparities, a growing number of disabled people, excess mortality, soaring infectious diseases, unemployment, corruption, declining provision of public services and alcohol and drug abuse.

Describing the situation in the Kaliningrad region Birkenbach and Wellmann follow this second explanation when they describe the situation in Kaliningrad “where people find themselves confronted with the lack of the rule of law, where poverty is widespread and social care has deteriorated. Faced by such conditions it is more difficult for civil society actors to raise the élan for a social movement” (Birckenbach & Wellman, 2001, p.43).

## **6.2 Russia's suspicion of NGO's**

Boris Makarenko of the Moscow based Center for Political Technologies was not very hopeful when he said in an interview with Christian Science Monitor: "Civil society is alive in Russia, but it is despite the efforts of the state not thanks to them" (Weir, 2002). In December 2005, the Russian parliament passed a new law which puts NGO's in Russia under state control. This could further restrain the position of NGO's and the position of civil society. A spokesman of The Human Rights Watch in Moscow has called the new law extremely dangerous for the NGO-sector and the development of civil society in Russia. Russian officials oppose this, stating the NGO law is not stricter than comparable legislation in western countries. What the effects of the law will be on the long run, remains to be seen.

Birckenbach and Wellman (2001, p.41) give an explanation for the Russian suspicion of NGO's in Kaliningrad. "Some Russian politicians consider it being a strategy of undermining Russia's identity and sovereignty, others worry that a focus on such a 'Western' issue as civil society could result in a delineation from mainland Russia and could trigger off a process which is neither wanted nor controllable." Those politicians probably saw their views confirmed in the 'orange revolution' in Ukraine in 2004, in which active engagement of NGO's was a major factor.

## **6.3 Regional identity and openness**

Considering the variety and importance of issues at stake in the Kaliningrad region (economy, environment, health, fight against crime) the policy process should not exclusively be a matter of governmental organizations, but also be informed by non-governmental organizations (NGO's) as representatives of the interests and opinions of civil society. For the people of the region, these issues concern many aspects of life. It is not more than reasonable that they have a say in it. Considering the geographical distance of the region to the federal government, input of the population should be heard. Successful implementation of government policies depends on acceptance. If people feel their opinion matters this will be helpful.

Involvement of civil society in the policy process may also be crucial to economic development. The informal networks of civil society reach over the national borders of the region. This exchange of ideas can contribute to an atmosphere of openness, which will turn out favorable for economic exchange. Transition towards a market oriented society demands for sensitivity and cooperation on a micro- and meso-level, which can not be directed by regional or federal government policy.

Many of the issues the region has to deal with, have been studied in an international context. Some of the best informed analytical reports and policy recommendations were made on the basis of research by international NGO's which are active in the wider Baltic region, such as the EastWest Institute (EWI) and the Schleswig-Holsteinisches Institut für Friedenswissenschaften (SCHIFF).

A dynamic civil society in the Kaliningrad region could be involved in the exchange of ideas on a regional, national and international level and in cooperation on issues as health, education and environment in the Baltic region. This may lead to more understanding in the region and pave the way for economic cooperation. To achieve this NGO's must also be able to participate in regional networks of policy making.

An active civil society could also help perceiving a regional identity and stimulate political participation. The idea of a regional identity is problematic because of the region's history and its exclave status. The people of Kaliningrad should be able to address the question how their identity relates to Russian national identity, regional history as well as living in the wider Baltic region. This can motivate people to define future perspectives and change perceived weaknesses into opportunities. As we have seen the thought of secessionism is a sensitivity but not a real threat, considering the strong traditional and economic ties of the region with Russia.

#### **6.4 Facilitating civil society**

“Instead of the belief in a makeable society, with her promise of guidance of the economy in the smallest detail, help the economy to design institutions which do not injure freedom and let them do their job” (McCloskey, 1997, p.149). To achieve a sphere of openness, which is necessary for the region to develop a sustainable economy, the

Russian government must facilitate the participation of civil society in the policy process and the free exchange of ideas in the wider international region.

As a matter of fact the regional government of Kaliningrad recently has undertaken initiatives to engage NGO's in the policy process. In 2005 the regional Duma adopted a law on *Basic principles of the strategic planning in Kaliningrad oblast*, aimed at encouraging social activity of the population, strengthening civil society, good governance and public control and at increasing effectiveness of cooperation between the state and non-state actors in making political decisions. The law was drafted and promoted in the framework of a TACIS project.

To implement this law the regional government has founded a 'Council on strategic management' in which administrative executives participate along with businesses and NGO's. The members of the Council were elected in an all-region conference. This is quite innovative for Russian regions where the government or the governors use to select the organizations with which they consider it relevant to discuss their decisions.

Unfortunately, the newly appointed governor and newly elected Duma will probably amend this law and grant less capacity to the Council to promote civil society interest in policy making. Not because they oppose the idea of participation, but because they do not embrace this achievement of the former government. Nevertheless, the idea of civil society participation is alive in the region. The question is how far the new regional government will go and what methods it will use.

Another hopeful development is that cultural development of the region presently has raised on the list of regional government priorities. The Deputy Minister of the Culture of the region has stated that he appreciates participation of NGO's in the cultural field in the policy process very much. To this effect he has engaged NGO's in the process towards a strategic program of the cultural development of the Kaliningrad region.

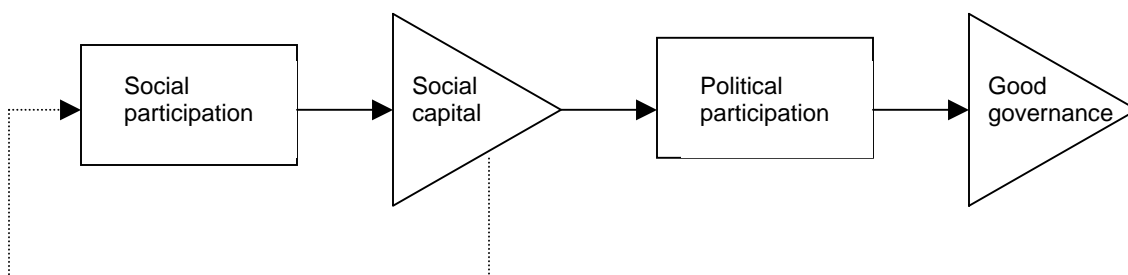
## **6.5 Governance**

The involvement of civil society in the policy process may turn out to be crucial for further (economic) development of the region. In political sciences the concept of

‘governance’ points out the role of the government as the ‘director’ of the policy process, which also includes non-governmental actors, like companies and NGO’s, and can also include international actors, like the governments of surrounding states or supranational organizations such as the EU. “Governance ... is nothing less than the steering of society by officials in control of what are organizationally the ‘commanding heights’ of society” (Goodin, 1966, p.13).

In their book *Policy Design for Democracy*, Schneider and Ingram describe governance as “the capacity of a democracy to produce public policy that meets the expectations of the society – along with the public officials and institutions responsible for devising these policies” (Schneider & Ingram, 1997, p.4). While Pollitt and Bouckaert note: “It is a perspective within which the conventional boundaries between politics and administration are perhaps less significant, and which enables large social questions to be approached more directly than from within the narrower perspective of traditional public administration. The main boundaries are not so much institutional as between larger systems which operate according to different principles of guidance, such as the market economy, civil society and ... the state” (Pollitt & Bouckaert, 2000, p.11).

In the quote above this chapter, Putnam points out the importance of civil society governance for economic prosperity. The relation between social capital and good governance is visualized in his theory of social capital, summarized in schedule 5.1.



**6.1 Theory of social capital by Robert D. Putnam**

## **6.6 Governance and international relations**

As we have seen (economic) development of the Kaliningrad region is strongly influenced by the effects of policies made by the surrounding EU member states. Although the Russian government remains the key player, practically all Russian policies

concerning the region will have to take this international perspective in account. The governance approach makes it possible not only to engage civil society into the policy process, but also implies the possibility of involvement of the EU and its member states. This notion of interdependency introduces a liberalist view, which is further elaborated on in chapter 8.

Anne Mette Kjær describes the development in the theory of political sciences towards international or ‘global governance’. “

*The study of international relations has long been dominated by the realist paradigm, which maintains that states are the most important units in the international system and that the study of international relations is mainly about the relation between states. Since there is no government reigning over all states, the international system is anarchic, and states are in constant preparation for war. However, the realist paradigm has been challenged by many significant problems. One is the internationalization, or globalization, of the world economy, which has raised the discussion of the extent to which states really are in control of their territories. If they do not have full sovereignty, they are no longer the only important units in international relations. Another development is the growth of non-governmental movements and organizations, and the creation of global organizations, such as the WTO to respond to problems, that have a global, or transnational, nature. ( Kjær, 2006, p.5).*

A governance approach of the Kaliningrad issue by the Russian government could thus involve civil society and international organizations, including the EU and its member states, in development of the region, without putting it’s own role as the key-player in question. But this role should be one of ‘steering’ and ‘guidance’ rather than a top-down approach.

## **6.7 European Capital of Culture**

Within a governance perspective, NGO's based in Kaliningrad and the wider international region will have to play a role. The European Union can contribute through TACIS by granting assistance to initiatives for the exchange of ideas concerning relevant issues and educational programs aiming at business and civil society skills.

To stimulate this exchange of ideas and the debate about regional identity, as well as to put the Kaliningrad region on the map of European – Russian cooperation, the Russian government should nominate the city of Kaliningrad to become European Capital of Culture in 2015. According to the EU website:

Designation "European Capital of Culture" helps to highlight the richness and diversity of European cultures and the features they share and facilitates greater mutual acquaintance between European Union citizens. The initiative is open to non-member countries in Europe. Any such country may nominate one city and notify the nomination to Parliament, the Council, the Commission and the Committee of the Regions. Each city is to organize a program of cultural events highlighting its own culture and cultural heritage as well as its place in the common cultural heritage, and involving people concerned with cultural activities from other European countries with a view to establishing lasting cooperation.

This initiative avoids complex political and administrative questions, while it is an outstanding opportunity to present not only the rich history, but also the current opportunities of Kaliningrad and build networks with European cities.

## **6.8 Conclusions**

A governance approach of the Kaliningrad issue should involve civil society and international organizations, including the EU and its member states, in development of the region. The role of the federal Russian government should be one of 'steering' and 'guidance' rather than a top-down approach. The engagement of civil society is conditional for further development towards an export oriented regional economy and a

general sphere of openness. Engagement of civil society in the policy process can supply alternative input and improve implementation of government policies. It can also contribute to the perception of a regional identity. Russian suspicion of NGO's is unnecessary if the institutional development of civil society is facilitated as a 'homegrown affair'. International organizations, such as the EU and its member states, can be involved in policy making on various issues. When granting assistance focused on development of civil society in the Russian region, EU should be aware of sensitivities of foreign interference and secessionism. The Russian government must nominate Kaliningrad to become European Culture Capital in 2015.

## Chapter 7

### European - Russian Relations in the 21<sup>st</sup> century

*The Slavophiles with their attendant myth of the 'Russian soul', of a natural Christianity among the peasantry and their cult of Muscovy as the bearer of a truly Russian way of life, which they idealized and set out to promote as an alternative to the European culture adopted by the educated élites since the eighteenth century; the Westernizers (Zapadniki) with their rival cult of St. Petersburg, that window on the west, with its classical ensembles built on marshland reclaimed from the sea as a symbol of their own progressive enlightenment ambition to redraw Russia on a European grid; The populists, who were not far from Tolstoy, with their notion of the peasant as a natural socialist whose village institutions would provide a model for the new society; and the Scythians, who saw Russia as an 'elemental' culture from the Asian steppe which, in the revolution yet to come, would sweep away the dead weight of European civilization and establish a new culture where man and nature, art and life, were one. These myths were more than just constructions of a national identity. They all played a crucial role in shaping the ideas and allegiances of Russian politics, as well as in developing the notion of the self, from the most elevated forms of personal and national identity to the most quotidian matters of dress and food, or the type of language one uses. (Figes, 2003, p. 19).*

#### 7.1 Introduction

Through the ages political relations between Russia and Europe have been characterized by ambivalence, at times giving way to periods of rapprochement and at other times emphasizing an unavoidable distance. Russian foreign policy towards the West was often a temporary outcome of an internal struggle between political elites with different ideas, as can be red in the fragment of Orlando Figes' book 'Natasja's Dance' above.

Change often was not easily accepted and could only be implemented with force. The West-European oriented style of Peter the Great, for example, was a clear break with the Slavic traditions of his father, tsar Fjodor III. Peter had to deal with tough resistance of conservative powers in Moscow, which considered the building of St. Petersburg, tsar Peter's window to the west and symbol of progress, as a work of dark forces.

Russian-European relations during the cold war era were characterized by military deterrence and political mistrust. European countries watched developments in the East with suspicion. Economic and cultural exchange decreased to a minimum. This long period of distance still has consequences for European - Russian relations. It's not just a matter of different interests, but also of incomprehension that troubles these relations.

## 7.2 Schools of thought

The disintegration of the Soviet Union posed the question of national identity anew. Opposing schools of thought, some of which go back to the nineteenth century, still inform the various streams in Russian foreign policy. According to Marcin A. Piotrowski, "among the options for geostrategic orientation, we can observe three propositions rooted in three historical schools of thought about Russia and the Russians themselves" (Piotrowski, 2002, p.60).

There are the *Zapadniki* (Westernizers), who give priority to western style modernization and to Russian-European relations, consolidated in supranational strategic partnerships, within frameworks of EU, UN, NATO and G8. Not surprisingly, among the proponents of this view we find the liberal economist-politician Javlinsky.

The *Vielikorossy* (Great Russians) are much in line with what Fieges calls 'Slavophiles', stressing Byzantine traditions, the Orthodox Church and ties with the Slavic countries, like Ukraine and Belarus. Their pan-Slavic ideology implies a Russian sphere of influence which includes all Slavic and orthodox countries. A political exponent of this movement is Zhirinovskiy.

The *Yevraziytsy* (Eurasianists) base their ideas on a post-revolutionary emigrant movement which argues that Russia should form a power bloc with European and Asian countries. In their view there is no conflict of interests between Russia and the Islamic

world and various partners as the European Union, Iran, India and China can be united under Russian influence.

The latter has been gaining influence recently. There is an increasing understanding in Russia that the rising economic world powers in East Asia can be of great interest. For example an article in 'de Volkskrant' (Holslag, 2006) reports that China and India are becoming more important as clients for Russian oil, gas and other resources. At the same time, Russia is disappointed it has been ignored in important international matters, like the Gulf War and Kosovo. While it has to watch how the influence of the EU and the USA has been growing in Eastern-European countries like Georgia and Ukraine and how the armies of western countries under UN and NATO command are deployed in Afghanistan and surrounding countries.

President Putin has managed to secure his policies with the support of all three movements within Russian politics. He comes close to a synthesis of the schools of the Westernizers and the Eurasianists, which has been called "geopolitical realism" (Póti, 2002, p.137). This means he keeps a precarious balance and often follows an opportunist course. But it also means he has not made the strategic choice of the geopolitical future of Russia. "To put it simply, the Kremlin has not decided where it belongs in the new international system" (Piotrowski, 2002, p.62).

This attitude to please proponents of all three schools can easily lead to indecision, because any strategic decisions that favors one school more than another may be avoided. Putin's line towards Kaliningrad may be influenced by this. In either view, the importance of the region for Russia in a strategic geopolitical perspective is not in question. But developing plans for a socio-economic future for the region would imply a choice for one particular view, possibly the westernizers. A combination of indecision and low priority could lead to political inertia in this matter.

### **7.3 Interdependence**

During the last decade it has become clear how much Russia and the European countries depend on each other. Russian– European cooperation is no longer a matter of choice but a necessity. Common interests are in the fields of security, soft security and

economy. “While Russia wants the partnership predominantly for economic reasons, the European Union’s main interest lies elsewhere, in the fields of security, stability, democracy building and ecology” (Póti, 2002, p. 140). Although since László Póti wrote this, events in the energy market have made Europe’s economic interests more explicit.

Economic interests are the supply of Russian energy sources to European countries in exchange for hard currency, and the expansion of markets for European products to the East. An understanding between Russia and the Western European countries is crucial for political stability in Eastern-European countries. In addition, common interests also are in fighting international crime, smuggling and terrorism and environmental protection.

Relations between the Russian Federation and the European Union are important, and will become more important, for political stability and economic prosperity in Russia and the European countries. Awareness of this on the sides of both the governments of the Russian Federation and the member states of the European Union, is reflected in the implementation of strategic and practical communication on all levels of administration on a regular basis. The strategic course of relations is set during a Russian Federation – European Union summit, which takes place every year. Policies are worked out on all levels of administration. This chapter will look into the policy frameworks which play a role in the relations between the Russian Federation and the European Union, focusing from general agreements to policies on the issue of Kaliningrad.

#### **7.4 Foundation of European – Russian cooperation**

The Russian and European governments have declared they find common values in democracy, peace, economic freedom, equality and partnership. Although these values remain abstract until they are successfully implemented in practical policy, there is an agreement on paper at least. These common values underlay the strategic ‘Partnership and Cooperation Agreement’ (PCA) which was signed in 1994 by the heads of state or heads of government of the member states of the European Union, the president of the European Union and the president of the European Federation.

The PCA entered into force on December 1997 and has an initial duration of ten years - until 2007 - after which it will continue, unless either participant will step out. As

a matter of fact continuation was made an issue by Russia during the negotiations over the Kaliningrad question towards the enlargement of the European Union in 2004. Russian officials threatened to cancel the agreement if their conditions, mainly concerning the visa regime for the Kaliningrad population, were not met. During the process of negotiation they withdrew these conditions.

The PCA is aimed at strengthening political, commercial, economic and cultural ties between the Russian Federation and the European Union, and envisages the eventual establishment of an EU-Russia free trade area. It is also directed at the support of Russia's transition to a market economy and the enhancement of Russia's democratic institutions and the promotion of international security.

Dialogue within the institutional framework of the PCA takes place on all levels. Twice a year there is a strategic summit of heads of state / heads of government. Ministers in several fields meet when necessary, but at least once a year, in the Permanent Partnership Council, to discuss specific issues and solve problems which are encountered in the cooperation. This is called the 'clearing house function'. Representatives of both parliaments meet in the European Parliament-State Duma Parliamentary Cooperation Commission to exchange ideas. Senior officials from both sides meet in the Political Directors Troika Meetings, which consists of officials from Russia, the EU-member state that holds the EU presidency and the next EU presidency, CFSP High representative / council secretariat and the European Commission.

On the May 2003 St. Petersburg summit a new vision was put forward by the introduction of the four Common Spaces, which are to be distinguished within the PCA. All of these four spaces are relevant to the situation of the Kaliningrad region after the EU-enlargement.

- A Common Economic Space, in which the EU and RF work towards an open, integrated market. This space also includes the dialogue on energy;
- A Common Space of Freedom, Security and Justice, which addresses mutual enforcement of Justice and Home Affairs, with respect for the rule of law and human rights. This space also includes border management, travel facilitation, visa regimes and people-to-people contacts;

- A Common Space of External Security, which aims at strengthening and developing EU – Russia dialogue and cooperation in the prevention of conflicts and crisis management;
- A Common Space of Research and Education, which supports the exchange in the fields of research, education and culture, which are considered to be conditions for mutual understanding and economic prosperity.

In February 2004 the European Commission noted that since the PCA has been in effect, interdependence has increased and that the coherence of cooperation should be further improved within the framework of the PCA. On the summit of May 2005 the leaders of the EU and Russia adopted a package of road maps for the creation of the four Common Spaces. These road maps set out shared objectives for EU-Russia relations and the actions necessary to realize these objectives. The road maps thus determine the medium term agenda for cooperation.

### **7.5 The European Union's Northern Dimension**

Regional interests of the Northern EU-countries with borders on the Baltic Sea and Russia were first pushed on the European agenda in 1997 by the Finnish government with a proposal to note a 'Northern Dimension'. This proposal particularly expresses a concern for the problem of nuclear waste within the borders of the former Soviet Union, with possible consequences for countries of the Union. The European Council embraced the initiative and asked the European Commission to report on the state of affairs in the region.



**7.1 The European Union's Northern Dimension (source EU webportal > External Relations, 2006)**

During a conference arranged by the European Commission and the Finnish government in November 1999 in Helsinki the Northern Dimension was conceived in a broader way as ‘working with the countries of the region to increase prosperity, strengthen security and resolutely combat dangers such as environmental pollution, nuclear risks and cross-border organized crime’. With these guidelines the European Council proposed to involve the acceding countries: the Russian Federation, Norway and Iceland. This led to an action plan by the European Commission presented in June 2000 in which Kaliningrad explicitly was mentioned as an issue.

This first action plan was in 2003 followed by the second Northern Dimension Action Plan 2004 – 2006. On the occasion of the presentation of this plan, the European Council noted that ‘the Northern Dimension will assume enhanced importance in the context of EU enlargement and will have an important contribution to make carrying forward the Union’s New Neighborhood policy in the entire region.’

## 7.6 TACIS

Created in 1991, TACIS (Technical Assistance for the Commonwealth of Independent States) is the program through which the European Union is investing in economic and political relations with countries in Eastern Europe, the Caucasus and Central Asia. TACIS provides grant finance for know-how and technical assistance to support the transition to a market economy and towards political freedom. To make sure that the TACIS funding fits in existing reform policies, the EU works closely together with the governments of partner countries, thus making it an appropriate instrument for cooperation. TACIS has granted over 2.46 billion euro for the implementation of more than 1,500 projects in the Russian Federation.

To coordinate assistance projects in the Kaliningrad region a TACIS local support office was opened in the city of Kaliningrad in 2001. Since 1991, the European Union has provided roughly €40 million in TACIS assistance to the Kaliningrad region. Noteworthy, the EU still keeps another 25 million in reserve for projects proposed by the Russian government. Key sectors of TACIS support are:

- Private sector support, including regional economic development, enterprise structuring and human resource development;
- Cross border cooperation, including border management and port development;
- Environment, focussing on the reduction of environmental pollution and the preservation of nature;
- Health and education, including the reduction of health risks and social disparities, the prevention of communicable diseases and programs for higher education;
- New orientations to take advantage of opportunities created by the EU-enlargement.

A list of ongoing TACIS projects in the Kaliningrad region in 2004 shows most of the money is spent on border crossing modernization and environmental protection, which reflects the priority the EU gives to measures which directly reduce crossing border problems. (see table 5.4)

## **7.7 The enlargement of NATO**

The European Union is not the only supranational organization which has been expanding into former East block territory. Negotiations about EU enlargement have been complicated by the enlargement of NATO in 1999 with Poland, Hungary and the Czech Republic, which has not been accepted easily by Moscow. On 29 March 2004, seven new countries formally joined the Alliance: Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia. This was the fifth, and the largest, round of enlargement in the Alliance's history.

Especially the accession of Poland in 1999 has influenced the Russian attitude towards the idea of Poland and the Baltic states becoming EU members, moving the borders of both military and economic influence Eastward and complicating the situation of the strategic-military stronghold of Kaliningrad as most western Russian military basis. Sensibilities in this respect appeared in January 2001 when an article in the Washington Post spoke of the transfer of nuclear weapons to Kaliningrad, contrary to previous Russian declarations about de-nuclearization of the Baltic region. True or not, the article pointed out one of the complexities of the Russian exclave and its military base.

It should be noted relations between Moscow and NATO were deeply influenced by the terrorist attacks of 9/11. "Within weeks Moscow changed from being a rival of the United States to becoming a key ally. ... All in all, paradoxically the terrorist attacks brought about a number of positive developments in key areas of European and international politics" (Póti, 2002, p.141).

## **7.8 Russia's membership of the World Trade Organization**

Russia's long felt, but not yet accomplished, wish to become a member of WTO has played a role in EU-RF negotiations on Kaliningrad. In May 2002 the EU granted Russia the status of a free market economy, which can be considered as an important condition for Russian WTO membership, at the same time that Russia came back on its demand for free transit for Russian civilians through EU territory between Kaliningrad and the Russian mainland.

## **7.9 Conclusions**

The European Union and the Russian Federation have undeniable common interests in securing political stability and economic prosperity. The awareness of this interdependence on both sides underlays frameworks of joint policymaking and cooperation. Russia has not yet defined its role in the new geopolitical situation that has evolved after the disintegration of the Soviet Union. Effective foreign policy making asks for a choice between the ambition to restore the status of a super power or to focus on the development of a regional sphere of influence. The issue of Kaliningrad so far has mainly played a role in settling more general questions, such as security and border crossing problems. Inertia towards its socio-economic development may be caused by a general indecision in foreign politics regarding various schools of thought.

## Chapter 8

### Decision making by the Russian government

**This chapter relates what has been called “the Kaliningrad puzzle” (Stepanov, 2003, p.13) to two theoretical concepts which explain the process of decision making by national states. The first is “the realism-idealism debate” (Goldstein, 2005, p. 101). Both ‘-isms’ appear to be relevant. The second is a theory of decision making within governments. Allison and Zelikow describe three models: the Rational Actor Model, the Organizational Behavior Model and the Governmental Politics Model (Allison & Zelikow, 1999). When applied to the process of decision making by the Russian government all three models are instructive. The Governmental Politics Model unveils aspects which seem to be neglected by the Russian government.**

In respect to Kaliningrad there are two governmental organizations involved as main actors: the Russian Federation and the European Union. Both define policies in respect to the region. Russia is the key player, since the region is part of its territory. The models of Allison and Zelikow is suitable to analyze decision making within the Russian government. These models are not fit analyze the interaction between Russia and the EU, which involves two separate policy processes. Here the concepts of ‘Realism’ and ‘Idealism’ in International Relations theory as described by Goldstein are useful.

#### **8.1 International cooperation**

The former chapters indicate that socio-economic development of the Kaliningrad region depends largely on a joint approach by the Russian Federation and the EU. In a globalized world, not much gets done without international cooperation. But the situation of the exclave particularly asks for accordance of Russian-European policies.

Although both parties have a mutual interest in development of the region, they will act in way which serves their own interests best. When either party makes a calculation of interests, regional issues will have to compete with others. Russian

sovereignty is undisputed. Any suggestion that Russia is not in the lead in defining the regions future, may frustrate progress of policy making and implementation in respect to the region.

## **8.2 Realism versus idealism**

Realism explains international relations in terms of power. It is build on a tradition in political science which perceives international relations between countries as a state of anarchy, where a central government as well as binding laws are lacking. Realism assumes national states are the key actors in this international system. As unitary, rational actors these states will try to realize goals based on calculation of their own utility.

As the traditional counterpoint of Realism, “ Idealism holds that peaceful and cooperative relations among states are possible; and states can operate as a community rather than merely as autonomous self interested agents” (Goldstein, 2005, p.101). To oppose the Realist notion of 'power politics' Idealism uses liberal values, worked out in a theory of interdependency between national states. In this view the Realist approach to power leads to seeking narrow self-interest, while international cooperation can result in long term collective benefits.

### **8.2.1 Russian realism**

Policy making in respect to the Kaliningrad region is primarily a Russian matter. According to the school of Realism national interests and power politics are leading in this process. As a unitary, rational actor Russia will set goals which, calculated on available information, serve national interests best. Cooperation with the European Union will only be considered worthwhile if benefits can be reached on an acceptable term.

The Russian federal government will not cooperate if its sovereignty or national interests are put in question. This complicates the agreement between the RF and EU on a joint strategic policy towards the region. Since such an agreement demands for a common and simultaneous approach which could obscure Russia's leading position.

### **8.2.2 Interdependency**

However, increasing economic interdependency between Russia and the European Union, calls for more cooperation. A framework for cooperation has been reached with the agreement on a Common Economic Space. But in case of Kaliningrad this general framework is not sufficient. Because of its scale and exclave position, development of Kaliningrad depends immediately on the wider international region. As described in this thesis economic development of the region so far has been closely related to the Russian mainland through the SEZ policy.

In an ideal situation Russian and European policies for the region are two sides of the same coin. Without denying Russia's leading role in the socio-economic development of the region, it is clear that Russian policies should be optimally facilitated by European policies. To this end the European Union should be involved early in the Russian policy process towards Kaliningrad. To this end introduction of 'good governance' in the policy process should include the EU .

### **8.3 Decision making by governments**

How do national governments make decisions? Allison and Zelikow demonstrate that situations in which governments take decisions vary from well structured and precedented to ill structured and unprecedented. In all case decisions by national governments have serious consequences. In some cases they are critical to national interests.

The authors distinguish three ways to analyse decision making in governmental organisations. The first is the Rational Actor Model (RAM), based on the economic theory of rational choice. The second is the Organisational Behaviour Model (OBM), which gives attention to the way decision making is influenced by organizational features. The third is the Governmental Politics Model (GPM), which focuses on the political nature of decision making by governments.

An assessment of the value of the three models for explaining decision making towards the Kaliningrad region by the Russian Federation shows all three are instructive, while the Governmental Politics Model is the most advanced.

### **8.3.1 Rational Actor Model**

This model is based on the economic theory of rational choice, which holds that individuals in economic markets try to maximize value. Their choices are based on an assessment of alternatives as ways to reach set goals. Such an assessment suggests the individual has complete information about the alternatives and their consequences and is supposed to operate an internally consistent value system.

Although the Rational Actor Model (RAM) may be useful to analyse economic markets on a macro level, it turns out less useful for explaining the actions of individuals. The value maximizing individual with complete information does not exist. However, this doesn't mean the model is useless.

Several authors have worked out more realistic versions of RAM. There are three major theoretical developments. Herbert Simon introduced the concept of 'bounded rationality' which implies actors do make decisions without having complete information. They use various methods to fill in the blanks, with more or less reliable assumptions. A second development is the introduction of more situational factors. The short cut from A to B, from *purpose* to *action*, appears to be too simple. Before taking action actors make an assessment of strengths, weaknesses, opportunities and threats.

The third development is the use of the model to analyse governmental decision making in an international context. It focuses on the question: who is to be considered a rational actor in simulations of government decision making. It makes a difference whether the actor is considered to be a state (notional actor), democracy (general actor), a particular country (identified actor) or the president of a country (personified actor).

This notion points out the biggest problem of applying RAM to governmental decision making. The use of RAM assumes there is a unified national actor. From this assumption follow two basic principles. The first is that unitary states are the key actors

in international affairs. The second is that those unitary states act rationally, calculate costs and benefits of alternatives and choose the actions which maximize their utility.

Implicit use of RAM can be detected in the media, politics and social science when actions by governments are explained. But critical analysis shows states do not act as unified actors and that rationalization by the actors involved is not necessarily directed towards the maximization of utility from the perspective of a unitary state.

Not satisfied by the results of using RAM for the analysis of government decision making, Allison and Zelikow searched for other models. They have worked out two alternatives: the Organizational Behaviour Model and the Governmental Politics Model.

### **8.3.2 Organizational Behaviour Model**

According to this model a national state is not a unitary actor but consists of a conglomerate of organizations. These all process information in a way designed to perform regular tasks. For reasons of effectiveness and efficiency people in organizations follow standard operating procedures (SOP's). These SOP's ensure the outcomes of the organisations meet expectations, but are also very hard to change along the process. Especially in more complex organisations, when SOP's are reinforced by safety systems, which control the process as well as the outcomes.

Changing procedures is also restrained by organizational culture. Employees adopt rules and roles based on experience and tradition. This leads to institutionalization of functions and procedures. People handle a 'logic of appropriateness', which means they assess changes and irregular events on the basis of regular patterns. It's not easy to change 'the way we do things here'. This explains why outcomes of organizational decision making is often the result of SOP's and organizational culture and less of deliberate choice.

The Organizational Behaviour Model explains why the cooperation of organizations within a national government can produce inconsistent inputs for national policies. In recurrent routine situations this will sooner or later lead to procedures to handle these inconsistencies. In crisis situations the consequences for decision making can be unforeseen, irrational, ineffective and even disastrous.

This model takes into account the dynamics of a government as a conglomerate of organizations and the restraints under which these organisations are working, limiting the possible variety of outcomes and creating chances for inconsistency. However, it does not pay attention to the subjective and personal perception of situations by individuals in government organisations and their assessment of political chances.

### **8.3.3 Governmental Politics Model**

The third model focuses on individual actors in governmental organizations. They are the players in the competitive political game. In this model the government is not considered to be a unitary actor but rather a complex arena of actors, power and interests. The actors involved can be government officials as well as NGO's, media or public representatives. Those actors have diverse conceptions of national, organizational and personal goals. To fight for one's convictions is seen as a personal responsibility.

Power within the government is shared between the actors who are engaged in the process of decision making. An important role for leaders is to persuade actors to cooperate in the process towards national interest. Apart from the power to achieve goals, players can also use their influence to block decisions or lend a hand to other parties in exchange for cooperation on other issues. Framing issues and agenda setting is just as important as taking actual decisions. Information is not equally shared among players, which means the decision makers depend on others with more expertise on a subject. Decision rules are important as they create the space in which decisions are made.

This model shows the complexity of joint action, which is the essence of governmental political decision making. It explains why decisions often not seem to be directed to a rational goal. They may be compromises which reflect a coalition among players or a trade off on matters other than the subject of the actual decision.

Of the three models the Governmental Politics Model is the most advanced to explain government decision making. Although all models have their merits for analysis, the use of the Government political model gets closest to the essence of political processes. "Despite its usefulness, analysts should be aware that the model is not an end

itself. Its should be used as an instrument to unveil the political game, not as a guarantee that there is a conspiracy behind every government decision.” (Allison & Zelikow,..)

#### **8.4 Decision making by the Russian government**

To foreign analysts, who are not familiar with the Russian political debate and its institutions, it is tempting to see the government of the Russian Federation as a unitary actor. In ‘Who rules Russia and how?’ Katarzyna Pelszynska-Nalecz notes “Power in Russia is often identified with the country’s president” (Pelszynska-Nalecz, 2002, p.1). If it really was that simple, the Rational Actor Model could explain for the Russian policy process in general and for the question of Kaliningrad, assumed that the notion of bounded reality is taken into account to compensate the flaws in the model.

Russian policies towards Kaliningrad so far, could be explained by looking set goals, while future policies should be based on these goals. As we have seen in chapter 4, the Russian political and administrative system, like other governments, does not behave as a unitary actor. Decisions by the federal government are the outcomes of a political process which includes much more issues. These can be general political issues, such as a perceived threat of secessionism, as well as more specific issues, such as the idea that Kaliningrad citizens should be free to travel to and from the Russian mainland.

There is also the division between the national and the regional government. Despite the centralist organization of Russian administration, there are political interests involved on both levels. More than the national government, the regional administration has to take immediate socio-economic effects in account, if only for electoral reasons.

The Rational Actor Model also ignores the interaction of decision making by the government with civil society. Even though official influence of NGO’s is small, it is hard to imagine that public interest groups do not influence decision making at all. At least they succeed in putting issues on the political agenda.

Despite its limitations use of the Rational Actor Model is instructive. It provides key information, such as the economic SWOT analysis in chapter 5. The model is useful especially when used in combination with both other models.

### **8.4.1 Organizational behaviour**

As in any other bureaucracy, standard operating procedures and organizational culture within the organizations which make up the whole of the Russian government, should be taken into account as factors influencing decision making. Especially considering the great deal of institutional change which has taken place in Russia during the last fifteen years. Falling back on standard procedures and cultural patterns, seems logical in situations which change faster than institutions follow. As a response to a dramatic pace of change, people and organizations tend to hold on to 'the way we do things here'.

This can create tension between the visionary, but sometimes unrealistic policies of the federal government and the implementation of policies on a regional level. Faced with harsh everyday reality, regional officials may fail to put in effect federal policies. They may also fail to support private organizations and individuals which are adapting to institutional change, such as the transformation to democracy and market economy. This emphasizes the importance of reform of regional government organizations and training of government officials.

Although it unveils points of potential friction within the government as a conglomerate of organizations, the Organizational Behaviour Model does not fully account for the process of decision making on Kaliningrad by the Russian government.

### **8.4.2 Governmental politics**

The policy process in Russia still too often supposes a one way direction from the centralist federal government to implementation on a regional or local level. It should be acknowledged that policy making is not such a linear process, but involves the influence of many individual and organizational actors within and outside the administration. As a model which includes the role of formal and informal individual actors in the political arena, the third model gets closest to an analyses of decision making on the level of 'governance'.

The Governmental Politics Model gives attention to two important aspects of the policy process concerning Kaliningrad. The first aspect is the general notion provided by

this model that the government itself is not a unitary actor or a mere conglomerate of organizations, but a sphere where individual and organizational actors are working towards aims which are in accordance with their convictions and interests. The second aspect is the fact that the Kaliningrad region is in a process of change from a society which was dominated by military strategic interests and strong centralist influence to a democratic, market oriented society. This means inevitably that the political game must be open for relatively new players, such as businesses, political parties, interest groups and media.

Leadership by the federal government thus should be less directed at designing a blueprint for change and controlling progress, but instead at setting common goals and persuading actors to go along in reaching them. Good governance should facilitate NGO's and businesses to participate in the policy process and offer education and training.

## **8.5 Conclusions**

The schools of Realism and Idealism in International Relations theory are both relevant to the situation of Kaliningrad. Russian sovereignty means policies aimed at socio-economic development of the region are primarily a Russian concern. According to the school of Realism, Russia will base its policies on what it perceives as its national interests.

But as a Russian exclave practically surrounded by the European Union, development of the region can only be seen in an international context. Interdependency between states is undeniably clear here. The school of Idealism in international relations points out states may gain long term benefits from international cooperation which outweigh short term interests as perceived from a realist point of view.

The three models of Allison and Zelikow each expose relevant aspects of decision making by the Russian government on the issue of Kaliningrad. The Rational Actor Model is most in accordance with assumptions which underlay the centralist style of the Russian federal government and the strong position of the president. According to RAM the government can be seen as a unitary rational actor, which is comparable to the realist perception of a government. It suggests policies are the result of decision making by a

unitary actor (the state or president) and based on a calculation the value of alternatives to serve set goals.

In reality, the government is made up of various organizations, each working towards their own goals, following standard operating procedures and organizational cultural patterns. The Organizational Behaviour Model points out the possible frictions between various organizational bodies of both the regional and federal government. The Russian government is aware of these frictions, considering its recent efforts to balance regional and federal influence and tighten central control.

The Governmental Politics Model reveals the dynamic of political factors which are probably undervalued in the process of decision making by the Russian government. To guarantee the involvement of persons and organizations both within and outside the government, it should pay attention to the ideas and convictions of these persons and organizations. The government should show its leadership by setting common goals and persuading all involved actors to go along reaching them.

## Chapter 9

### Conclusions and recommendations

**To a large extent this study is descriptive, supplying and analyzing information which helps to understand the complex situation of the Kaliningrad region. The history, economy and civil society of the region have been put in a context of relations between the Russian Federation and the European Union. The conclusions of each chapter contribute to policy recommendations for the Russian government and the European Union, which are brought together in this last chapter.**

The conclusions of this study fully support my thesis, which is:

*As the key player in the socio-economic development of the Kaliningrad region the Russian federal government should introduce a practice of good governance, which involves the public administration, civil society and economy in the region as well as international actors, such as the European Union.*

### 9.1 Conclusions

Let's have a look at these conclusions by answering the sub questions given in chapter 1.

- 1. Which are specific aspects of the exclave situation of the Kaliningrad region?  
Could a comparison with other exclaves in history or the world today shed light on factors relevant for Kaliningrad?*

The situation of the region as a Russian practical exclave surrounded by EU member states makes it complex to define policies for socio-economic development. Chapter 2 shows that some of the most important particular features concerning exclaves are related to three aspects: administration, economic development and access. Although

the use of modern information and communication technology reduces the problem of administration by the national government in general, there are clearly tensions between the Russian federal government and administration of far away regions, such as Kaliningrad. Considering the aspect of economic development; the region has not succeeded in turning its isolated location into an advantage, although it is benefiting from SEZ privileges and the return of (inter-)national tourism. The question of access of people and goods to the region seems to be solved, thanks to intensive cooperation between the Russian Federation and the European Union in the run up towards the EU-enlargement in 2004.

2. *How has the current situation of this Russian region historically come about? Are fears of separation of the region from Russia justified?*

Kaliningrad has become a Russian region in 1946 as a result of the Potsdam agreement, and was formerly part of the German region of East-Prussia. A study of the history of the Kaliningrad region in chapter 3 makes clear that there have been periods of great economic and cultural prosperity, thanks to the position of the region within an international network of trade and culture. This shows the idea of Kaliningrad as a bridge between East and West is not new. The history of the region is inspiring and should be taken into account in the search for regional identity and in the foundation of Russian-European cooperation. Fears of the Russian government for secessionism are far fetched. The current population of the region is mainly Russian. The German government has declared it will not claim the territory back. The historic international trade networks were based on openness, which was not at all a threat to national interests or sovereignty.

3. *What is the status of the Kaliningrad region in a national and international context?*

Chapter 4 describes the status of Kaliningrad as the smallest of 48 Russian oblasts (regions). The regional government consists of a governor and a Duma (parlement). The region is part of the Russian North-West District. Russia's territorial integrity over the

region is not in question, but is still a sensitive topic in political debates on the future of the region, because of historical and emotional connotations. Despite great symbolic and military strategic importance of the region on an international level, it has little economic meaning in an international perspective.

*4. To what extent is the regional administration independent in its policy making?*

Chapter 4 also shows the Russian federal government exercises strong control over the regions. Strategic decisions concerning the region are made on a federal level. The regional administration has little independent competencies for policy making, and none at all concerning issues of strategic economic development or international relations. Independent power of the regional government is further reduced by the strong position of the president's representative of the North-West district.

*5. How has the regional economy developed since the disintegration of the Soviet Union?*

Figures on economic development given in chapter 5 show economic development of the Kaliningrad region since disintegration of the Soviet Union in 1991 has long been under the Russian average. The Special Economic Zone (SEZ) policy towards the region did have positive effects for the regional income, but also made the regional economy import driven and dependent on tax privileges and subsidized energy. Strong Russian economic growth since 1999 has had positive effects on the regional economy, with growth of 1,5 times the Russian average. This points out the regions dependence on Russian macro economic performance, which in turn depends largely on the price of oil, gas and metals on the world market.

6. What is the meaning of the exclave situation for economic development of the region?

The performance of the regional economy as described above is largely due to its exclave status. Chapter 5 also holds that this status can only be turned into an advantage if sensitivity for market opportunities in its wider international region is increased and the regional economy becomes export oriented.

7. *What is the position of civil society in the policy process in Russia, and specifically in the Kaliningrad region?*

Chapter 6 gets into the problematic position of civil society in Russia and especially in Kaliningrad. Traditionally the role of civil society in the policy process is marginal. The transition towards a democratic system since 1990 has only changed this to some extent. The state and private enterprises are the main players; the political balance shifting from one side to another. The Russian government is still very suspicious of NGO's, free media and political opposition. The situation in Kaliningrad is quite the same, although international NGO's, such as the EWI and SHIFF contribute to the debate on the future of the region with expert meetings and reports, and the EU grants assistance through its TACIS programme.

8. *Which actors should be taken into account in the policy process regarding the situation of the Kaliningrad region?*

The engagement of civil society in the policy process seems conditional for further development of the region towards an export oriented economy and a general sphere of openness, as is stated in chapter 6. Engagement of civil society can supply alternative input of ideas and improve implementation of government policies. It can also contribute to the perception of a regional identity. Russian suspicion of NGO's is unnecessary if the institutional development of civil society is facilitated as a 'homegrown affair'

Good governance also has international aspects. A governance approach of the Kaliningrad issue should involve both civil society of the region and international organizations, including the EU, in development of the region. The role of the federal Russian government should be one of 'steering' and 'guidance'.

*9. How can relations between the Russian Federation and the European Union be characterized? What is the position of Kaliningrad in this perspective?*

The European Union and the Russian Federation have undeniable common interests in securing political stability and economic prosperity. Relations between the RF and EU are summarized in chapter 7. The awareness of this interdependence underlays frameworks of joint policymaking and cooperation. But when it comes to short term interests, realism rules. The issue of Kaliningrad in cooperation between the RF and EU, so far has only led to settling problems which are perceived as urgent by both sides, such as security and border crossing problems. Inertia towards its socio-economic development may be caused by indecision in Russian foreign politics regarding the new position of Russia in the world.

The Kaliningrad region has become prominent on the agenda of international relations in the run up towards enlargement of the European Union in 2004. Good intentions expressed both by the Russian Federation and the European Union have not led to a joint strategic vision on socio-economic development of the region. Russia's top-down policies focused on economic progress have only had limited success and not guaranteed conditions for lasting socio-economic development. The European Union's first concern was to contain border crossing effects of problems in the region. To this end EU assistance has been granted through the TACIS program.

In the coming decades political and economic interdependency between the European Union and the Russian Federation will further increase. Both have common interests in securing political stability and economic prosperity. The present economic balance depends largely on Russian export of energy sources and metal to countries of the EU, while Russia is an important market for goods produced in these countries. A change towards an export oriented Russian economy can be in the interest of both Russia

and the countries of the European Union. The Kaliningrad region could become a pilot region for this change.

*10. How does the process of decision making within the Russian government work?*

Chapter 8 shows that the schools of Realism and Idealism in International Relations theory are both relevant to the situation of Kaliningrad. The making of policies aimed at socio-economic development of the Russian region is primarily a Russian concern. According to the school of Realism, Russia will base its policies on national interests. But as a Russian exclave practically surrounded by the European Union, development of the region can only be seen in an international context. Interdependency is undeniably clear. The school of Idealism points out states may gain long term benefits from international cooperation which outweigh short term interests as perceived from a realist point of view.

The three models of Allison and Zelikow expose relevant aspects of decision making by the Russian government on the issue of Kaliningrad. The assumptions underlying the Rational Actor Model seem most in accordance with the centralist style of the Russian federal government and the strong position of the president. According to RAM the government can be seen as a unitary rational actor, which is comparable to the realist perception of a government. It suggests policies are the result of decision making by a unitary actor (the state or president) and based on a calculation the value of alternatives to serve set goals.

In reality, the government is made up of various organizations, each working towards their own goals. The Organizational Behaviour Model points out the possible frictions between various organizational bodies of the regional and federal government. Of this the Russian government is more or less aware, considering its recent efforts to balance regional and federal influence and tighten central control. OBM also highlights the role of standard operating procedures and organizational cultural patterns in governmental behaviour. These should be taken into account, especially considering the high degree of change in governmental organizations since 1990.

The Governmental Politics Model reveals the dynamic of political factors which are probably undervalued in the process of decision making by the Russian government. To guarantee the involvement of persons and organizations both within and outside the government, it should pay attention to the ideas and convictions of these persons and organizations. The government should show its leadership by setting common goals and persuading all involved actors to go along reaching them.

## **9.2 Recommendations**

1. In the run up to enlargement of the European Union in 2004, the question of Kaliningrad was conceived of as a possible hindrance. Now the enlargement is fact, Russian – European cooperation concerning the region is in need of a new élan. Although Russia is the key player, both the RF and the EU should take their responsibility and cooperate in achieving joint vision on long term development of the region.
2. The Russian federal and Kaliningrad regional government should use the current period of strong economic growth to change the regional economy from import driven to export oriented, and encourage regional enterprises to invest profits in export oriented businesses. The regional economy should find its place within its international context. A SWOT analysis in chapter 5 shows some opportunities which can be further investigated.
3. Changing the regional economy from import driven to export oriented demands a different approach of the Russian federal government, introducing a practice of ‘good governance’ by the Russian government. Governance should involve active participation of civil society in the region. It should also involve active participation of international organizations, including the EU.
4. The development of civil society in the region should be stimulated and made a ‘home grown affair’.

5. The European Union should contribute to governance by offering assistance, training and education to governmental and non governmental actors in Kaliningrad.
6. Due to the exclave status of the region the Russian federal government should realize it is operating on a long distance and appreciate initiatives of the regional government. The Russian policy process towards Kaliningrad should become less top-down, paying respect to functional divisions within the government, e.g. federal versus regional, and the process of institutional change.
7. The Russian government should facilitate the region in conceiving its regional identity, based on its Russian nationality as well as on the rich cultural and intellectual regional heritage.
8. Because of the historical connotations of Russian sovereignty over the region, all actors in the debate on the Kaliningrad region should be aware of the sensitivities regarding this issue.
9. The Russian government should nominate the city of Kaliningrad with the EU for designation of European Cultural Capital in 2015. Emphasizing the city's rich cultural and intellectual history as a connection between East and West, will promote present economic opportunities of the region to an international audience and contribute to perception of a regional identity.

## Chapter 10

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